



# The European Union

A GUIDE FOR AMERICANS



“The Union is founded on the principles of liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law, principles which are common to the Member States.”

—ARTICLE 6, TREATY ON EUROPEAN UNION



2007 Accession Day celebration.

### Editor's Notes

Twelve new Member States. A robust security structure. New programs to promote development and stabilization. A leading role in the global effort to combat terrorism. These are among the many recent or ongoing changes to the European Union described in this guide as the EU extends its social and economic agenda into the 21st century to promote democracy and stability in Europe and around the world.

This "Guide for Americans" covers all aspects of the European Union, from its initial incarnation as the six-nation European Coal and Steel Community created by six nations in 1951, to the formal creation of the Union in 1993 with the implementation of the Maastricht Treaty on European Union, to the most recent developments, including the admission of 12 new Member States since 2004.

The term "European Union" (EU) is used in this brochure whenever appropriate. Other terms, such as "European Community" (EC) and "European Coal and Steel Community" (ECSC), are used when the historical context is appropriate or to describe the statutory functions of bodies that still have legal identities within the EU.

All information regarding EU institutions, policies, and programs is the most recent available at the time of publication. For updated information, please consult [www.eurunion.org](http://www.eurunion.org), the website of the the European Commission Delegation in Washington.

Where possible, financial amounts appear in U.S. dollars and are converted from euros using the appropriate annual dollar to euro exchange rate.

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# Ambassador's Welcome



**F**ew bonds in the world are as strong as those between the European Union and the United States. Across the Atlantic, we share a firm commitment to peace, democracy, human dignity, and prosperity. Over half a century of close cooperation, common values, economic partnership, and friendship have solidified transatlantic ties.

The European Union owes much to American inspiration and support. From our earliest days, we studied the U.S. experience and emulated many of the best characteristics of American government. Separation of powers, checks and balances, and public accountability are just some of the many aspects of the European unification system deeply rooted in American structures.

The United States has always been a strong backer of European integration, which has had the support of every American president since the 1950 Schuman Declaration laid out a vision for a united Europe. The United States was the first nation to recognize the European Coal and Steel Community, the precursor to today's EU, and the first to establish a diplomatic presence before the Community.

Today's European Union, with close to 500 million citizens in 27 Member States, embraces a strong partnership with the United States. Together, we work for peace and security around the world, advance democracy and human rights, and address global challenges. We have the world's most important economic, trade, and investment relationship. A vibrant dialogue between Europe and America takes place every day and on many levels—between government institutions, political leaders, business executives, non-governmental and professional organizations and, literally, millions of citizens on both sides of the Atlantic.

To make our partnership even more productive, it is important that we

know more about each other—how our political, economic, and social systems function, and how we make decisions that advance our common goals. With this in mind, we have fashioned *The European Union: A Guide for Americans* to help Americans better understand the European Union, its values and priorities, and our shared responsibility to work together for a better world.

**Ambassador John Bruton**  
*Head of Delegation*  
*European Commission*  
*Washington, D.C.*

## Celebrating The EU's Birthday: 50 Years of European Integration

March 25, 2007 marks the 50th Anniversary of the Treaties of Rome, which created the European Atomic Energy Community and the European Economic Community, the forerunners, along with the European Coal & Steel Community, of the modern European Union. Today, after five enlargements, the 27-member EU, prosperous and vibrant, stands as a unifying force for peace and freedom, democracy and the rule of law, and respect for human rights and equality, both at home and abroad.

**ToGEThE**<sup>®</sup>  
 SINCE 1957



## Chapter One

# What is the European Union?

## *A Union of States and Peoples*

The European Union is not a federation like the United States. Nor is it simply an organization for cooperation between governments, like the United Nations. Neither is it a State intended to replace existing states, but it *is* much more than any other

procedures are based on the treaties agreed to by all EU countries, under which sovereignty is shared in specified areas. The result is a union of 27 Member States covering 1.6 million square miles with roughly half a billion people producing

tions. The Member States agree that democracy is the best form of government. They believe in societies that encourage pluralistic political thought and endorse freedom of speech and religion. They support free market economies—where economic development and growth are driven by the private sector and facilitated by governments. They believe prosperous countries have an obligation to help poorer and less developed regions and nations. And they value living together in peace as well as promoting these principles globally.

The EU sets high standards for membership. Candidate states must have stable democratic governments; respect for the rule of law, minorities, and human rights; a functioning market economy; and the ability to take on the obligations of EU membership. That is, prospective members must have the capacity to adopt and implement the body of EU laws and regulations that ensure cooperation in a multitude of areas in addition to trade and the economy, including citizens' rights, freedom, security, and justice, job creation, regional development, environmental protection, and making globalization work for everyone.

### History: The Union's Origins

Economic integration was launched in the wake of World War II, as a devastated

Western Europe sought to rebuild its economy.

On May 9, 1950, French Foreign Minister Robert Schuman announced a plan—in a speech inspired by French businessman turned-advisor Jean Monnet—that proposed pooling European coal and steel production under a common authority. While contributing to economic recovery, this plan would also control the raw materials of war. The Schuman Declaration was regarded as the first step toward achieving a united Europe—an ideal that in the past had been pursued only by force. Belgium, the Federal Republic of Germany, Italy, Luxembourg, and the Netherlands accepted the French proposal and signed the European Coal and Steel Community (ECSC) Treaty in Paris on April 18, 1951. The Six set up the ECSC High Authority, to which member governments transferred portions of their sovereign powers. Coal and steel trade increased by 129 percent over the next five years.

Encouraged by this success, the Six pursued integration in the military and political fields. When these efforts were derailed, European leaders decided to continue the unification of Europe on the economic front alone. A historic meeting in Messina, Italy, in June 1955, launched the negotiations for two new treaties, the first to establish a European Economic Community (EEC) to merge separate national markets into a single market that would ensure the free movement of goods,



Jean Monnet and other leaders with the first “European” ingot of steel.

international organization. The EU is, in fact, unique. Never before have countries voluntarily agreed to set up common institutions to which they delegate some of their sovereignty so that decisions on specific matters of joint interest can be made democratically at a higher, in this case European, level. All EU decisions and

almost a third of the world's gross national product and speaking more than 23 languages, bound together by a desire to promote peace, democracy, prosperity, stability, and the rule of law.

The EU embraces the fundamental values shared by its Member States across a multitude of cultures, languages, and tradi-

Signing of the Treaty of Rome.



people, capital, and services through development of common economic policies; and the second to create a European Atomic Energy Community (EAEC or EURATOM) to further the use of nuclear energy for peaceful purposes.

The Six signed the treaties on March 25, 1957, in Rome. Often referred to as the “Rome Treaties,” both the EEC and the EAEC Treaties came into force in January 1958.

### The Treaties That Built the Union

The European Union has been built through a series of treaties that represent binding commitments by the Member States. Treaties are negotiated by Member States through intergovernmental conferences, or “IGCs,” that culminate in a summit chaired by the Member State holding the Council presidency.

This process began with three separate treaties dating from the 1950s: the **European Coal and Steel Community Treaty** (ECSC), the **European Atomic Energy Community Treaty**, (EURATOM), and the **European Economic Community Treaty** (EEC). In 1967, the ECSC, the EAEC, and the EEC collectively became known as the European Communities. The **Single European Act** (SEA) in 1987 facilitated the creation of the single market. Major elements of the SEA included institutional reform and the expansion of European Community powers in research and development, the environment, and

common foreign policy.

The Treaty on European Union, signed in Maastricht, Netherlands (“the Maastricht Treaty”), and in effect since November 1993, was a major overhaul of the founding treaties. Maastricht provided a blueprint to achieve Economic and Monetary Union (EMU), further developed the Union’s inherent political dimension through the new Common Foreign and Security Policy (CFSP), and expanded cooperation in judicial and policing matters. It created the “three pillar” European Union that exists today:

**Pillar One** incorporates the three founding treaties now forming the “European Community” and sets out the institutional requirements for EMU. It also provides for expanded Community action in certain areas, such as the environment, research, education, and training.

**Pillar Two** established the CFSP, which makes it possible for the Union to take joint action in foreign and security affairs.

**Pillar Three** created the Justice and Home Affairs (JHA) policy, dealing with asylum, immigration, judicial cooperation in civil and criminal matters, and customs and police cooperation against terrorism, drug trafficking, and fraud. The CFSP and JHA operate by intergovernmental cooperation, rather than through the Community institutions that operate Pillar One. Maastricht also created European citizenship and strengthened the European Parliament’s legislative role in certain areas.

The **Treaty of Amsterdam** took effect in 1999 and reformed EU institutions to support its economic and security objectives. Major provisions include extending the scope of qualified majority voting, increasing the European Parliament’s responsibilities by making the co-decision procedure the general rule, extending the number of policy areas—such as employment, social issues, and immigration—in which Parliament can exercise veto power, and strengthening the Common Foreign and Security Policy and the EU’s ability to undertake joint foreign policy actions. Indeed, as few as two-thirds of Member States can act together on behalf of the EU. Member States that “constructively abstain” on CFSP issues are not able to take any action that impedes the majority decision.

The **Treaty of Nice** (2003) set the conditions for EU expansion by revising institutional policies. The treaty extended majority voting even further, re-weighted votes within the Council of the European Union, and extended the use of “enhanced cooperation,” which allows groups of at least eight Member States to proceed with policy initiatives that do not infringe on the rights of other members. It also redistributed Member State representation within the European Parliament, restructured the European Commission, strengthened its presidency and recognized and legislated the role of political parties at the EU level and in EU process.

## Chapter One

### What is the European Union?

#### European Constitutional Treaty

In October 2004, Heads of State and Government and Foreign Ministers signed the Treaty establishing a Constitution for Europe, which provides for changes to the EU’s governing institutions and decision-making processes. This new treaty grew out of the 2002–2003 Convention on the Future of Europe and builds upon previous EU efforts to institute internal reforms enabling an enlarged EU to function more effectively, more transparently, and closer to European citizens. It also contains measures to raise the EU’s visibility on the world stage.

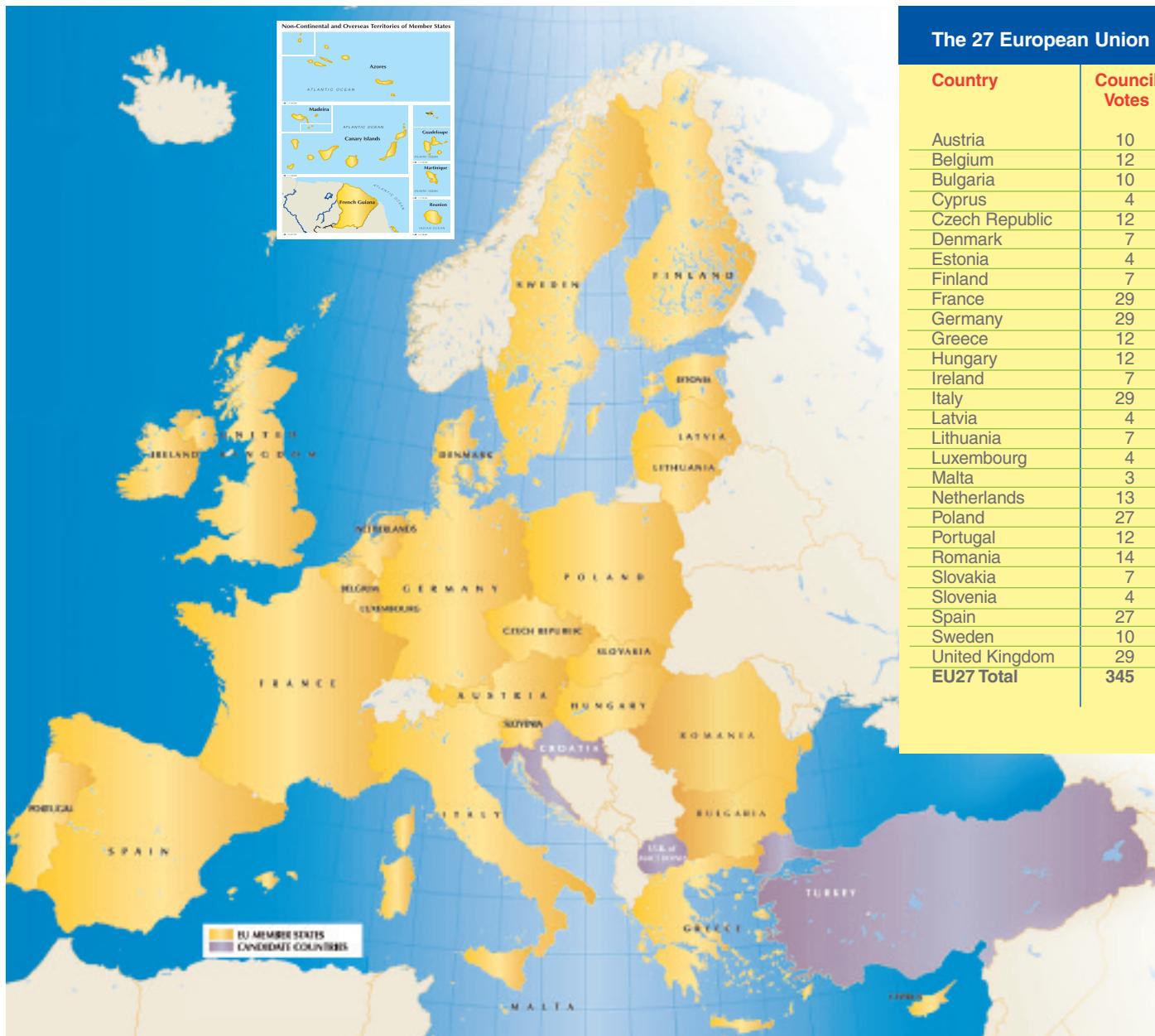
Major innovations in the Constitution include abolishing the EU’s rotating European Council presidency and instead appointing a single individual to serve as president of the European Council for up to five years; creating the post of foreign minister and a foreign service; increasing the powers of the European Parliament; and simplifying EU voting procedures. It also strengthens the EU’s democratic base by providing citizens with new avenues for direct participation in EU governance and by involving the national parliaments. Other changes would improve operations and transparency.

To enter into force, the Constitution requires ratification by each EU Member State by popular referendum or parliamentary vote. While it has been ratified by 18 Member States, “no” votes prevailed in France and the Netherlands in 2005. Subsequently, the European Council stated



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The 27 European Union Member States					
Country	Council Votes	Members of European Parliament	Population (millions)	GDP (2005) (billions \$)	Currency
Austria	10	18	8.2	305	Euro
Belgium	12	24	10.5	370	Euro
Bulgaria	10	18	7.7	27	Lev
Cyprus	4	6	0.8	16	Euro
Czech Republic	12	24	10.2	122	Czech Koruna
Denmark	7	14	5.4	258	Danish Crown
Estonia	4	6	1.4	14	Estonian Kroon
Finland	7	14	5.2	192	Euro
France	29	78	60.6	2,104	Euro
Germany	29	99	82.5	2,785	Euro
Greece	12	24	11.1	224	Euro
Hungary	12	24	10.1	109	Forint
Ireland	7	13	4.1	198	Euro
Italy	29	78	58.5	1,757	Euro
Latvia	4	9	2.3	16	Lats
Lithuania	7	13	3.4	26	Litas
Luxembourg	4	6	0.5	36	Euro
Malta	3	5	0.4	5	Euro
Netherlands	13	27	16.3	623	Euro
Poland	27	54	38.2	299	Zloty
Portugal	12	24	10.5	182	Euro
Romania	14	35	21.6	99	Leu
Slovakia	7	14	5.4	46	Slovak Koruna
Slovenia	4	7	2.0	34	Euro
Spain	27	54	43.0	1,121	Euro
Sweden	10	19	9.0	357	Swedish Crown
United Kingdom	29	78	60.0	2,194	Pound Sterling
<b>EU27 Total</b>	<b>345</b>	<b>785</b>	<b>490 million</b>	<b>\$13.5 trillion</b>	

(right) Signing ceremony for the Maastricht Treaty.

(far right) Slovenia joined the euro area on January 1, 2007.

(below) At the July 2002 Youth Convention on the Future of Europe.



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that the concerns and worries expressed by voters would be taken into account and called for a period of reflection and debate.

More recently, Germany, which holds the EU Presidency during the first half of 2007, as well as Portugal and Slovenia (the two successive Presidencies), have agreed that a consultative report exploring future developments will be presented to the European Council, which will then determine how best to continue the reform process. The goal is to complete all necessary steps no later than the second half of 2008.

The situation with the Constitution does not alter the legal underpinnings of the EU, which operates just as it did prior to the referenda.

#### The Impact of the EU

The European Union has delivered half a century of peace, stability, and prosperity, helped raise living standards, launched a single European currency (the Euro), and

is progressively building a single Europe-wide market in which people, goods, services, and capital move among Member States as freely as within one country.

EU residents benefit in numerous ways. They can expect consistent delivery of important services, from education to health care to transportation, which must meet agreed-upon standards. They know that products such as food or medical supplies will be safe and environmentally sound regardless of where they originate in the EU. They know that men and women must receive equal pay for equal work, a requirement that reflects the EU's pioneering role in the fight for women's rights. Citizens of the European Union know they are free to live in any EU country and have equal access to justice throughout the Union. And most importantly, they know that their fundamental rights, including the freedom of thought, conscience, and religion, are protected.

The EU has also strengthened Europe's voice in the world. The Union is engaged in rebuilding lives and communities in areas of conflict such as Afghanistan and the former Yugoslavia. The EU supports efforts to achieve peace in the Middle East, promotes sound environmental practices, and contributes to global efforts to control nuclear proliferation. Judicial, law enforcement, and security officials cooperate internationally to combat terrorism and transnational crime.

The EU and its Member States are the largest providers of development assistance around the world—from combating poverty to fighting HIV/AIDS and other communicable diseases. And the Union is

involved in other areas that support development and reduce poverty, such as peace-keeping, election observing, and providing humanitarian and reconstruction aid in the wake of natural disasters and conflict.

European and global markets benefit from the EU's ability to negotiate international trade agreements on behalf of its Member States. For example, open and uniform access to the European market for U.S. manufacturers, service companies, and investors has resulted in a vibrant economic relationship—the largest in the world—that provides roughly \$1.5 billion in transatlantic trade each day and supports jobs for 7 million Americans and about the same number of Europeans.

#### A United States of Europe?

The European Union is often compared to the United States, and there are indeed some similarities in function and organization. The Member States of the EU have agreed to pool some of their sovereign powers for the sake of unity and promotion of shared values, just as American states did to create a federal republic. In the fields where national sovereignty has been pooled, such as trade, the EU negotiates directly with the United States and other countries on behalf of all the Member States. Thirteen Member States thus far have also joined together their monetary policy and adopted the euro as their currency.

But there are also many differences. Unlike the American states, EU Member States retain their individual authority in many fields, such as security and defense, although they now can take joint action in certain foreign and security policy areas. All U.S. laws require approval by both houses of Congress, while in the EU, some laws require approval only by the Council of the European Union and not the European Parliament.

Finally, the EU operates according to the principle of "subsidiarity"—meaning that responsibility for issues for which the EU and Member States have oversight devolves to the lowest level at which it can be effectively addressed. The practical outcome is that the Union is granted jurisdiction only over those policies that can be handled more effectively at the EU level.

In short, Europe is constructing its own unique model for unification, ensuring respect for the historical, cultural, and linguistic diversity of the European nations.



## Chapter Two

# How is the EU Run?

## A Unique Governing System

The European Union is governed by several institutions that reflect the EU's unique, dual supranational and intergovernmental character. The EU has the power to enact laws that are directly binding on citizens from many countries, a fact that distinguishes the Union from any other government or international organization.

Member States have relinquished part of their national sovereignty to EU institutions, leading to descriptions of the Union as a supranational entity, with many decisions made and final authority residing at the EU level. In specified areas, the Member States work together in their collective interest through EU institutions to administer sovereign powers jointly. The EU's decision-making process involves three main institutions, all set up in the 1950s under the EU's founding treaties.

The European Commission proposes new legislation while the Council of the European Union and European Parliament adopt the laws. This institutional triangle produces policies and laws that apply throughout the EU. Two other institutions also play a vital role: the European Court of Justice upholds the rule of European law, and the Court of Auditors checks the financing of Union activities.

Other institutions and bodies also play important roles.

(right) European Parliament in session.

(far right) EU leaders meet the press following a meeting of the Council of the European Union.



### Governing Institutions

#### The European Commission

The European Commission (EC) is essentially the European Union's executive branch and has the sole right of legislative initiative. It is independent of national governments and represents the European (as opposed to individual Member State) perspective. The Commission is comprised of 27 appointed Commissioners—one from each EU country—each of whom is responsible for specific policy areas. The Commission ensures that the provisions of the EU treaties are applied correctly and represents the EU internationally, negotiating with non-EU countries in areas falling under the competence of the European Community (EC). The Commission also fulfills an administrative role.

A new Commission is appointed every five years, within six months of the European Parliament elections. The process involves several steps with input from Member States and the European Parliament:

- Member State governments agree on a new Commission President-designate.
- Parliament approves the Commission President-designate.
- The Commission President-designate chooses the other Members of the Commission, in consultation with Member State governments.

- Parliament interviews each Member and issues its opinion on the whole team. Once approved, the new Commission can officially start work.

The present Commission's term runs through October 31, 2009. The President of the European Commission is José Manuel Barroso of Portugal.

The Commission remains politically accountable to Parliament, which has the power to dismiss the entire Commission by adopting a motion of censure. Individual members of the Commission must resign if asked to do so by the President, provided the other commissioners approve.

The Commission attends all the sessions of Parliament, where it must clarify and justify its policies, in addition to replying regularly to written and oral questions posed by MEPs.

The seat of the Commission is in Brussels (Belgium), but it also has offices in Luxembourg, representations in all EU countries, and delegations in many capital cities around the world.

The European Commission has four main roles:

1. **Proposing legislation to Parliament and the Council.** Proposed legislation must defend the interests of the Union and its citizens, not those of specific countries or industries. The Commission also seeks the opinions of national parliaments and governments. To get the technical details right, the Commission consults experts through its various committees and groups.

2. **Managing and implementing EU policies and the budget.** The Commission is responsible for administering and supervising expenditures under the oversight of the Court of Auditors. Most of the actual spending is done by national and local authorities.

3. **Enforcing European law (jointly with the Court of Justice).** The Commission acts as guardian of the Treaties and can take legal action and refer cases to the European Court of Justice against persons, companies, or Member States that violate EU rules.

4. **Representing the European Union on the international stage.** The Commission negotiates agreements between the EU and other countries and provides official presence in delegations throughout the world.

#### The Council of the European Union

The Council is the EU's main decision-making body, and represents the Member States. One minister from each of the EU's national governments attends Council meetings. Different ministers are assigned to specific issue areas (e.g., agricultural ministers decide farm policy).

EU relations with the rest of the world are dealt with by the General Affairs and External Relations Council. Since this Council configuration also has wider responsibility for general policy issues, its meetings are attended by the minister or State Secretary chosen by each Member State government.

The enlarged European Commission as of January 1, 2007.



## Chapter Two

### How is the EU Run?

Each minister in the Council is empowered to commit his or her government—the minister’s signature represents the assent of the whole government.

The Presidency of the Council rotates every six months with terms running from January through June and July through December. Each EU country in turn takes charge of the Council agenda and chairs all the meetings for a six-month period, promoting legislative and political decisions and brokering compromises among the Member States.

The Council of the European Union has six key responsibilities:

1. Adopting European laws—jointly with the European Parliament in many policy areas.
2. Coordinating the broad economic policies of the Member States.
3. Concluding international agreements between the EU and other countries or international organizations.
4. Approving the EU’s budget, jointly with the European Parliament.
5. Developing the EU’s Common Foreign and Security Policy (CFSP), based on guidelines set by the European Council.
6. Coordinating cooperation between the national courts and police forces in criminal matters (see the Freedom, security, and justice section).

Most of these responsibilities relate to the “Community” domain or the “first pillar” of the EU—e.g., policy areas where the Member States have decided to pool their

sovereignty and delegate decision-making powers to the EU institutions. However, the last two responsibilities listed above relate largely to areas in which the Member States have not delegated their powers but are simply working together. This is called intergovernmental cooperation and it covers the second and third “pillars” of the European Union.

Decisions in the Council are reached by weighted votes of Member State ministers. The bigger the country’s population, the more votes it has, but the numbers are weighted in favor of the less populous countries. Most decisions require support by a majority of Member States representing at least 62 percent of the EU population. Unanimity is required in areas such as Common Foreign and Security Policy, taxation, and asylum and immigration policy. Effectively, each Member State has veto power in areas subject to unanimity. On most issues, however, the Council makes decisions by qualified majority voting (QMV). A qualified majority is reached if a majority of Member States (in some cases a two-thirds majority) approve a measure and if a minimum of 255 of the 345 votes—73.9 percent—are cast in favor of the measure.

In the area of Common Foreign and Security Policy, at least two-thirds of Member States can act together on behalf of the EU. A minimum of eight Member States can take action in certain areas, provided that participation is open to all

#### European Parliament: Number of seats per political group (Jan. 2007)

Political group	Abbreviation	No. of seats
European People’s Party (Christian Democrats) and European Democrats	EPP-ED	277
Socialist Group	PES	218
Alliance of Liberals and Democrats for Europe	ALDE	106
Greens/European Free Alliance	Greens/EFA	42
European United Left—Nordic Green Left	GUE/NGL	41
Independence/Democracy	IND/DEM	23
Union for Europe of the Nations	UEN	44
Identity, Tradition, and Sovereignty Group	ITS	20
Non-Attached	NI	14
<b>TOTAL</b>		<b>785</b>

and that the rights of other Member States are not infringed upon.

**The European Council.** The presidents and/or prime ministers of the Member States, together with the President of the European Commission, meet as the “European Council” up to four times a year. These summit meetings set overall EU policy and resolve issues that could not be settled at the ministerial level (i.e., by the ministers at Council of the EU meetings).

#### The European Parliament

Since 1979, the European Parliament (EP) has been directly elected by the EU’s citizens under a system of population-based proportional representation, with each member serving a five-year term.

The present Parliament, elected in June 2004, has 785 members representing all 27 EU countries. Nearly one-third of Parliament’s members are women.

Parliament elects a president who serves

a two-and-a-half year term. In 2007, Hans-Gert Poettering was elected President of the European Parliament.

Parliament has three main roles:

1. Passing European laws—jointly with the Council in many policy areas. The EP can veto legislation in specific policy areas.
2. Exercising democratic supervision over the other EU institutions, in particular the Commission. Parliament has the power to approve or reject the nomination of commissioners, and it has the right to censure the Commission as a whole.
3. Adopting or rejecting the EU budget in its entirety. Parliament shares authority with the Council over the EU budget and can therefore influence EU spending. Members of the European Parliament (MEPs) do not sit in national blocks, but in Europe-wide political groups. Between them, they represent all views on European integration, from the strongly pro-federalist to the openly “Euroskeptic.”



## Chapter Two

### How is the EU Run?

#### The European Court of Justice

The European Court of Justice (ECJ) of the European Communities was set up under the ECSC Treaty in 1952. Based in Luxembourg, it acts as the European Union's Supreme Court.

The ECJ ensures that EU legislation is interpreted and applied uniformly in all EU countries. The Court has the power to settle legal disputes between EU Member States, EU institutions, businesses, and individuals. Its rulings are binding. The Court is composed of one judge per Member State, appointed by joint agreement between the governments of the EU Member States for a renewable term of six years. For the sake of efficiency, however, the Court usually sits as a Grand Chamber of just 13 judges, or in chambers of three or five judges.

The Court is assisted by eight advocates-general who present reasoned opinions on the cases brought before the Court, publicly and impartially.

To help the Court of Justice cope with a large caseload and to afford citizens better legal protection, a Court of First Instance was created in 1989. This court (which is attached to the Court of Justice) is responsible for certain kinds of cases, particularly actions brought by private individuals, companies, and some organizations, as well as cases relating to competition law.

The Court of Justice and the Court of First Instance each have a President, chosen

by fellow judges to serve for a three-year, renewable term.

A new judicial body, the European Civil Service Tribunal, has been set up to adjudicate disputes between the European Union and its civil service. This tribunal is composed of seven judges and is attached to the Court of First Instance.

#### The European Court of Auditors

The European Court of Auditors (ECA) was set up in 1975 and is based in Luxembourg. The Court's job is to check that EU funds, which come from the taxpayers, are collected properly, spent legally and economically, and are used for their intended purpose. The ECA aims to ensure that taxpayers get maximum value for their money, and it has the right to audit any person or organization handling EU funds.

The Court is comprised of one member from each EU country, appointed by the Council for a renewable six year term. Members elect one of their number as President for a renewable term of three years.

#### Other Bodies

Several other bodies govern specific areas of the European Union or serve in advisory roles.

#### The European Economic and Social Committee

Founded in 1957 under the Treaty of Rome, the European Economic and Social Committee (EESC) is an advisory body representing employers, trade unions,



European Court of Justice

farmers, consumers, and other civil society in policy discussions with the Commission, the Council, and the European Parliament. The EESC also aims to bolster the role of civil society in non-EU countries and helps set up advisory structures.

The Committee must be consulted before decisions are made on economic and social policy. It may also give its opinion on other matters on its own initiative or at the request of another EU institution.

The 344 members are nominated by the Member State governments and roughly reflect the size of each Member State's population. However, they work with complete political independence and are appointed for a four-year, renewable term.

#### The Committee of the Regions

Set up in 1994, the Committee of the Regions (CoR) is an advisory body whose members represent Europe's regional and local authorities.

The CoR must be consulted before EU decisions are made on matters which have local and regional repercussions. The Committee can also adopt opinions on its own initiative and present them to the Commission, Council, and Parliament.

The members of the Committee (344) are elected municipal or regional officials, often leaders of regional governments or city mayors, nominated by Member State governments for a renewable four-year term.

#### EU Agencies

An EU Community agency is a body governed by European public law; it is distinct from the Community Institutions (Council, Parliament, Commission, etc.) and has its own legal personality. It is set up by an act of secondary legislation in order to accomplish a very specific technical, scientific, or managerial task specified in the relevant Community act.

There are currently more than twenty bodies meeting the definition of Community agency, even though differing terms are used to designate them (Center, Foundation, Agency, Office, Observatory). Three of them—the European Defense Agency (EDA), the European Union Institute for Security Studies (EUISS), and the European Union Satellite Center (EUSC)—carry out tasks for the **Common Foreign and Security Policy (the second pillar of the European Union)**. Three others—CEPOL, Europol, and Eurojust—help coordinate **Police and Judicial Cooperation in criminal matters (the third pillar of the European Union)**. CEPOL is the European Police College, Europol is the European Police Office, and Eurojust is a permanent network of judicial authorities.

All the other agencies carry out tasks under the EU's **first pillar—the Community domain**.

The objectives of the EU's individual agencies and other bodies are many and varied, with each fulfilling a unique function defined at the time of its creation. These entities introduce a degree of decentralization to Community activities, giving a higher profile to their assigned tasks. For some, their role includes integration with different interest groups to facilitate dialogue with partners at all levels.



## Chapter Two

### How is the EU Run?

#### The European Central Bank

The European Central Bank (ECB) was set up in 1998, and is based in Frankfurt, Germany. The ECB is responsible for framing and implementing the EU's monetary policy including managing the euro, the EU's single currency. The legal basis for the single monetary policy is the Treaty establishing the European Community and the Statute of the European System of Central Banks and of the European Central Bank.

To carry out its role, the ECB works with the European System of Central Banks (ESCB), which covers all 27 EU countries. However, only 13 EU Member States have

adopted the euro to date. Collectively, these 13 make up the euro area and their central banks, together with the European Central Bank, comprise the Eurosystem.

The ECB works in complete independence. Neither the ECB, the national central banks of the Eurosystem, nor any member of their decision-making bodies can ask for or accept instructions from any other body.

The ECB, working closely with the national central banks, prepares and implements the decisions made by the Eurosystem's decision-making bodies—the Governing Council, the Executive Board, and the General Council.

One of the ECB's main tasks is to maintain price stability in the euro area, ensuring that the euro's purchasing power is not eroded by inflation. The ECB strives to keep the year-to-year increase in consumer prices under 2 percent, controlling the money supply and monitoring price trends in order to assess the risk posed to price stability in the euro area. Controlling the money supply involves, among other things, setting interest rates throughout the euro area, one of the Bank's better known activities.

#### The European Investment Bank

The European Investment Bank (EIB) was set up in 1958 by the Treaty of Rome. Its job is to lend money for projects of European interest (such as rail and road links, airports, or environmental efforts), particularly in the less well-off regions, candidate countries, and the developing world. It also provides credit for small business investments. The

#### EU Law and Legislation

Legislation is drafted by the Commission and requires approval by the Council and, in most cases, the Parliament. The Commission considers legislation only when it believes an EU-level remedy is necessary for a problem that cannot be solved by national or local governments. Legislation takes different forms, depending on the objective to be achieved.

- Laws, called regulations, are binding in their entirety, self-executing, directly applicable, and obligatory throughout EU territory. They can be compared to U.S. federal laws passed by Congress.
- Directives are binding in terms of the results to be achieved and are addressed to individual Member States, which are free to choose the best forms and methods of implementation.
- Decisions are binding in their entirety upon those to whom they are addressed—Member States, companies, or persons.
- Recommendations and opinions are not binding and can be initiated by institutions other than the Commission.

EIB is non-profit and receives no money from savings or current accounts. Nor does it use any funds from the EU budget. Instead, the EIB is financed through borrowing on the financial markets and by the Bank's shareholders—the Member States of the European Union. They contribute jointly to its capital, each country's contribution amount reflecting its economic weight within the Union.

This Member State backing gives the EIB the highest possible credit rating (AAA) on the money markets, enabling it to raise large amounts of capital on very competitive terms. In turn, the Bank is able to invest in projects of public interest that would otherwise not get the money - or would be forced to borrow at a higher rate.

The EIB also supports sustainable development in the Mediterranean countries, Africa, the Caribbean, and the Pacific, as well as projects in Latin America and Asia. Finally, the EIB is the majority shareholder

in the European Investment Fund.

#### The European Investment Fund

The European Investment Fund (EIF) was set up in 1994 to help small businesses. The EIB is its majority shareholder, with which it forms the "EIB Group".

The EIF provides venture capital to small firms (SMEs), particularly new firms and technology-oriented businesses. It also provides guarantees to financial institutions (such as banks) to cover their loans to SMEs.

The EIF is not a lending institution: it does not grant loans or subsidies to businesses, nor does it invest directly in any firms. Instead, it works through banks and other financial intermediaries, using either its own funds or those entrusted to it by the EIB or the European Union.

The Fund is active in the Member States of the European Union, Turkey, and three EFTA countries (Iceland, Liechtenstein, and Norway).

#### Co-Decision Procedure

This is the procedure now used for most EU law-making. The European Parliament has the power of "co-decision" with the Council of the European Union, a power granted in 1993 and expanded in 1999. Parliament does not merely give its opinion in this procedure—it shares legislative power equally with the Council of the EU. The co-decision procedure requires the two bodies to agree on identical text before a proposal becomes law. If the Council and Parliament cannot agree, a special Conciliation Committee is formed. Even if the committee agrees to a joint text, the Parliament may still reject the proposed act by a majority vote of its members.

Areas covered by the co-decision procedure include: the internal market, employment, customs cooperation, consumer protection, research, environment, preventing and combating fraud, statistics, and setting up a data protection advisory body.



## Chapter Three

# EU Relations With The United States

### From the Leaders

“EU-U.S. relations have strengthened considerably...and we are working together systematically to address common economic, political, and environmental challenges. With shared values and interests, the EU and the U.S. are natural partners to take the lead.”

—*European Commission President José Manuel Barroso, EU-U.S. Summit, June 21, 2006*

“The relationship between the United States and Europe is the world’s strongest, most comprehensive, and strategically important partnership. The United States, a united Europe, this is really the indispensable partnership.”

—*European Commission President José Manuel Barroso, February 22, 2005.*

“This partnership is based on common values and shared aspirations; a partnership that really has helped build a Europe that is whole, free, and at peace. The United States continues to support a strong European Union as a partner in spreading freedom and democracy and security and prosperity throughout the world... [W]e want Europe strong so we can work together to achieve important objectives and important goals.”

—*U.S. President George W. Bush, EU-U.S. Summit Washington, D.C., June 20, 2005*

### Transatlantic Economic Ties

The economic relationship between the European Union and the United States is perhaps the most defining feature of the global economy. The integration is broader and deeper than between any two other political regions in the world. The EU and U.S. account for 37 percent of global merchandise trade and 45 percent of world trade in services. The partnership is also the single most important driver of global economic growth, trade, and prosperity. And bilateral economic ties are increasing every year.

The EU and the U.S. are each other’s main trading partners in goods and services and account for the largest bilateral trade relationship in the world as well as providing each other the most

important source of foreign direct investment (FDI). The huge amount of bilateral trade and investment illustrates the high degree of interdependence of the two economies. Bilateral trade between the EU and U.S. amounts to over \$1.5 billion a day; investment links are even more substantial, totaling over \$1.8 trillion a year. The partnership supports about 14 million jobs on both sides of the Atlantic and EU-U.S. trade accounts for almost 40 percent of world trade.

### Partnership on Multiple Fronts

The relationship between the two partners, however, goes beyond economic ties. The European Union and the United States increasingly share the opportunities and responsibilities of world leadership.

Together they work to promote common values, including peace, freedom, and the rule of law; create conditions for harmonious economic development worldwide; advance the stability of international trade, financial, and monetary systems; and strengthen the economies of developing countries and those in transition.

Acting on these shared values, the EU and U.S. have played a significant role in promoting the institutions and international norms that helped bring an end to the Cold War and subsequently encouraged global trends toward democratization and market integration.

The EU and the U.S. work together to confront global challenges such as terrorism, threats to security and stability, weapons proliferation, drugs, and organized crime. As partners promoting peace and stability, the EU and the United States recognize the

impact of regional conflicts, both in the direct consequences of violence, and the wide-ranging, spin-off impact of crime, terrorism, poverty, and disease that can result from such conflicts. The two partners worked side-by-side to bring stability to the Balkans. The EU and the U.S., through the OSCE, have supported the Ukrainian government in adapting legislation, structures, and processes to the requirements of a modern democracy.

In Afghanistan, the EU and the United States together have provided the lion’s share of the international reconstruction effort. In order to help the reconstruction of a democratic and stable Iraq, the European Commission and U.S. government both donate to the International Reconstruction Fund Facility for Iraq (IRFFI) set up under the United Nations and the World Bank. In addition to

### The EU and the U.S.—Deep Integration

“56 percent of total U.S. foreign direct investment went to Europe during 2000—2005. Europe accounted for half of total global sales, more than double the comparable figures for the Asia/Pacific region.”

“75 percent of total European foreign direct investment went to the US during 2000—2005. There is far more European investment in Texas alone than all U.S. investment in Japan and China put together.”

“While U.S. foreign affiliate sales in China have skyrocketed, they have done so from a very low base, and still remain very far below comparable sales in Europe (sales of \$48 billion in China in 2002 were lower than sales of \$57 billion to Spain and well below sales of \$242 billion to Germany and sales of \$140 billion to France).”

“Deep Integration: How Transatlantic Markets Are Leading Globalization,” Johns Hopkins University School of Advanced International Studies & Center for European Policy Studies

# Chapter Three

## EU Relations With The United States

Leaders at June 2005 EU-U.S. Summit: (L to R) Javier Solana, EU High Representative for the Common Foreign and Security Policy; Jean-Claude Juncker, Luxembourg Prime Minister & then-President of the European Council; U.S. President George W. Bush; European Commission President José Manuel Barroso.



### The EU Presence in the U.S.

The European Union has a permanent presence in the United States with delegations in Washington, D.C. and New York City. The Washington office was opened in 1954 at the very outset of the six-nation European Coal and Steel Community that would become the EU. The Washington office, the Community's first overseas presence, opened with two Americans occupying two rooms. It now operates with a staff of more than 80 professionals and serves as the EU's representation to the U.S. government and as an information conduit to Washington and the rest of the United States. It is a diplomatic mission but does not have functions such as consular or military affairs that attach to a standard embassy.

The New York office was established in 1964 and became the delegation to the United Nations in 1974.

The U.S. government has a permanent presence before the EU in Brussels, home to most of the principal EU institutions.

financial resources, the EU and the U.S. contribute technical expertise and an unbending commitment to the principles of democracy and freedom. In 2006, the European Commission opened a representation in Baghdad in further support of its commitment to Iraq.

### Differing Approaches to Some Issues

To be sure, differences exist, just as they will between any partners. Differing positions on the U.S. death penalty and certain trade disagreements are among the most visible. Ninety-eight percent of economic relations between the two partners, however, are dispute-free. The EU and the U.S. share an overarching commitment to the democratic values that underpin their respective ways of life. These values are reinforced through the myriad transatlantic interactions that take place daily among government officials, business leaders, non-governmental organizations, professional associations, academia, civil society, and ordinary citizens, and they are represented on the world stage through common actions in a variety of policy fields.

### Structure of Transatlantic Relations

Transatlantic relations encompass more than EU-U.S. relations. The United States and many EU countries provide for their common security in the North Atlantic Treaty Organization (NATO). The U.S. also maintains strong political, economic, and

cultural relations with many individual European nations, EU and non-EU countries alike. The European Union and the United States hold regular presidential summits, which were launched with the 1990 Transatlantic Declaration that formalized U.S. relations with what is now the EU.

The emergence of an EU Common Foreign and Security Policy in 1993 further solidified the relationship by providing the

### Promoting EU Studies in the U.S.: EU Centers of Excellence

The EU supports a network of centers at leading universities across the United States to promote the study of the EU, its institutions and policies, and to foster EU-U.S. relations through teaching programs, scholarly research, and outreach activities. The EU funds this initiative as part of a broader effort to promote the people-to-people ties spelled out in the New Transatlantic Agenda. The centers are located at:

- Florida International University and the University of Miami
- Indiana University
- University of Michigan
- University of North Carolina at Chapel Hill
- University of Pittsburgh
- Syracuse University
- Texas A&M University
- University of Washington at Seattle
- University of Wisconsin at Madison
- Washington, D.C., Consortium (American University, George Mason University, The George Washington University, Georgetown University, The Johns Hopkins University)



## Chapter Three

### EU Relations With The United States

United States with a stronger partner in areas beyond trade matters. An additional step was taken at the EU-U.S. Summit in December 1995 with the adoption of the New Transatlantic Agenda (NTA), which provided a new framework for the partnership to deal with the growing number of external challenges. The relationship moved from one of consultation to one of joint action in four major fields:

- Promoting peace, stability, democracy, and development.
- Responding to global challenges.
- Contributing to the liberalization and expansion of world trade.
- Improving communication and ensuring a long-term commitment to the partnership.

The NTA was accompanied by a Joint EU-U.S. Action Plan setting out specific actions ranging from promoting political and economic reform in Ukraine to combating AIDS; from reducing barriers to transatlantic trade and investment to promoting links between universities and professional associations.

Within the NTA framework, the Transatlantic Economic Partnership (TEP) serves to intensify and extend multilateral and bilateral cooperation and common actions in the field of trade and investment. The TEP sets out a plan identifying areas for common actions with a timetable for achieving specific results. Since the NTA was adopted, the EU and the United States

have made good progress in implementing the agreed-upon actions. For example, trade barriers have been reduced, and both sides work together on customs procedures.

The EU and the United States also cooperate outside the NTA framework to improve the dialogue between EU and U.S. regulators and provide companies, consumers, and government authorities of both parties access to each other's regulatory procedures.

The 2006 EU-U.S. Summit set up an EU-U.S. High Level Dialogue on Climate Change, Clean Energy, and Sustainable Development. The Summit also reviewed continued progress in eliminating impediments to further economic integration.



(above) The U.S. has been a strong supporter of European integration since its inception in the early 1950s.

(below) Meeting of the Transatlantic Business Dialogue, June 2005.

#### “People-to-People” Transatlantic Outreach

Several channels afford private sector and government leaders the opportunity to participate in policy development that affects both the EU and U.S.

##### **Transatlantic Business Dialogue (TABD)**

The TABD's goal is to help establish a barrier-free transatlantic market which will serve as a catalyst for global trade liberalization and prosperity. Unified markets are needed to create a business environment that will stimulate innovation, economic growth, and more investment as well as create new jobs. TABD members include leading American and European companies both large and small and with strong transatlantic credentials. The TABD is convened by the U.S. Administration and the European Commission.

##### **Transatlantic Consumers' Dialogue (TACD)**

The TACD is a forum of EU and U.S. consumer organizations that develops joint consumer policy recommendations and works to promote consumer interest in EU and U.S. policy-making. TACD conferences take place once a year, alternately in the U.S. and the EU and produce recommendations related to food, electronic commerce, trade, health, and intellectual property issues.

##### **Transatlantic Legislators' Dialogue (TLD)**

The TLD Dialogue involves biannual meetings of the European Parliament and U.S. Congressional delegations along with a series of teleconferences organized on specific topics of mutual concern with a view to fostering an ongoing and uninterrupted dialogue.





# Europe Whole and Free: The EU Projecting Peace, Stability, and Prosperity

## Enlargement

On January 1, 2007, Bulgaria and Romania joined the European Union, completing the historic fifth enlargement. It was a momentous achievement, symbolizing Europe's unification after 50 years of artificial division and one which created a new political order based on common values and a shared desire to construct a space of stability, security, and prosperity.

Eight countries from Central and Eastern Europe, along with Cyprus and Malta, acceded to the EU on May 1, 2004, when the European Union enlarged from 15 to 25 member countries, in the first part of the fifth enlargement, the largest in EU history. The EU invested more than \$85 billion between 1990 and 1999 to support the new Member States during the accession process, approximately what the U.S. Marshall Plan provided to aid the reconstruction of Europe after World War II. Previous enlargements occurred in 1973 (Denmark, Ireland, and the United Kingdom), 1981 (Greece), 1986 (Spain and Portugal), and 1995 (Austria, Finland, and Sweden).

EU enlargement is a historic step toward the long-cherished goal, supported by all U.S. presidents since Eisenhower, of a Europe “whole, free, at peace, and growing in prosperity.”

Any European state which respects the principles upon which the European Union is founded may apply to become a member of the Union. As stated in Article Six of the Treaty on European Union: “*The Union is founded on the principles of liberty, democracy, respect for human rights, and fundamental freedoms, and the rule of law, principles which are common to the Member States.*”

### Copenhagen Criteria

Any European country that adheres to the following principles is considered eligible for membership in the EU:

1. Democracy, the rule of law, human rights, respect for minorities
2. A functioning market economy and the capacity to cope with competitive pressures
3. The ability to apply the EU's rules and policies (known as the *acquis communautaire*)

## Turkey

Turkey's formal relations with the EU date back to the 1963 Turkish Association Agreement—the Ankara Agreement—which envisioned closer relations through a customs union, closer economic and trade ties, and eventual membership. The customs union, which allows most goods to

cross the border in both directions without customs restrictions, was finally realized in 1995, jump-starting bilateral trade, which has increased fivefold subsequently.

Turkey attained candidate country status in 1999, and accession negotiations began in late 2005. The country has undertaken notable political and human rights reforms: abolition of the death penalty; increased civilian control of the military; abolition of State Security Courts; recognition of the supremacy of international human rights conventions over domestic law; progress in the fight against torture; and greater gender equality in the constitution and civil code.

Turkey benefits from considerable pre-accession assistance for infrastructure and social improvements—€500 million in 2006, in addition to more than €1.5 billion between 1996-2005 to support education, training, environmental/infrastructure initiatives, and economic reform. The EU has also introduced €259 million in aid and trade measures designed to encourage the economic development of the Turkish Cypriot community and help facilitate the reunification of the island.

In December 2006, the EU decided to delay the opening of certain “chapters” (subject areas) of the accession negotia-

tions with Turkey pending Turkey's compliance with an “Additional Protocol” to the Ankara Agreement, under which Turkey agreed to open its ports and airports to goods transported from the Republic of Cyprus, an EU Member State. Turkey's screening process continues and negotiations on other chapters will be opened when ready, but no negotiations can be concluded without resolution of the outstanding issue related to the Additional Protocol.

The EU is committed to keeping Turkey's accession negotiations on track, even if at a somewhat slower speed. Turkey stands both as an anchor of stability in one of the most unstable and insecure regions in the world and as a benchmark of democracy for the wider Middle East.

## Croatia

Twelve years after the end of the war in Croatia and eight years after gaining full sovereignty, EU candidate country Croatia is a stable democracy with a functioning market economy. Having concluded a Stabilization and Association Agreement (SAA) with the EU in 2001 to govern relations until accession, including financial and technical assistance geared toward helping the country fulfill the



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requirements for EU membership, Croatia presented its application in 2003 and was accepted as a candidate country the next year. Negotiations were launched on October 3, 2005.

Progress reports show continuing improvement in Croatia's political system, progress with human rights and protection of minorities, and good medium-term economic prospects, provided reform continues. Judicial reform and anti-corruption efforts are of paramount importance, both being essential to a well-functioning democracy and a healthy economy attractive to foreign investment.



"The European Neighborhood Policy is an opportunity for us, and our partners, to share the benefits which we have derived from half a century of peaceful integration."

*Benita Ferrero-Waldner, Commissioner for External Relations and European Neighborhood Policy*

#### Former Yugoslav Republic of Macedonia (FYROM)

FYROM became a candidate country in December 2005 and is well on its way to satisfying the political criteria for EU membership. It is a functioning democracy, with stable institutions that generally guarantee the rule of law and respect for human rights. Additional work is necessary to improve the electoral process, implement judicial and police reform, and strengthen anti-corruption efforts.

The country has made major strides toward establishing a functioning market economy, and economic reform continues, particularly in the areas of property ownership, the business and investment climate, and labor and financial markets.

Like Croatia, FYROM enjoys a Stabilization and Association Agreement with the EU, including financial and technical assistance.

#### European Neighborhood Policy

The EU launched the European Neighborhood Policy (ENP) in 2004 to promote democracy, economic development, stability, and security in the countries around the borders of the expanded EU. The idea was to create a ring of friends with the Union's immediate neighbors and to avoid the emergence of new dividing lines between the enlarged EU and its neighbors.

Through agreed upon programs of financial and technical support, the EU provides incentives for political and economic reform in neighborhood

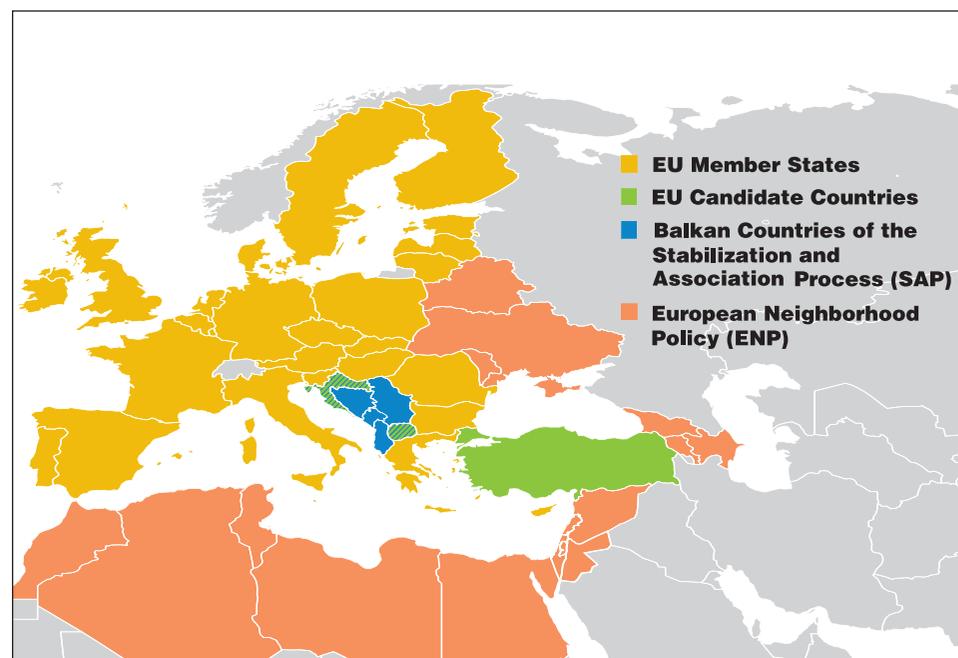
countries, including access to the Union's single market, closer energy and transportation links, and a chance to participate in certain internal EU programs. ENP is helping countries strengthen the rule of law, democracy, and respect for human rights, while enabling market-oriented economic reforms.

Distinct from the enlargement process (although eventual membership is not precluded for otherwise qualified European states), ENP includes the following EU "neighbors": Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, the Palestinian Authority, Syria, Tunisia, and Ukraine.

#### Southeast Europe

The EU is working in Southeast Europe to help the region achieve peace, stability, prosperity, and freedom. Through the Stabilization and Association Process (SAP), which includes the prospect of EU membership, the Union is working to strengthen democracy and speed the transition to market economies (including, eventually, a free trade area), while also promoting regional cooperation.

The SAP provides the framework for EU relations with the Western Balkan countries, and the Union has offered the prospect of full EU membership to six Balkan countries—Albania, Bosnia-Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia





(FYROM), Montenegro, and Serbia—if membership criteria are met. Croatia is the first of the Western Balkan countries to be granted candidate status, followed by the Former Yugoslav Republic of Macedonia.

Individual Stabilization and Association Agreements provide the vehicle for a mix of trade concessions and EU economic and technical assistance designed to help the EU's Balkan neighbors build capacity and adapt to European standards, including the EU *acquis communautaire*—the full body of EU laws and policies—as required for eventual EU membership.

The EU is by far the single largest assistance donor to the Western Balkans as a whole. The EU has invested billions of euros in financial aid and has established numerous security, economic development, and law enforcement programs to help countries in the region rebuild their economies and rejoin the mainstream of European development.

The EU and its Member States also lead on the ground, having committed thousands of troops and military police, the lion's share of the international force, to peacekeeping and relief missions in the region.

**Kosovo (under United Nations Security Council Resolution 1244).** The EU is very supportive of the UN administration in Kosovo, and provides technical expertise and an EU representative to the Kosovo future status process. The EU wants to ensure that the status process succeeds and leads to a clear sustainable settlement that includes a multiethnic and democratic Kosovo. The EU is also advising on

economic and EU matters to ensure compatibility with the EU's Copenhagen criteria for membership. As of early 2007, with the UN status proposal approaching, the EU was preparing for a possible Rule of Law mission (focusing on police and judicial reform) and continuing to support economic reform.

### Russia

Working within a Partnership and Cooperation Agreement (PCA), which came into force in December 1997 for an initial period of 10 years (to be automatically extended year to year, barring withdrawal of either partner from the agreement), the EU and Russia agreed to a set of shared principles and objectives: the promotion of international peace and security, and support for democratic norms and political and economic freedoms.

The provisions of the PCA cover a wide range of policy areas, including political dialogue; trade in goods and services; business and investment; financial and legislative cooperation; science and technology; education and training; energy, nuclear, and space cooperation; environment; transport; culture; and cooperation on the prevention of illegal activities. The agreement also paves the way for the eventual establishment of an EU-Russia free trade area.

Within the PCA framework, a set of actions, or roadmaps, have been agreed upon to bring about four “common spaces”: creation of an open and integrated market; promotion of freedom, security, and justice; cooperation on

foreign policy and security issues with recognition of the importance of international organizations; and cooperation on scientific, educational, and cultural issues.

At the November 2006 EU-Russia summit, leaders discussed a number of issues, including joint action to improve the bilateral business and investment environment in order to exploit the full potential of economic relations. The EU and Russia agreed that the energy sector needs to function in a transparent, predictable way, based on a positive interdependence and reciprocity. The partners expressed satisfaction with a strengthened environmental dialogue, which will pave the way for comprehensive cooperation in this sector.

The EU is Russia's number one trading partner, accounting for more than 52 percent of its overall trade. Total EU trade with Russia in 2005 increased by 20 percent and reached \$206 billion.

### Eastern Europe/Central Asia

The EU is committed to working with the countries of Eastern Europe and Central Asia to support their political and economic transformation. Partnership and Cooperation Agreements (PCAs) constitute the framework for the relations between the EU and those countries. The PCAs, with an initial lifespan of 10 years, are legal frameworks based on respect for democratic principles and human rights, setting out the political, economic, and trade relationship between the EU and its partner countries. The EU has concluded PCAs with Armenia, Azerbaijan, Belarus,

Georgia, Kazakhstan, the Kyrgyz Republic, Moldova, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan. The PCAs with Belarus and Turkmenistan were never put into force in light of those countries' poor records on political reforms.

### EFTA and the EEA

Members of the European Free Trade Association (EFTA)—Norway, Iceland, Liechtenstein, and Switzerland—have chosen not to become part of the Union. In referenda in 1973 and 1994, Norway decided against EU membership; Switzerland has applied for EU membership in the past, but has not actively pursued it, choosing instead to conclude agreements in specific policy sectors including transport, the environment, free movement of people, procurement, research, agricultural trade, and conformity assessment.

As members of the 1994 European Economic Area (EEA), Norway, Iceland, and Liechtenstein participate in the EU's internal market while not assuming the full responsibilities of EU membership. In 1992 Swiss voters rejected ratification of the EEA agreement, which deals principally with the “the four freedoms”: free movement of goods, persons, services, and capital. Provisions in the areas of social policy, consumer protection, environment, company law, and statistical harmonization complete the extended internal market.

The competition rules of the EEA Agreement cover cartels, abuse of dominant positions, merger control, state monopolies, and state aid.

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## Chapter Five

# Europe in the World

Since its inception, the EU has developed a network of bilateral and multilateral agreements with most countries and regions, continually expanding and deepening relations with its global partners. As a major global actor—demonstrated by its role as the largest single market in the world, its deep relations with nations, and its long-standing commitment to development aid—the EU is at the forefront of promoting sustainable development, freedom, democracy, and the fight against poverty. Moreover, the European Union plays an increased role in world affairs with the establishment of the Common Foreign and Security Policy (CFSP) and the European Security and Defense Policy (ESDP), which allow for better response to the far-reaching economic and political changes occurring on the EU's doorstep, and in other parts of the world, that require coherent European action.

The EU holds regular summit meetings with partners such as the United States, Japan, and Canada, and more recently with Russia, Ukraine, India, and China. The Union also holds regional dialogues with other countries in Asia, the Mediterranean, the Middle East, and Latin America. These relationships, focused initially on trade issues, have expanded over the years to cover investment, economic cooperation, finance, energy, science and technology, and environmental protection, as well as the

global war on terror, international crime and drug trafficking, and human rights.

The Union's responsibilities stretch from helping to run the civil administration in Kosovo and providing financial support for the Palestinian Authority to implementing reconstruction programs in Afghanistan and Iraq.

### Common Foreign and Security Policy (CFSP)

#### Asserting the EU's New Role in the World

The Common Foreign and Security Policy (CFSP), established in 1993 when the Maastricht Treaty took effect, provides a formal structure that allows Member States to coordinate policy that is consistent and asserts the EU's inherent political identity. Its objectives are to safeguard the values, interests, independence, and integrity of the Union; to strengthen the Union's security; to preserve peace and strengthen international security; to promote international cooperation; to develop and consolidate democracy and the rule of law, and respect for human rights and fundamental freedoms. The policy calls for adherence to the UN Charter in accomplishing those goals.

Although CFSP decision-making procedures are intergovernmental, all the EU's major institutions have roles under CFSP. The European Commission, which is fully associated with the CFSP, participates in all

discussions, can make proposals, and can launch its own initiatives. It also represents EU interests around the world through its delegations and, with the Council of the European Union, ensures consistency in the EU's external relations. The Council is responsible for foreign policy within the CFSP framework, defining policy principles and general guidelines, deciding on common strategies for activities with individual countries, and adopting joint actions and common positions. The European Parliament is consulted regularly, although it has no direct powers in this realm.

The European Union's High Representative, currently Javier Solana, contributes to the formulation of the Common Foreign and Security Policy, along with the EU Presidency. The Policy Unit—part of the Secretariat of the Council of the EU—is charged with monitoring, analyzing, and assessing international developments and events.

The European Council, consisting of Heads of State and Government, agrees on common strategies and objectives in areas where Member States share interests; foreign ministers of the Member States decide the specifics.

Member States not willing to participate in a particular foreign policy or security action may opt out without holding back the rest of the Union through a process called "constructive abstention."

### European Security Strategy

Spurred by increasing global security threats, the European Union put in place in 2003 a European Security Strategy defining how the Union and its Member States would bring together their many capabilities to help improve security globally. This was done under the Common Foreign and Security Policy (CFSP), which allows the Union to take joint action in foreign and security affairs.

The Security Strategy sets out three objectives: to address security threats, noting that the most serious threats include terrorism, nuclear proliferation, failed states, and regional conflicts; to build security in the European neighborhood and "a ring of well governed countries" along the EU's borders; and to support multilateralism.

The EU has applied this strategy in various ways, including counterterrorist activities and deployments of soldiers and police to promote stabilization.

The strategy calls for coordination of aid programs, military capabilities, and diplomatic, development, trade, and environmental policies to support the European Security and Defense Policy (ESDP), created in 2000.

### European Security and Defense Policy (ESDP)

EU leaders decided in 1999 to put in place decision-making procedures for an EU Security and Defense Policy within the realm of CFSP and to develop capacities to undertake security-related operations, such as peacekeeping, monitoring, and conflict prevention.

(right) EU peacekeepers in the Balkans.

(far right) Javier Solana, EU High Representative for the Common Foreign and Security Policy.



## Chapter Five

### Europe in the World

#### ESDP Operations

ESDP missions include humanitarian and relief work, peacekeeping, and the use of combat forces in crisis management. Since 2003, more than fifteen ESDP operations have been launched, including military and police missions, rule of law missions, and civilian-military support action. These operations have been undertaken in Bosnia and Herzegovina and the Former Yugoslav Republic of Macedonia. ESDP operations are also underway in the Middle East, Africa, Southeast Asia, and the South Caucasus, while in early 2007, planning was underway for a possible EU mission in Kosovo.

Within ESDP, there is:

- A Political and Security Committee (PSC) (also known by its French acronym COPS) to help the Council monitor international events and review policy options.
- The Military Committee of the European Union (EUMC), composed of Member State chiefs of defense staff or their representatives.
- The European Union Military Staff (EUMS), drawn from Member State service personnel.
- The EU Satellite Center (EUSC), which generates and analyzes data from space imagery.
- The EU Institute for Security Studies (EUISS), which performs research and analysis.
- The European Defense Agency (EDA). The EDA was launched in 2004 to help

Member States improve their defense capabilities and to support the ESDP. The EDA coordinates and fosters cooperation relating to Member States' defense capabilities development, armaments, the European defense technological and industrial base and equipment market, and research and technology. All Member States except Denmark participate.

For the EU Member States in the North Atlantic Treaty Organization, NATO remains the basis for collective defense. In security operations where NATO is not engaged, the EU can use NATO assets in addition to those of EU Member States. The two organizations have several institutional mechanisms to provide for close consultations.

#### The EU and NATO

The European Union and the North Atlantic Treaty Organization—to which 21 of the 27 Member States belong—have built a genuine strategic partnership with the shared goal of regional stability and peace. The “Berlin Plus” arrangements, adopted in 1999, provide the framework for cooperation between the EU and NATO. These arrangements include granting the EU access to NATO operational planning assets when it is leading crisis management operations; availability to the EU of NATO capabilities and common assets; NATO European command options for EU-led operations; and having NATO include in its defense

planning the possibility of making its forces available for EU operations.

The “Berlin Plus” arrangements were the foundation for the landmark 2002 Declaration on the European Security and Defense Policy (ESDP) between the EU and NATO. That Declaration served as the basis for EU-NATO cooperation on crisis management, anti-terrorism efforts, curbing proliferation of weapons of mass destruction, and ensuring EU access to NATO's planning capability.

In March 2003, the EU and NATO signed the NATO-EU Agreement on the Security

of Information, an agreement that enabled full consultations and cooperation between the two organizations, including the exchange of classified information and related material.

The culmination of those agreements was the EU's assumption on March 31, 2003, of NATO's mission in the Former Yugoslav Republic of Macedonia. Called Operation Concordia, the deployment of about 400 troops from EU Member States and other nations marked the first time the Union led a military mission. The European Union again relieved a NATO

#### The Rapid Reaction Mechanism: Providing Aid Quickly and Effectively

The EU decided in 2001 to set up a special emergency fund to respond quickly to the needs of countries undergoing crisis or moving toward crisis. The fund, known as the Rapid Reaction Mechanism (RRM), provides flexible short-term support to safeguard or re-establish conditions of stability in the partner countries. Its annual budget of €30 million finances actions for a maximum of six months with the idea that longer-term aid can then take over.

The RRM can intervene immediately prior, during, and after a crisis. At any one time, the RRM may be supporting over 60 operations in countries across the globe. The scale and nature of the crisis defines the type of actions that are funded.

It can send technical teams to assess the situation in a country during a crisis—as happened in Afghanistan—before deciding on long-term aid. It can fund mine clearance, the cost of mediation and peace talks, and the training of police as part of an effort to restore the rule of law. It can monitor elections, consolidate and build up civilian administrations, help soldiers return to civilian life, rebuild houses, schools, hospitals, bridges and roads and contribute to the strategic planning of the economic, administrative and social rebuilding of the affected countries.

The RRM can also step in to help countries deal with natural or man-made disasters and can be used either for one-time actions or to kickstart longer-term projects or programs. In affected countries, it works through NGOs, international organizations, and individual experts. It can also mobilize the resources of EU Member States' public administrations.

The RRM differs from the EU's humanitarian aid which is politically neutral and directed to individuals. RRM efforts have the clear aim to rebuild or establish civic structures without which, there can be no political, social, or economic stability. As such, its operations support the EU's political priorities and seek to defuse crises, opening the way for the political process and longer-term support.



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force in 2004, this time in Bosnia and Herzegovina.

Cooperation between the EU and NATO is likely to grow in the future. NATO Secretary General Jaap de Hoop Scheffer called for an expanded relationship in 2004, as both organizations were adding new Member States: “Ever since the end of the Cold War, NATO and the European Union have worked together on a wider range of issues, and to greater effect. Today, we face a range of new and complex challenges that force us to do even better: To work in a truly pragmatic manner—by complementing and reinforcing each other’s efforts.”



EU High Representative Javier Solana and UN Secretary General Ban Ki-moon.

### Foreign Aid and Development

The European Union has been active in development cooperation from its inception in the late 1950s. The goals of EU development policy, enshrined in the Treaty establishing the European Community, are to foster sustainable economic and social development; promote recipient nations’ integration into the world economy; and to fight poverty and HIV/AIDS. EU policies also aim to help consolidate democracy, the rule of law, and respect for human rights and fundamental freedoms.

The European Commission and the EU Member States combined constitute the

#### African Peace Facility

Peace in Africa is a precondition for the continent’s development and is also essential for Europe’s security. The EU is the main donor to UN peace operations in Africa. It is also Africa’s biggest trading partner and largest donor, providing more than 50 percent of development aid to the region. In addition, the European Commission created the €250 million African Peace Facility to provide the African Union and other regional organizations with the resources to mount effective peacemaking and peacekeeping operations.

world’s largest single donor in the struggle against poverty. The massive European commitment to development, over \$55 billion in 2005, accounts for more than half of all official development aid to more than 160 countries spanning the globe from the EU’s neighbors to Africa, the Middle East,

Latin America, and Asia. The 2000 Cotonou Partnership Agreement (and its predecessors) with 79 African, Caribbean, and Pacific (ACP) countries is a prime example, combining aid, trade, and political dialogue. ACP exports are granted preferential access to the EU market. In 2008, reciprocal trade and economic partnership agreements (EPAs) with regional groups of countries will be concluded. Aid is tied to institutional reforms and the recipient country’s own long-term development efforts and achievements. Building on the experience that ownership by EU partner countries is pivotal for the efficiency and sustainability of all initiatives, the EU-funded programs are based on the countries’ own strategies to reduce poverty, wherever possible.

Additionally, the EU is a leading donor of emergency and humanitarian aid. The European Commission Humanitarian Aid Office (ECHO) provides food, medical supplies, water purification systems, shelter and other essential items to disaster victims around the world. It has operated in 85 countries since it was created in 1992, providing more than €5 billion in emergency assistance.

#### Funding

To improve aid quality and efficiency, the European Commission has replaced a complex web of funding mechanisms with a simpler, more efficient system, as of 2007. The new framework is comprised of six instruments, three of them policy-driven and three of them thematic:

- The Pre-Accession Instrument (IPA) for

current and future EU candidate countries, e.g., Turkey, Croatia, FYROM, and other potential candidate countries in the Western Balkans.

- The European Neighborhood and Partnership Instrument (ENPI) for countries covered by the European Neighborhood Policy and also Russia (which benefited from TACIS).
- The Development Cooperation and Economic Cooperation Instrument (DCECI) for all countries, territories, and regions not eligible for assistance under either the Pre-Accession Instrument or the European Neighborhood and Partnership Instrument.
- Macro-Financial Assistance (MFA) for economic stabilization and structural reform in beneficiary countries. In close coordination with IMF and World Bank programs, MFA promotes policies that are tailored to specific country needs with the overall objective of stabilizing the financial situation and establishing competitive, market-oriented economies.
- The Instrument for Stability (IfS) for providing a timely, effective, and integrated response to crisis in non-EU countries, and addressing global and trans-regional issues such as nuclear safety and non-proliferation, trafficking, organized crime, and terrorism.
- The Humanitarian Aid Instrument for humanitarian assistance, including food aid (dealt with previously under a separate instrument).

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### EU Relations with Multilateral Organizations

#### The EU and the United Nations

In addition to the active participation of the EU Member States, the European Union has been a permanent observer at the United Nations since the mid-1970s. Both the EU and the UN share common goals in encouraging international peace and humanitarian development. The EU has joined the UN in a number of programs promoting international peace and security; developing stronger relations among nations; and cooperating in solving international, economic, social, cultural, human rights, trade, and humanitarian problems. As with the transatlantic partnership, the EU-UN relationship will become increasingly important as a result of the EU's political development.

The EU contributes to the entire spectrum of UN programs, including development policy, peacemaking, humanitarian assistance, environment, human rights, and culture. The EU Member States are the largest financial contributor to the UN system, providing about 37 percent of the UN's regular budget compared to the 23 percent expended by the United States. The EU contributes 40 percent to UN peacekeeping operations and 50 percent to UN funds and operations.

The EU has been a full participant in many major UN conferences, notably the 1995 Copenhagen World Summit for Social Development, the 1995 Beijing World Conference on Women, the 2002 Monterrey Conference on Finance for

Development, and the 2002 Johannesburg World Summit for Sustainable Development. In May 2001, the EU for the first time hosted a major UN conference—the Third UN Conference on the Least Developed Countries.

In 2003, the UN and the Commission concluded an agreement on the financing or co-financing of UN projects, a pact that substantially simplifies and accelerates the conclusion of grant agreements between the two organizations.

EU participation in UN activities reflects the Union's deeply-rooted commitment to making effective multilateralism a central element of its external action.

Since the 1993 establishment of the EU's Common Foreign and Security Policy, EU Member States have moved increasingly toward coordinating their actions in international organizations. At the UN, the Member States, together with the European Commission, consult regularly and aim for unanimity. In fact, they have stood together on about 95 percent of all resolutions passed by the UN General Assembly since the mid-1990s.

EU Member States represent one-eighth of the votes in the UN General Assembly and one-third of the UN Security Council's membership.

The European Commission has delegations at all major UN sites: New York, Geneva, Vienna, Rome, Paris, and Nairobi. The European Commission's External Relations and Development Directorates-General coordinate relations between the Commission and the UN, while many of the sectoral Directorates-General also have

close working relations with individual UN bodies in their areas of responsibility.

#### The EU and the World Trade Organization

The EU was deeply involved in trade negotiations under the General Agreement on Tariffs and Trade's (GATT) Uruguay Round, implemented in 1995, which included the creation of the World Trade Organization (WTO). The European Union is one of the key players in the WTO, because the EU has a common trade policy, where the European Commission negotiates on behalf of the Union's 27 Member States. As such, the EU is one of the driving forces behind the current round of multilateral trade negotiations in the WTO, the Doha Development Agenda (DDA). The DDA comprises both further market opening and additional rule-making, underpinned by commitments to take measures necessary to integrate developing countries into the world trading system, notably by strengthening assistance to build capacity. The main objective of the DDA

Round is to put development at the heart of the world trade system in a way that will help developing countries combat poverty.

### Regions of the World

#### The Mediterranean Region and the Middle East

The Mediterranean region is of high strategic importance to the EU. The Euro-Mediterranean Conference of Ministers of Foreign Affairs, held in Barcelona on November 27-28, 1995, marked the starting point of the Euro-Mediterranean Partnership (Barcelona Process), a wide framework of political, economic, and social relations between the Member States of the European Union and partners of the Southern Mediterranean. The 2004 EU enlargement gave Member State status to two Mediterranean members of the partnership—Cyprus and Malta. The ten full Euromed partners are Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, the Palestinian Authority, Syria, Tunisia, and Turkey. Libya has observer status.

As the cornerstone of a new regional

#### Supporting the Middle East Peace Process

The EU is firmly committed to the objective of two States, Israel and a democratic, viable Palestine, living side-by-side in peace and security, in the framework of a comprehensive Middle East peace. With Russia, the United States, and the United Nations, the EU drafted the 2002 "roadmap" of goals and timelines to encourage progress. In addition to diplomatic efforts, the EU also supports or runs various civic, business, and social initiatives to promote peace and tolerance in the region.

The EU is the biggest donor to the Palestinians and the biggest trading partner and major economic, scientific and research partner of Israel—the EU accounts for one-third of Israeli exports and over 40 percent of Israeli imports. It is also a major political and economic partner of Syria, Lebanon, Jordan and Egypt.

Israel and the Palestinian Authority are partners in the EU's European Neighborhood Policy, and have agreed to action plans with commitments on issues relevant to the peace process.



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relationship, the Barcelona Process has three main objectives: expanding the political and security dialogue to create a common area of peace and stability; sharing prosperity through an economic and financial partnership and the gradual establishment of a free-trade area, envisioned by 2010; and encouraging understanding between cultures and exchanges within civil society.

The EU also works closely with six Persian Gulf nations that created the Cooperation Council for the Arab States of the Gulf (GCC) in 1981. A free-trade agreement is being discussed, as is increased political, economic, and social cooperation.

#### Afghanistan

EU support for Afghanistan is set firmly within the context of an agreement

reached in Bonn by Afghan factions, assisted by the United Nations, shortly after the fall of the Taliban in late 2001. The agreement spelled out a transitional process leading to elections of a “broad-based, gender-sensitive, multi-ethnic, and fully representative government.”

In 2002 the Council of the European Union set overall objectives to: restore stability; support civil, social, and military structures, and services and aid, especially for refugees and displaced persons; promote economic and political reforms and the establishment of public institutions to protect human rights; reinforce the fight against illegal drugs and terrorism; and promote regional cooperation for reconstruction.

The EU has provided substantial aid to Afghanistan. Between 2002-2006, the EU

committed €1 billion to Afghanistan’s stabilization and recovery process and will continue to provide roughly €150 million annually in the long-term. The EU is the largest donor to the Law and Order Trust Fund for Afghanistan (LOFTA), having contributed €135 million since 2002 to cover police salaries. The EU is a top contributor to the Afghan Reconstruction Trust Fund (ARTF), and along with the World Bank and the U.S., the EU has taken a leading role in developing the health sector.

During the period 2007-2013, the EU will continue to focus on strengthening the rule of law as key to sustainable reconstruction, governance, and state building in Afghanistan. Additionally, the EU will continue to provide substantial aid, notably in health and rural development, including alternative livelihoods. Other

significant goals include de-mining, the sustainable return of refugees, expanding the role of women, and reducing poppy production. In addition, the EU has made a significant contribution of personnel (almost two-thirds of the total deployment) to the UN-mandated and NATO-commanded International Security Assistance Force (ISAF), established by a UN Security Council Resolution following the Bonn meeting.

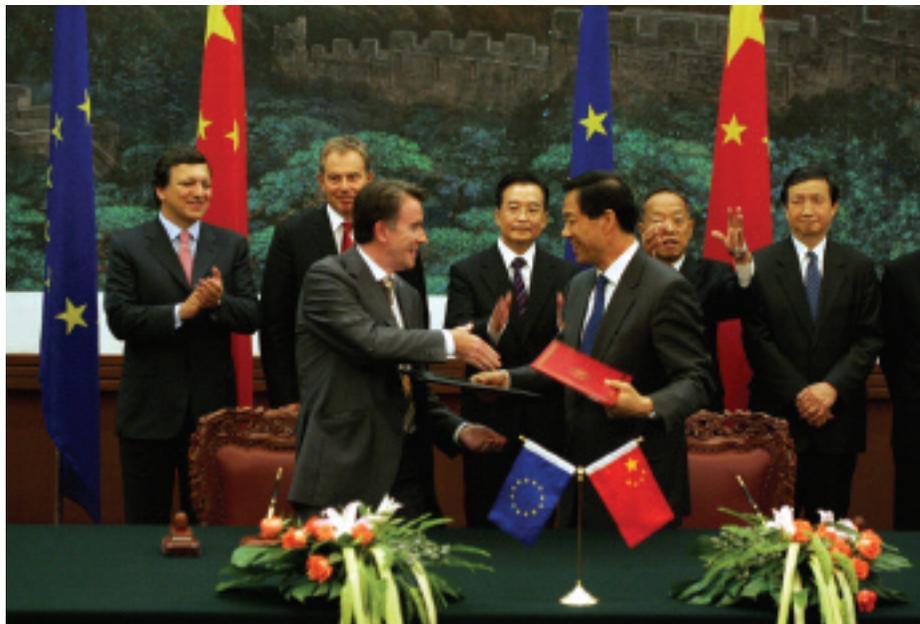
#### Iraq

In addition to the involvement of a number of EU Member States in providing security, the EU’s efforts in Iraq since the fall of Saddam Hussein in May 2003 have focused on humanitarian relief and political and financial support for reconstruction. The European Commission’s

(right) Afghan President Hamid Karzai addresses European Parliament.

(far right) Medical assistance program in Baghdad.





EU-China Summit,  
September 2005.

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humanitarian agency provided €100 million in humanitarian assistance in 2003 for the most vulnerable population in Iraq. In 2005, the EC also provided significant support for the electoral process.

Benita Ferrero-Waldner, Commissioner for External Relations and European Neighborhood Policy, said in July 2005: “The Iraqi people have shown tremendous courage and resilience.... We owe it to them to show compassion and solidarity in return—with financial assistance but also with moral and political support.”

European Commission assistance to date (€720 million) represents a strong foundation for future EC engagement. Support thus far has focused on three main areas:

- restoring key public services (education and health);
- boosting employment and reducing poverty;
- strengthening governance, civil society, and human rights, including strong support to the electoral process.

In 2006, the European Commission allocated a further €200 million to Iraq, with nearly €180 million dedicated to the

support of basic services.

Negotiations were launched in November 2006 for an EU-Iraqi Trade and Cooperation Agreement geared toward strengthening the bilateral relationship and helping to integrate Iraq into the world economy.

The European Commission opened a Delegation in Baghdad in 2006.

#### Iran

The EU has expressed its deep concern over Iran’s repeated failure to bring its nuclear program into compliance with the requirements of the International Atomic Energy Agency (IAEA) Board of Governors and the UN Security Council. The EU welcomed UN Security Council resolution 1737, which called on Iran to comply with the IAEA requests, stating, “This decision represents a necessary and proportionate response to Iran’s disregard for the concerns of the international community and for Security Council resolution 1696.”

The EU reiterated its continuing support for efforts toward a negotiated long-term solution, as well as for the EU High

Representative’s June 2006 proposal to Iran, which could open the way for a new EU-Iran relationship based on mutual respect and expanded cooperation.

The EU has conducted a multi-track, gradual, engagement policy with Iran, including the prospect of negotiations on an agreement encompassing crucial political issues such as the promotion of human rights, the fight against terrorism, the Middle East Peace Process, weapons of mass destruction, and parallel, linked negotiations on a possible Trade and Cooperation agreement.

The EU-Iran bilateral Human Rights Dialogue has been inactive since summer 2004.

One of the EU policy goals is the promotion of economic and social reforms within Iran needed to facilitate the country’s re-integration with the international community.

#### Asia

The EU proposed in 2001 to strengthen its political and economic presence in Asia by broadening engagement in the region, creating policies to improve mutual trade and investment, promoting development in poorer nations, and promoting core EU values such as protection of human rights and the spread of democracy.

At the 2004 summit between the EU and 13 key Asian nations, representatives from the two continents agreed to strengthen coordination and cooperation within the Europe-Asia dialogue to address new challenges such as instability, terrorism, proliferation of weapons of mass destruction,

economic inequality, disease, environmental degradation, and climate change.

The EU also has regular dialogues on regional political and security issues with the 10-nation Association of Southeast Asian Nations (ASEAN) through the ASEAN Regional Forum, established in 1994. EU and ASEAN foreign ministers have met every other year since 1978. Results of the 2005 EU-ASEAN meeting include support for ASEAN integration by making available the enlarged EU’s own experience as a model; the start of negotiations on bilateral agreements with Singapore and Thailand; concrete joint cooperation in the fight against terrorism; marked progress under the TREATI (trade initiative); launch of trilateral cooperation; and a joint EU-ASEAN visibility strategy.

In 2005, the EU was ASEAN’s second largest export market, and third largest trading partner, after the U.S. and Japan.

Asia is the No. 2 market for EU exports behind North America, with trade in services an increasingly important element. A significant share of EU foreign investment flows to Asia, while some Asian countries are important investors in the EU.

#### China

The EU and China account for one quarter of the world’s population. China is the world’s fourth economic power, third biggest exporter, and wields increasing international political clout. As China grows, it is entering a new and challenging period of its economic and social reform process. Europe has a major political and economic stake in supporting China’s full



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and successful transition into a prosperous, stable, and open country that embraces the rule of law and free market principles.

Strategic partners since 2003, the EU and China share a growing interest in working together on key geo-political challenges, and in promoting sustainable development, peace, and prosperity for the benefit of both sides. The EU-China summit in 2006 agreed to launch negotiations on a comprehensive new Partnership and Cooperation Agreement (PCA) that would encompass the full scope of EU-China relations, including enhanced cooperation in political matters. This PCA will be the key mechanism to move the partnership forward, propelled by the EU's ambitious new agenda for bilateral relations.

The EU's new China strategy, introduced in 2006, responds to China's re-emergence as a global economic and political power.

The EU approach is one of engagement and partnership—a closer strategic partnership means increased mutual responsibilities. The initiative identifies as priorities: support for China's transition toward a more open and pluralistic society; sustainable development, including EU-Chinese cooperation on energy, climate change, and international development; strengthening bilateral cooperation in areas including science and technology and immigration; and promoting international security in East Asia and beyond, and in the area of nuclear non-proliferation.

The new approach is accompanied by a wide-ranging review and new strategy for building the EU's trade and investment relationship with China, reflecting the dramatic changes in EU-China trade and the importance of managing China's massive new weight in the global trading

system. The argument is that China's growing trade muscle brings with it new responsibilities to fulfill its WTO obligations, open its markets, and trade fairly. The review sets out a range of strategies for improving the conditions on which EU companies trade in China: better market access, tougher action on intellectual property theft, and provision of new resources for business on the ground in China.

China is now the EU's second largest trading partner after the U.S., and the EU became China's largest trading partner in 2004.

#### India

EU relations with India have developed at a remarkable speed over the past several years. The deepening of the EU-India political partnership is embedded in a strong institutional architecture, strengthened and enhanced continually as the relationship evolves, marked by advances made at EU-India summits that have taken place since 2000. At the 2006 EU-India summit, leaders discussed the implementation of the Joint Action Plan and its role in further advancing bilateral trade and investment. The EU and India also agreed to intensify their cooperation in areas of mutual concern, from climate change and promoting multilateral trade liberalization to nuclear non-proliferation, good governance, human rights, and the fight against terrorism.

The Joint Action Plan focuses in particular on:

- strengthening dialogue and consultation mechanisms;

- deepening political dialogue and cooperation;
- bringing together people and cultures;
- enhancing economic policy dialogue and cooperation;
- developing trade and investment.

The EU is India's largest trading partner, accounting for one-fifth of India's trade. Since 2001, bilateral trade has grown by an average of 11 percent. A growing area of EU-India trade is in services, which has increased significantly in recent years. The EU is also both the leading foreign investor in India and a major destination for Indian investors.

#### Japan

To form a solid strategic partnership, the EU and Japan have agreed to a Joint Action Plan with four key objectives: promoting peace and security, enhancing trade, working together to tackle global challenges, and bringing together people and cultures. Leaders at the 2006 EU-Japan summit agreed to strengthen the bilateral relationship through implementation of this Joint Action Plan. Recent progress in this arena includes the adoption of the Investment Framework to foster growth in two-way direct investment, joint participation in the ITER project (research concerning the feasibility of fusion as a large-scale energy source), and signature of the Japan-Euratom agreement.

The EU values its existing cooperation with Japan on a range of international issues, including Afghanistan, Iraq, and Iran, and hopes to strengthen political cooperation further. As democracies sharing the same values and beliefs in the rule of law,



African Union President Alpha Oumar Konaré in Brussels with EU High Representative Javier Solana and European Commissioner for Development and Humanitarian Aid Louis Michel.

(right) Leaders at the 2006 EU-Latin America and Caribbean Summit.

(below left) Sanitation and hygiene project in Colombia.

(below right) European Commission President José Manuel Barroso at UN Summit, September 2005.



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home affairs (including air travel security); promotion of global economic growth; and tackling global challenges such as climate change and poverty in developing countries.

In foreign and security policy, the EU and Canada draw on a shared commitment to effective multilateral institutions and good global governance to project common values on the world stage, for example, by working together to fully establish the jurisdiction of the International Criminal Court.

At their 2005 summit, EU and Canadian leaders completed the first round of negotiations on a framework for a bilateral Trade and Investment Enhancement Agreement. The next summit is scheduled for 2007.

#### Latin America

Building on long-standing bilateral relations between European countries and Latin America, the European Union has established and built up links with Latin America since the 1960s. The relationship between the two continents has substantially evolved over the past three decades. Today's partnership reflects the increasing importance both parties attach to further strengthening the relationship in the future. As the region's primary foreign investor and second most important trade partner, the EU is an important economic and political partner for Latin America. The EU is the leading development donor

human rights, and sustainable economic development, the EU and Japan together have the potential to project joint interests and ideals on a global scale.

Together Japan and the EU account for 40 percent of global GDP and are both major aid donors. When the EU and Japan work together, people listen. Closer collaboration between the two partners could make an important contribution to the success of the Doha Development Agenda negotiations and help to prepare the post-2012 multilateral regime to combat global warming.

#### Africa, Caribbean, and Pacific

The EU maintains links to African, Caribbean, and Pacific (ACP) countries that were already in place at the Union's inception in the late 1950s, when many of the countries were current or recent colonies of European countries. The ACP, which now includes 79 countries, acts as a

group within a legal framework—the 20-year Cotonou Agreement, signed in 2000—involving development, cooperation, and dialogue. (While an ACP country, Cuba is not a signatory to the Cotonou Convention)

EU funding for 2003-2008 of nearly \$16 billion supports economic reform efforts of ACP governments, expansion of the private sector, and improved social services, including better water supplies and modern energy services.

The relationship between the EU and the ACP countries is evolving from a system of trade preferences granted by the EU to Economic Partnership Agreements based on the progressive and reciprocal removal of trade barriers. EPAs foster greater inter-regional trade ties between ACP countries and will gradually lead to the development of free trade areas.

With the creation of the African Union in 2002, the European Union took a

broader approach to its relations with Africa. The European Commission quickly initiated strategic support of the African Union Commission by funding its institutional development and core activities, including initiatives to promote peace and security, good governance, regional integration, and increased trade.

#### Canada

In 1976, Canada became the first industrialized country to sign a commercial and economic agreement with the EU. The agreement established mechanisms for cooperation in areas such as trade, industry, and science.

Links between Europe and Canada have traditionally been close. A Partnership Agenda adopted by the EU and Canada in 2004 identifies ways to achieve progress on issues of mutual interest, including foreign and security policy; justice and



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in the region, providing 55 percent of all aid. Trade between Europe and Latin America doubled from 1990 to 2005.

A full range of cooperation agreements have been concluded at all levels (bilateral, bi-regional and sub-regional) in the three areas of economic cooperation, institutionalized political dialogue, and the strengthening of trade relations to promote democracy, peace, and economic development in the region. All cooperation and association agreements signed by the EU and its Latin American partners include a “democracy clause”, pledging cooperation and mutual respect for democratic principles and human rights.

**Mercosur** (Mercado del Sur), the **CACM** (Central America Common Market) and the **Andean Community** represent the three main regional integration processes in Latin America.

The specific dialogue between the EU and these regional partners reflects the importance attached by the EU to regional integration as a vehicle to foster better understanding between neighboring countries and to strengthening multilateralism in the long term.

The EU is negotiating an association agreement with the Mercosur countries (Argentina, Brazil, Paraguay, Uruguay, and Venezuela) that will include the creation of a free trade area. The EU-Mercosur Agreement will be the first ever between two regional trade blocs, and will form the most far-reaching free trade agreement in

the world. A separate free trade agreement already exists with Chile as part of a broader association agreement.

The Union also provides preferred access to EU markets for the Andean Community and Central America to help fight illegal drug production.

In July 2005, Chile became the second South American country, after Argentina, to participate with the EU in Operation ALTHEA, the peacekeeping mission in Bosnia and Herzegovina.

The EU also actively supports the peace process in Colombia.

#### Mexico

The EU and Mexico share an institutionalized political dialogue in which they discuss multilateral and bilateral issues, such as poverty, terrorism, human rights, democracy, migration, and regional development. The EU identified cooperation activities with Mexico for 2002-2006 in a Country Strategy Paper. Priority action sectors include: social development and the reduction of inequalities among various segments of the Mexican population; economic growth through facilitating the implementation of a free trade area; scientific and technical cooperation; and consolidation of the rule of law and institutional support. Two additional areas of interest are reform of the judicial system and EU financial support for human rights reform. An EU-Mexico Economic Partnership, Political Cooperation, and Coordination

Agreement has been in force since 2000, and includes a free-trade agreement for goods, effective July 2000, and for services, in force from March 2001.

## Chapter Six

How is the EU Run?



# Making Decisions Together:

## *An A to Z of EU Policies*

To achieve economic integration, the founding treaties provided for common policies in trade, agriculture, competition, and transport. Over the years, Member States agreed to add new sectors such as research and technology, energy, the environment, education, and training. The EU is also addressing policy in sectors such as telecommunications and the information society.

### Agriculture

Created in 1962 to guarantee food supply and farm incomes in Europe, the Common Agricultural Policy (CAP) comprises a set of rules and mechanisms which regulate the production, trade, and processing of agricultural products in the European Union (EU), with attention being focused increasingly on rural development.

The 1970s and 1980s saw heavy price support and consequently, overproduction. After a series of reforms, direct payments to farmers are now completely separated from farm production and subject to compliance with strict environmental, animal welfare, and land management standards.

While most other EU policies are financed predominantly from Member State treasuries, the CAP is the only policy funded entirely from the EU budget. Consequently, it accounts for a large slice of that budget—currently just under half. Nevertheless, the EU still spends only 0.43 percent of its GDP on agriculture, a figure

which will decline to about 0.33 percent by 2013.

Today's CAP reflects a political choice by European society. EU agriculture should be a versatile, sustainable, and competitive economic sector. In addition to fulfilling its role in food and fiber production, it contributes to nature conservation and the vitality of rural areas.

These “non-trade concerns” are fundamental to sustainable agriculture, maintaining the landscape and the environment, and responding to consumer concerns.

The new CAP will help the EU meet its pledge to phase out all export subsidies, and thus to boost world trade and help developing countries emerge from poverty. The EU is prepared to bind these reforms into a global trade accord, providing that the United States and others commit themselves to similar reforms. In the current world trade negotiations, the EU advocates: lowering trade distorting farm subsidies; WTO discipline applied to all forms of export support; sustainable development in agriculture (consideration of non-trade concerns); working to increase market access opportunities for developing countries, particularly the poorest.

The EU has an impressive record as an importer of agricultural products from developing and least developed countries:

- the EU is the world's leading importer of

agricultural goods, including goods from developing countries;

- the EU absorbs around 85 percent of Africa's agricultural exports and 45 percent of those from Latin America;
- the EU is the largest importer of agricultural products from the poorest countries (least developed countries).

**Animal Health and Welfare.** The EU is dedicated to the protection and improved health status and condition of animals in the EU, especially the food-producing animals, while permitting trade and imports of animals and animal products. The EU pursues these policies actively, particularly in light of recent experiences with animal health—such as foot and mouth disease (which poses serious problems for animal health and welfare in addition to economic consequences)—along with the risks for humans associated with some animal diseases (BSE, avian influenza). EU preventive health measures in this area focus on: trade and the import of live animals and animal products; the movement of pets, including a pet passport; measures to control, and if possible, eradicate animal diseases; and separate identification measures to guarantee the “traceability” of animals.

The EU's responsibility in this area includes legislating improvements for the welfare of animals and the prevention of

cruelty against animals and their mistreatment. EU activities in this area are based on the recognition that animals are sentient beings, and this principle is the foundation for EU legislation developed over the past 30 years related to animal welfare in farming, transport, and slaughter. The same principle applies to international activities to build awareness and consensus on the importance of animal welfare internationally. The Community Action Plan on the Protection and Welfare of Animals, 2006-2010, embodies this European commitment.

**Food Safety.** EU policy ensures that consumers can confidently enjoy access to an affordable and safe variety of food. Experience shows that the entire food chain must be addressed if safety is to be guaranteed. EU laws cover how farmers produce food, how food is processed, how it is sold, how it can be traced through the supply chain, and the type of information provided on the label. The EU also regulates the safety of food imported into the EU, including requirements on extensive traceability.

The EU and the U.S. both have high food safety standards, although U.S. consumers may recognize that different approaches in some areas—e.g., mandatory labeling of genetically modified organisms (GMOs) or banning



## Chapter Six

### Making Decisions Together

the use of hormones as growth promoters—can sometimes give rise to disputes.

**Plant Health.** EU plant health legislation aims to protect the safety of food derived from plants and to secure the health and quality status of crops in all Member States. The Union's plant health policy also guards against the introduction and spread of organisms harmful to plants or plant products within the EU and ensures quality conditions for the sale of seeds and propagating material within the Union. The EU regulates intra-EU trade in plants and plant products, as well as imports from the rest of the world. The EU supervises the authorization and use of pesticides, and sets standards to monitor and control residues in food and feed.

#### Aviation

The EU has a single integrated free aviation market, which means all European carriers compete on equal terms across the EU. Airlines set capacity and fares according to market demand, which has generated increased competition and significant economic benefits in terms of expanded service, lower fares, and more jobs in the aviation sector. The June 2006 European Common Aviation Area agreement extended the European Aviation Market to the Western Balkan countries, which together with the 27 EU Member States, Norway, and Iceland constitute a common aviation area of more than 35 states and

over half a billion people.

Opening markets and promoting investment are only two successes of the EU single aviation market. The establishment of the European Aviation Safety Agency in 2002 reflects the EU's desire to ensure uniform safety standards and oversight. The adoption of "single sky" legislation in 2004 launched an ambitious program to create an EU wide traffic management system where airspace is configured on the basis of operational efficiency instead of national frontiers, thereby reducing delays and congestion. The EU has also adopted important legislation in the fields of aviation security, environmental rules, and passenger protection.

The European Court of Justice ruled in November 2002 that a number of "open-skies" bilateral air services agreements between individual Member States and the United States are illegal. By reserving traffic rights for national carriers these agreements prevented free competition in the provision of international air transport between the EU and the U.S. In June 2003, the Member States granted the European Commission a mandate to negotiate a comprehensive aviation agreement with the United States that would replace these bilateral accords. While a tentative agreement was reached in November 2005, talks are ongoing to rebalance the agreement to the satisfaction of both sides.

The EU and the U.S. are each other's leading aviation partners. Together their



aviation markets account for about 60 percent of global civil aviation output. A recent study carried out for the European Commission estimated that over the course of five years, an EU-U.S. Open Aviation Area would generate 26 million additional passengers; up to \$18 billion in consumer benefits; and an additional 80,000 new jobs in the EU and U.S. combined.

"The transatlantic aviation market is today already highly competitive. But economic barriers to free competition still remain....We want to remove these barriers. We have a free market in Europe and we want to extend it to create a transatlantic area."

—European Commission Vice-President Jacques Barrot, Commissioner for Transport

#### Competition (Antitrust)

EU competition policy is essential for the completion of the Internal Market, given that the single market's purpose is to allow firms to compete on a level playing field in all the Member States. The role of competition policy is to encourage economic efficiency by creating a climate favorable to innovation and technical progress. In a market economy, competition promotes economic success, safeguarding the interests of consumers and ensuring that businesses, goods, and services are competitive on the world market.

The European Union's competition

policy ensures that healthy competition is not hindered by anticompetitive practices by companies or national authorities (restrictive agreements and concerted practices), attempting to prevent one or more businesses from improperly exploiting their economic power over weaker companies (abuse of a dominant position).

Unlike U.S. antitrust law, EC law also prohibits state aid that distorts competition in the internal market.

The Commission has jurisdiction over large-scale mergers and acquisitions affecting more than one Member State and exceeding certain thresholds. The Commission can fine antitrust violators. Like the U.S. government, it is entitled to review mergers between non-EU companies with certain revenue thresholds that conduct significant business in the EU.

The European Commission cooperates with the U.S. authorities (Department of Justice and the Federal Trade Commission) primarily on the basis of the 1991 Cooperation Agreement and the 1998 Positive Comity Agreement. Principal elements of cooperation are mutual information about enforcement activities (notifications), coordination of enforcement activities, and exchange of non-confidential information. The intensity of cooperation is increased if the parties to a case have granted a waiver allowing the exchange of otherwise protected information. The Positive Comity Agreement allows one party adversely affected by anti-



competitive behavior in the other's territory to request that the other party take action.

The EU and the U.S. are exploring a second generation agreement, which would allow for the exchange of confidential information and facilitate cooperation in the fight against cartels.

EU and U.S. cooperation over the years has led to a process of "soft convergence," with the two partners seeing eye-to-eye in most cases. The fact that the EU and the U.S. operate on the basis of different laws, however, makes it inevitable that, from time to time, different approaches will be adopted. The EU's July 3, 2001, decision blocking the GE-Honeywell merger is the only instance to date involving a U.S. company where the EU blocked a U.S.-approved merger. Complaints considered for the merger examination, however, came from both sides of the Atlantic.

### Consumer Policy

Consumer interests lie at the center of citizens' daily lives. The new 2007-2013 consumer policy strategy and program aim to bring these issues to center stage and put forward concrete actions to meet citizens' concerns, bringing a stronger focus to citizens' issues in policy making and helping to bring Europe closer to its citizens.

Consumer policy is about making sure that all consumer products and services

sold in the EU are safe, that consumers' rights are protected, that consumers have the information required to make an informed choice, and that they are not misled. This applies whether consumers are shopping in their local supermarket, traveling throughout the EU, or using a website based in another EU Member State. EU policy seeks to reassure consumers that, as trade liberalization continues, their interests are not taking a back seat to those of business.

Recent consumer policy strategy sought to ensure a high common level of consumer protection by harmonizing the safety of goods and services, as well as the economic and legal interests that will enable consumers to shop with confidence anywhere in the EU and by whatever means. EU consumer policy also addresses the effective enforcement of consumer protection rules throughout the EU and the proper involvement of consumer organizations in EU policies (on a footing similar to other stakeholders).

The new 2007-2013 consumer strategy builds on what has already been undertaken to make consumers more confident in the internal market, while taking into account new challenges, such as increasing e-commerce and the liberalization of some services. The two main objectives (the same as those in the Consumer financial program 2007-2013) are to ensure a high level of consumer protec-

tion, notably through improved evidence, better consultation, and better representation of consumers' interest, and to ensure the effective application of consumer protection rules notably through enforcement cooperation, information, education, and redress.

### Education and Training

The EU has several programs to promote cooperation in education between Member States. Many neighboring countries also participate in these programs which cover all areas of education from school through university and lifelong learning. Programs such as Socrates and Leonardo da Vinci offer grants to study, teach, or undertake training in another country. They also offer educational establishments the opportunity to cooperate on joint projects and establish networks. Under the Erasmus program, university students may pursue part of their studies in another country—well over 1.2 million have done so already. The Erasmus Mundus program, launched in 2004, promotes the EU as a global center of excellence, by supporting inter-university EU Masters Courses and funding scholarships for non-EU students and scholars. Over 120 U.S. students and scholars have benefited already.

Under the so-called Bologna Process, which now extends far beyond EU borders, 45 countries are working toward convergence of their higher education systems, through the introduction of a system based on three cycles (bachelors, masters, doctoral); a European Credit Transfer System; diploma

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supplements to increase transparency and facilitate recognition of qualifications; and cooperation in quality assurance.

Transatlantic cooperation in education is an important component in stimulating economic growth and prosperity as well as nurturing the EU-U.S. relationship. The EU-U.S. Cooperation Program in Higher Education and Vocational Education and Training, renewed in 2006, jointly funds cooperative activities between educational establishments in the EU and the U.S. Since the program started, over 100 projects have been funded, involving more than 700 institutions. Over 4000 students have benefited from the resulting exchanges. Under the new Atlantis Program, institutions can apply for four-year grants to implement exchanges of students and teachers. In future years—budget permitting—it may be extended to graduate programs. It also supports projects on policy issues related to transatlantic education.

The Agreement also includes the Schuman-Fulbright Grant Scheme, which provides support to professionals for studies or training in areas of specific relevance to the EU-U.S. relationship at institutions in the U.S. or EU.

### Economic and Monetary Union (EMU) and the Euro

**EMU.** The euro is the most visible element of a much larger project—Economic and Monetary Union—a major EU achievement that includes the establishment of a common stability-oriented macroeconomic policy framework and reinforced coop-



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eration in a wide range of policy fields. While only 13 EU Member States currently use the euro, all 27 participate in Economic and Monetary Union.

Unique among monetary unions, EMU combines a single monetary policy for the

euro area countries, defined and implemented by a supranational institution, the European Central Bank, with national responsibility in most other economic policies. These latter policies, however, are coordinated.

#### The Euro

The EU officially launched the euro on January 1, 1999, followed three years later—on January 1, 2002—with the circulation of banknotes and coins throughout the euro area. This milestone achievement represents the culmination of the EU's long-standing ambition to cement closer economic integration with a single currency.

The euro is the single currency of 13 of the EU Member States, and is issued and managed by the European Central Bank. The 13 Member State “euro area” represents a population of roughly 313 million and accounts for 20 percent of world output (compared to 30 percent for the U.S.). Beyond its economic impact, the euro has substantial political significance and adds to the EU's capabilities as an international actor.

The 13 euro countries are Austria, Belgium, Germany, Greece, Finland, France, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Slovenia, and Spain. Denmark and the UK negotiated an “opt-out” Protocol to the EU Treaty, granting them the option of joining the euro area or not. If they decide to do so, both countries must fulfill the convergence criteria—achievement of a high degree of price stability, of sound and sustainable public finance, and of exchange rate stability—set out in the Maastricht Treaty.

The introduction of the euro has gone a long way toward eliminating the inefficiencies implied by business and consumers being required to operate in many different national currencies within the same market. These efficiency gains have come via lower transaction costs and intensified competitive pressures through enhanced price transparency. The euro is the most important factor behind the recent acceleration in EU financial integration, as reflected in more homogenous financial markets, consolidation among intermediaries and market infrastructures, and the emergence of new and innovative products and techniques.

Meanwhile, the euro has emerged as the second currency of the international financial system, reflecting financial market confidence in the currency's underlying policy framework and more predictable macroeconomic regime. The euro's stability and liquidity make it an attractive reserve currency for foreign governments seeking to diversify their international currency holdings and lower risk, ultimately contributing to global economic stability.

Member States that do not use the euro can choose to link their currencies to the euro under the Exchange Rate Mechanism (ERM II), with the aim of minimizing fluctuations in exchange rates between the euro and the currencies of participating non-euro Member States and fostering economic convergence.

Denmark, which did not adopt the euro when it was introduced, and six of the Member States that joined the EU in 2004 (Cyprus, Estonia, Latvia, Lithuania, Malta, and Slovakia) are participating in ERM II. Slovenia adopted the euro as of January 1, 2007, and the other 11 of the newest Member States are committed to adopting the euro, as soon as they fulfill the required conditions, although there is no fixed timetable.

**The Lisbon Strategy for Growth and Jobs**, adopted in 2000, aims to provide more and better jobs in a more dynamic and innovative Europe that is an attractive place to invest and work. Means to these ends will include increased investment in knowledge and innovation, policies to unlock business potential, particularly for small and medium sized businesses, increasing employment opportunities, and moving toward an efficient and integrated EU energy policy.

**The Stability and Growth Pact** aims at combining budgetary discipline with flexibility, to assist Member States to pursue national fiscal policy objectives while ensuring that public finances remain on a sound and sustainable footing.

EMU is a logical complement to Europe's internal market and has succeeded in delivering conditions of macroeconomic stability—in terms of low inflation, budgetary discipline, and elimination of exchange rate tensions—to the participating Member States, while fostering further economic integration in product markets and financial markets.

#### Employment and Social Policy

Under the European Employment Strategy (EES), the European Council (the EU's Heads of State and Government) agrees on annual, common priorities for employment policies, along with individual objectives for Member States. The objectives include: job creation, job quality, balance between work and personal life, opportunities for older workers, and eliminating discrimination based on race, gender, and disabilities. Each

EU government produces an action plan for putting those guidelines into practice. Progress is measured against about 100 indicators, ranging from basic economic figures to the availability of childcare.

The European Social Fund (ESF) is the main financial tool through which the EU translates its strategic employment policy aims into action. Established by the Treaty of Rome, the ESF has, for more than half a century, and in partnership with the Member States, invested in programs to develop people's skills and enhance their positions in the job market.

The European Commission adopted an Integrated Guidelines Package containing economic and employment policies for 2005-2008, designed to spur growth and jobs. Proposals include reducing regulatory roadblocks and increasing research and development investment. The EU must work hard if it is to achieve the Lisbon Strategy target of a 70 percent overall employment rate by 2010, currently at 64.3 percent.

Combined with its strategy to create jobs, the EU seeks to ensure a decent working environment throughout the Member

“Renewable energy is one of the most important ways to bring Europe not only environmental benefits, but also other important advantages such as (i) improved security of supply due to reduced need for imported hydrocarbons, (ii) increased employment, and (iii) technological development....I am fully committed to ensure that the Union continues to work toward the ambitious target of a 12 percent share of renewable energy by 2010.”

—EU Energy Commissioner Andris Piebalgs, March 9, 2005, Brussels.

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States, protect workers through rules on working conditions and workplace health and safety, and promote healthy labor-management relations. The European Commission's Social Agenda, approved in early 2005, addresses the need for pension and social security entitlements that are transportable across borders, employment for older workers, and support for women entering or re-entering the work force.

#### Energy

In January 2007, the European Commission proposed a comprehensive package of measures to establish a new EU energy policy, intended to address a number of key concerns:

- combating climate change;
- reducing energy consumption;
- securing the supply of energy;
- achieving sustainable power generation from fossil fuels;
- fostering a more open and competitive internal energy market;
- stimulating technological development and job creation.

Specific targets are set for reducing greenhouse gas emissions, increasing renewable energy use, and improving energy efficiency. The plan also calls for a Strategic Energy Technology Plan to promote innovation, a more integrated EU internal energy market that addresses energy sector competition problems within Member States, and an EU external energy policy that enables the EU to “speak with

one voice” internationally on energy issues. The proposals also include a review of Member States’ policies on nuclear energy.

The proposed new EU energy policy is set against the backdrop of an unsustainable energy future. Currently, the EU imports 50 percent of its energy, a statistic that could increase to 70 percent by 2030 if no policy changes are made. World energy demand is expected to increase by 50 percent over the same period, leading to higher prices and more competition for finite energy resources. To reduce dependence on imports and cut pollution, the EU must reduce the use of fossil fuels in industry, transport, and the home. At the same time, renewable energy sources must be used to generate electricity, heat and cool buildings, and fuel transport. The EU will also need to use traditional energy sources in a more sustainable way.

European Commission President José Manuel Barroso said in early 2007: “The challenges of climate change, increasing import dependence and higher energy prices are faced by all EU members. A common European response is necessary to deliver sustainable, secure, and competitive energy. The proposals put forward by

“Climate change touches on all aspects of our society. It is a threat not only to the environment, but also to our economies and, in the end, our security.”

—Environment Commissioner Stavros Dimas, April 18, 2005, Washington, D.C.

the Commission...demonstrate our commitment to leadership and a long-term vision for a new Energy Policy for Europe that responds to climate change. We must act now, to shape tomorrow’s world.”

#### Environment

The EU has developed a substantial body of environmental law to protect against water, air, and noise pollution and to control risks related to chemicals, biotech-



#### The Schengen Agreement

The Schengen Agreement initially entered into force in Belgium, Netherlands, Germany, France, and Luxembourg and abolishes controls at the internal borders of the participating countries, while immigration and other frontier control measures are carried out according to a single set of rules. The original five participants have since been joined by Denmark, Greece, Spain, Italy, Austria, Portugal, Finland, Sweden, and European Economic Area (EEA) members Iceland and Norway. Switzerland will join the Schengen Area soon. The United Kingdom and Ireland chose to apply only parts of these arrangements, while the 12 EU Member States that joined since 2004 must still put in place certain flanking measures (e.g. access to common police and border control databases, specific police and judicial cooperation legislation and mechanisms, as well as high standard controls of the common external border) before they become full-fledged Schengen members.



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nology, and nuclear energy within the Union. The overall direction of the EU environment policy is laid out in recurring multi-year action programs, the most recent of which—“Environment 2010: Our Future, Our Choice”—concentrates on four priority areas: climate change, nature and biodiversity, environment and health, and natural resources and waste.

In the area of health, the EU has recently adopted a new chemicals policy and legislation known as REACH (Registration, Evaluation, and Authorization of Chemical Substances), that enters into force on June 1, 2007. REACH shifts the burden of proof from government to industry to provide sufficient and adequate information concerning the properties and intended uses of chemicals in commerce to allow workers, downstream users, and consumers to use those chemicals safely.

The EU’s environmental policy is underpinned by the “precautionary principle” using available scientific information. It is also based on the “polluter pays” rule and the management and control of pollution at the source. Costs of preventing and eliminating pollution should, in principle, be borne by the polluter—who may be required to set up systems to take back, recycle, or dispose of used products such as vehicles or electronics.

The EU has enshrined the notion of “sustainable development” in its Treaty and adheres to this practice by integrating environmental responsibility across the policy

and activity spectrum. The ultimate goal of sustainable development is to achieve a form of development that meets the needs of the present without compromising the ability of future generations to meet their own needs, ensuring that today’s consumption and/or pollution of finite resources for economic growth does not jeopardize the growth possibilities of future generations.

The EU spearheads global efforts to protect the environment. The EU, for instance, is one of the initiators of the move by the United Nations Environment Program (UNEP) to create a strategic approach to the international management of chemicals. The EU is an active party to the Kyoto Protocol on Climate Change, which entered into force in February 2005, and was ratified by more than 140 nations. On January 1, 2005, the EU launched a CO<sub>2</sub> emissions-trading program, which covers half of the EU economic sectors and is one of the principal instruments for achieving the EU’s target of 8 percent reduction of greenhouse gases from their 1990 level by 2010. Member States established national allocation plans, agreed at the EU level, on carbon dioxide emissions from industrial plants. Companies that exceed their cap will have to buy additional allowances from companies that succeed in reducing emissions. The EU is currently considering further reductions of greenhouse gas emissions of between 20 and 30 percent by 2020.

The EU is party to a number of international agreements and partnerships, including the UN Framework Convention on Climate Change and the UN Montreal Protocol on Ozone Depletion.

#### Foreign Aid and Development—See Chapter 5

#### Funding Instruments—See Chapter 5

#### Freedom, Security, and Justice

One of the EU’s objectives is to consolidate itself as an area of “Freedom, Security, and Justice.”

The Union assumes the common responsibility for a full range of policy areas to fight terrorism; tackle organized crime; manage migration; establish a common asylum area; develop supportive measures on integration to maximize the positive impact of migrants in the EU; and further develop an integrated management of the external borders and a common visa policy to guarantee the free movement of people within the EU.

The EU takes legislative and other actions to put into practice the principle of mutual recognition of judicial decisions and to ensure that court rulings and sentences passed in a specific national jurisdiction are fully accepted and enforced with the same vigor in other legal systems within the EU. This principle of mutual recognition applies to both civil and criminal matters.

The European arrest warrant, which is one example of EU measures taken in this field, replaces the traditional extradition procedures among Member States, and allows wanted persons to be handed over directly from one judicial authority to another.

Internal security and cooperation on serious and organized crime are important elements of the area of Freedom, Security, and Justice. Following intense legislative activity since 1999, renewed in 2004 with The Hague Program, the EU has been establishing agencies and bodies that are essential to guarantee a working area of Freedom, Security, and Justice.

EUROPOL, the European Police Office in The Hague, Netherlands ([www.europol.europa.eu](http://www.europol.europa.eu)) assists in improving the effectiveness and cooperation of the competent authorities in the 27 European Union Member States in preventing and combating all forms of serious crime and terrorism. EUROPOL coordinates the collection, analysis, and dissemination of law enforcement information and deals with an expanding range of crimes, including counterterrorism issues. Since 2006, EUROPOL also functions as the Central Office for Combating Euro Counterfeiting both within the EU and externally. EUROPOL cooperates—mainly through its liaison office in Washington and four U.S. liaison officers based at the EUROPOL headquarters in The Hague—with the U.S. law enforcement authorities.

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Established in 2002, EUROJUST consists of a “college” of experienced judges and prosecutors. EUROJUST, also based in The Hague, was set up to enhance coordination and cooperation between national investigating and prosecuting authorities of the EU27.

Other bodies and decentralized agencies with a more specific focus are also essential tools to consolidate the EU as an area of Freedom, Security, and Justice without internal borders.

FRONTEX, the European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the EU, has its headquarters in Warsaw, Poland. It applies existing and future EU measures relating to the management of the EU’s common external border.

The European Police College or CEPOL was established in 2000 as a network aimed at bringing together the national training institutes for senior police officers in the Member States of the EU.

The EU Agency for Fundamental Rights provides the EU and its Member States with objective, reliable, and comparable information and data on racism, xenophobia, Islamophobia, and anti-Semitism to help the EU and its Member States formulate actions against racism and xenophobia.

The European Monitoring Center for Drugs and Drug Addiction is the central reference point for drug information in the European Union.

#### Health

Within the EU, responsibility for health policy is divided between the European

Commission and the Member States with the latter, for example, responsible for health care delivery to citizens. The main thrust of EU public health policy is to help EU countries pool their expertise on health, to identify and share best practices, and to help coordinate EU-wide preparedness and responses to health threats such as infectious disease outbreaks and obesity. Fostering cooperation between EU countries’ healthcare systems is also becoming an increasingly important area of activity. A new health Strategy for 2007-2013 is currently in preparation and is expected to be adopted in mid-2007.

Special topics for work in this area include the EU Health Forum; communicable, rare and other diseases; HIV/AIDS; injury prevention; tobacco; nutrition and obesity; bioterrorism; and health and environment.

The European Center for Disease Prevention and Control (ECDC) (<http://www.ecdc.europa.eu/>), set up in 2004, now plays a key role in fostering cooperation and coordination in the EU, and is developing a close working relationship with the U.S. Centers for Disease Control.

#### Human Rights

Human rights, democracy, and the rule of law are core principles of the European Union. Embedded in the Union’s founding treaty, they have been reinforced by the adoption of the Charter of Fundamental Rights. Respect for human rights is a prerequisite for countries seeking to join the Union and a precondition for countries concluding trade and other agreements with the EU.

The European Union views human rights as universal and indivisible, and actively promotes and defends such rights within its borders and through its external relations. At the same time, the EU does not seek to usurp the broad powers of its Member States in this sphere.

The focus of the Union’s human rights policy is on civil, political, economic, social, and cultural rights. It also seeks to promote the rights of women and children, minorities, and displaced persons.

The Union is particularly concerned about human rights vis-à-vis asylum and migration and is fighting racism, xenophobia, and other discrimination against minorities.

The EU Fundamental Rights Agency serves as an independent center of expertise on fundamental rights issues through data collection, analysis, and networking. The Agency advises the EU institutions and the Member States on how best to prepare or implement fundamental rights-related EU legislation.

Externally, respect for human rights and fundamental freedoms are general objectives of the Common Foreign and Security Policy (CFSP). Since 1992, all trade and cooperation agreements with non-EU countries contain clauses stipulating that human rights constitute an essential element of the relations between the parties (currently more than 120).

Failure to respect human rights can lead to the suspension of trade concessions and aid the reduction of aid programs.

The EU’s program of emergency humanitarian assistance around the world is not

normally subject to restrictions because of human rights breaches. These aid deliveries, in cash or in kind, or technical assistance are all decided with the sole aim of relieving human suffering whether caused by natural disasters or misrule by oppressive regimes.

To add weight to its support for human rights around the world, the EU funds the European Initiative for Democracy and Human Rights (EIDHR). Established in 1994, EIDHR has an annual budget of €130 million and focuses on four areas:

- strengthening democracy, good governance, and the rule of law (cooperating with civil society to promote political pluralism, a free media, and sound justice system);
- abolishing the death penalty in countries that still retain it;
- combating torture through preventive measures (e.g. police training and education) and repressive measures (e.g. creating international tribunals and criminal courts);
- fighting racism and discrimination by ensuring respect for political and civil rights.

The EU and the U.S. hold biannual Human Rights Consultations to discuss a range of global and domestic issues as well as to develop strategies to promote human rights through multilateral organizations.

The EU publicly condemns human rights violations wherever they occur, appealing to the countries concerned to end such violations, and pressuring the authorities in question.

The European Union is actively



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promoting a global moratorium on the use of the death penalty and therefore protests against the practice in individual cases throughout the world. The EU has insisted that bilateral extradition treaties with non-EU countries automatically preclude the use of the death penalty in all cases of extradited prisoners from EU Member States.

#### Regional Development

The EU strives to reduce the social and economic disparities among its regions, and has pursued this objective from its early years. And the EU includes some major economic disparities, which are twice as great in the EU of 27 members, with its 268 regions, as they were in the Europe of 15. Regional policy represents the concrete implementation of the European ideal of solidarity among Member States. More than one-third of the EU budget is allocated toward reducing gaps in development among regions as well as disparities in the well-being of EU citizens.

Four Structural Funds benefit regions in all the Member States. Three funds were set up in the 1970s—the European Social Fund, the European Regional Development Fund, and the European Agricultural Guidance Fund—plus the newer Financial Instrument for Fisheries Guidance. These funds co-finance with the Member States projects in areas affected by economic distress or industrial decline. The EU sets job creation, poverty reduction, and social inclusion as primary objectives.

A Cohesion Fund was set up by the Maastricht Treaty to reduce economic disparities between the EU and Spain, Greece,

Portugal, and Ireland. The Cohesion Fund finances up to 85 percent of eligible expenditure for major projects involving the environment and transport infrastructure, strengthening cohesion and solidarity within the EU. Eligible countries are the Member States whose per capita gross national product (GNP) is below 90 percent of the EU-average (since May 1, 2004, Greece, Portugal, Spain, Cyprus, Czech Republic, Estonia, Hungary, Latvia,



Lithuania, Malta, Poland, Slovakia, Slovenia, Bulgaria, and Romania).

Ireland is one of the EU regional policy's most prominent success stories. Since 2004, Ireland is no longer eligible for the Cohesion Fund, having exceeded eligibility levels with a per capita GNP of 101 percent of the EU average.

Future priorities of the cohesion policy

focus on convergence, competitiveness, and cooperation:

- **Convergence:** supporting employment growth and job creation in the Member States and least developed regions;
- **Regional competitiveness and employment:** to anticipate and encourage the change;
- **European territorial cooperation:** to ensure harmonious and balanced development throughout the entire Union.

market” for goods and services by better coordination of research programs and the convergence of research and innovation policies at national and EU levels, thereby securing the economic and competitive future of the Member States. More recently, as part of the “Lisbon Strategy,” EU leaders have recognized the need to accelerate investment in R & D to 3 percent of GDP.

Vital to the development of ERA are the EU's Framework Programs for research and technology development and demonstration that have been in place since the early 1980s. These programs stimulate cooperation among partners in different countries by funding transnational research and promoting coordination among scientific and technological facilities. Although the funds provided by the EU account for only around 5 percent of the overall public research funds in Europe (most research is funded nationally), this funding is a major instrument for encouraging research collaboration in Europe and beyond. Central to the success of the Framework Programs is their relevance to European industry.

At the end of 2006, the European Commission published the first calls for proposals of the 7th European Framework Program for Research and Technological Development, the biggest ever European research program (2007-2013—€54.6 billion). FP7 is divided into four main programs:

- **Cooperation** supports cooperative research in specified thematic areas.
- **Ideas** funds investigator-driven research through a newly created European

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Research Council (ERC).

- **People** supports training and researchers' career development.
- **Capacities** supports the coordination and development of research infrastructure, regional research clusters, international cooperation, and closer ties between science and society.

The EU is a major player in a number of international scientific and technological initiatives. For example, through ITER (International Thermonuclear Experimental Reactor), a flagship project in fusion research, the EU is partnering with six countries—China, South Korea, the United States, Japan, India, and Russia—to build a thermonuclear experimental reactor that relies on nuclear fusion.

In 2006, the EU published a strategic roadmap for research infrastructures, including 35 large-scale research infrastructure projects identified by the European Strategic Forum for Research Infrastructures (ESFRI), assisted by nearly 1000 high-level experts, including U.S. scientists.

The EU also has a strong international science and technology policy, to support European competitiveness through strategic partnerships with other countries and to address specific problems of developing countries or problems of a global character.

The Science and Technology Cooperation Agreement between the European Union and the United States, originally signed in 1998 and renewed in

2004, brings a pan-European dimension to transatlantic S&T cooperation to complement the many bilateral arrangements with individual Member States and between individual scientists. The S&T Agreement identifies a number of topics highly relevant for transatlantic cooperation. Some actions are undertaken through implementing arrangements in selected areas (e.g., environment, metrology, materials science—including nanotechnology non-nuclear and renewable energy, and biotechnology).

Through the Marie Curie Fellowship, the EU provides funding for European researchers to work outside Europe for two years. More than 200 researchers have already come to the U.S. Similarly, funding is available for non-Europeans to work in Europe. Thus far, 40 researchers have benefited from this support.

### Single Internal Market

The single market is at the core of today's European Union. To make it happen, the EU institutions and the Member States worked doggedly for seven years from 1985 to draft and adopt the hundreds of directives needed to sweep away the technical, regulatory, legal, bureaucratic, and cultural barriers that stifled free trade and free movement within the Union.

The European Commission estimates that this remarkable achievement has created more than 2.5 million new jobs since 1993 and generated more than €800

billion in additional wealth. This is in addition to a greater choice of goods and services, lower prices for the EU's 490 million consumers, creation of economies of scale and improved efficiency, and the enhanced capacity of European firms to compete in today's globalized markets.

The four freedoms of movement (enshrined in the Treaties)—for goods, services, people, and capital—are underpinned by a range of supporting policies. Firms are prevented from fixing prices or carving up markets among them by the EU's robust antitrust policy. People can work throughout the EU territory because Member States recognize many other individual Member States' academic and professional certifications.

The creation of the single market gave European Union countries a stronger incentive to liberalize previously protected monopoly markets for utilities such as telecommunications, electricity, gas, and water. The independent national regulators who supervise the now-liberalized markets for telecoms and energy coordinate their activity at EU level. Not just big industries,

but households and small businesses across Europe are increasingly able to choose their suppliers for electricity and gas.

Still, there is unfinished business. The services sector, for instance, has opened up more slowly than markets for goods. This has been the case for a wide range of financial services and for transportation.

More red tape must be eliminated—such as those administrative and technical barriers to the free flow of goods and services, including Member State reluctance to accept other Member State standards and norms or, at times, to recognize the equivalence of professional qualifications. The fragmented nature of national tax systems also puts a brake on market integration and efficiency.

The good news is that these dangers have been recognized by Member States and the European Commission, and remedial action is under way, although neither at a uniform pace nor in all sectors. For financial services, the EU's action plan to develop an integrated market will cut borrowing costs for firms and consumers, and will offer savers a wider range of

### i2010 Initiative

A new initiative **i2010—the European Information Society 2010**—is a five-year plan to promote “digital convergence” of communications networks, media content, and devices; increase spending on Information and Communications Technology (ICT) research by 80 percent (with more than half from the private sector); and make digital services more inclusive and accessible for all sectors of society. Information Society Commissioner Viviane Reding explained the importance of i2010: “To enhance investment in this promising sector of the economy, we must provide a coherent regulatory framework for Europe's digital economy that is market-oriented, flexible, and future-proof.”



## Chapter Six

### Making Decisions Together

investment products—savings plans and pension schemes—which will be available from the European supplier of their choice.

#### Telecommunications, the Information Society, and Media Services

A liberalized telecommunications environment is essential for Europe's economic growth and transition to the information society. The European Union fully liberalized telecommunications markets (including voice telephony and infrastructure) in 1998, and played a key role in the conclusion of the World Trade Organization's 1998 basic telecommunications agreement. Since this process began, there has been tremendous growth in new technologies and services, including mobile phones and the Internet. In July 2003, a new legal framework, designed to strengthen competition in electronic communications and safeguard consumer interests, came into force.

**eEurope.** The eEurope initiative, launched in June 2002, aims to accelerate Europe's transition to a knowledge-based economy and to realize the potential benefits of higher growth, more jobs, and better access for all citizens to the new services of the information age. eEurope provides a policy framework to more sharply focus existing programs and accelerate adoption of relevant legislation.

The first phase—the eEurope 2002 Action Plan—included 64 targets to be achieved by the end of 2002, with the

majority being completed successfully. eEurope 2005, launched in June 2002, focused on promoting a secure, broadband infrastructure, eBusiness, and public online services (eHealth, eLearning, and eGovernment). A mid-term progress report (February 2004) indicated steady progress in most areas, but concluded that further effort was needed to share experience and tailor services to user needs, and that strong political leadership was required. A May 2004 update proposed 15 complementary actions to achieve eEurope's specific objectives and speed progress, while not substantially changing the Action Plan's balance or structure.

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Several key indicators demonstrate impressive progress: nearly half of the EU

population now uses the Internet regularly (47 percent). Three-quarters of 16–24 year olds across the EU used the Internet at least once a week in 2006. Mobile phone use in Europe is growing at an even faster rate. According to the European Commission, 87 percent of the EU population is subscribed to mobile phones, up from 18 percent in 1998, and exceeding the rate of less than 65 percent in the U.S.

#### Terrorism

Terrorism is not a new phenomenon in Europe. In the United Kingdom, Ireland, and Spain alone, it has caused more than 5,000 deaths in 30 years. It has become even more international in recent years as clearly demonstrated by the bomb attacks in Madrid on March 11, 2004, and in London in July 2005. Terrorism takes many forms and uses ever more sophisticated and deadly organizational techniques and operational methods. Bioterrorism and chemical threats are all too real. Well-organized terrorist groups are receiving support from sympathizer networks in many countries, and have rear bases and sizable financial resources.

For the EU, terrorism is not a new policy challenge—it is a constant policy challenge.

In the wake of the September 11, 2001, attacks, the EU made the concerted fight against terrorism a top priority. Within 10 days of the attack, the EU acted to establish an EU-wide list defining acts of terrorism and their commensurate

penalties. Additionally, the EU adopted a European arrest warrant to replace the traditional extradition procedures among EU Member States.

Further, it defined a common concept of terrorist offenses (now included by all EU Member States in their legal systems), and set the minimum level of penal sanctions for this type of offense, with the objective of preventing terrorists from finding refuge in a more lenient jurisdiction.

Moreover, the EU has agreed collectively on a common list of terrorist organizations and provided EUROPOL with additional resources to analyze terrorist threats and further improve information exchange. In 2002, EUROJUST was set up to facilitate interaction between the judicial authorities of the different Member State legal systems, through international mutual legal assistance, extradition requests, and cross-border criminal investigations.

The struggle against terrorism requires the mobilization of all citizens, and in this spirit of increasing awareness, March 11 has been designated as the official European Day of Commemoration of the Victims of Terrorism.

The terrorist networks cross national borders and hence have an international dimension. The United States and the EU have resolved to work together to combat terrorism.

Joint efforts include intelligence sharing, extensive law enforcement and judicial cooperation, curtailing terrorist financing,

## Chapter Six

### Making Decisions Together

and enhancing trade and transport security. Agreements on the transfer of passenger information held by airlines to U.S. Customs and Border Protection, cooperation on the security of shipping containers, and the periodic high-level talks between senior officials on both sides of the Atlantic represent just some of these common efforts. Cooperation between EUROPOL and the U.S. authorities to exchange intelligence and information is yet another example.

In addition, both the EU and the U.S. are working on global standards that other nations can adopt to impede terrorism. The EU and its Member States also work on global terrorism issues with organizations such as the United Nations, the Organization for Security and Cooperation in Europe (OSCE), the G-8, and the International Atomic Energy Agency.

#### Trade and Customs

The EU has a common trade policy known as the “Common Commercial Policy.” EU Member States agree to transfer competence (jurisdiction) to the Union in matters of external trade. Consequently, the EU functions as a single actor in trade matters, with the European Commission negotiating trade agreements and representing European interests on behalf of the Union’s 27 Member States at bilateral and multilateral levels, including the WTO.

Within the Union, Member States have removed all tariffs on trade, while having

unified tariffs on imports from outside the EU—the EU27 maintain a “common external tariff.” This means that the same tariff is paid on products regardless of which EU country is the entry point to the EU market, and once customs procedures are complete, goods can be shipped throughout the EU without additional duties. The achievement of this “customs union” in 1968 is one of the EU’s earliest milestones.

EU customs authorities are also tackling new challenges—ensuring the smooth flow of trade while protecting the environment and citizens’ health and safety. Customs authorities are on the front lines in the fight against terrorism and organized crime. Transatlantic cooperation in these areas is particularly active, with EU and U.S. customs officials working together to ensure container security and combat counterfeiting.

Externally, the EU’s basic philosophy is to open its market to trading partners who do likewise, with preferential treatment for developing and least developed countries. Because harmonization of trade policies was central to European integration, the EU has been a key player along with its trading partners in the successive rounds of international negotiations on trade liberalization. The EU has played a leading role within the General Agreement on Tariffs and Trade (GATT) and its successor, the World Trade Organization. The EU has taken an active role in the round of inter-

national trade negotiations known as the Doha Development Agenda (DDA).

The current WTO trade round—the Doha Development Agenda—provides a good example of how trade policy is coordinated in practice. The Commission sets and carries forward the EU priorities and objectives as spelled out in guidelines from the Council of the EU. Officials from the Commission’s Directorate-General for Trade, under the Trade Commissioner’s authority, are charged with actually conducting the negotiations, and speak on behalf of the EU as a whole. Coordination with Member States is assured at all times, while the Commission keeps the European Parliament regularly informed. At the end of the Round, the Council must formally agree to the outcome.

#### Transport

A free flow of goods and people across national borders is essential for all 27 EU Member States. Considerable progress has been achieved in deregulating road, rail, air, and maritime services; improving access to the market; and applying competition rules. Widespread benefits have resulted: trucks that take goods into one EU country can reload for the return trip instead of coming back empty; the air travel industry has experienced more competition and lower fares; and liberalization of rail infrastructure that started in 2003 opened to competition 70 to 80 percent of rail freight traffic over main lines.

Among the Commission’s goals set out in a 2001 White Paper on transport: improve rail service to attract more passengers and shippers, integrate European air traffic control structures to reduce flight delays, invest more in waterways, improve port services and maritime safety standards, and integrate ticketing and baggage handling for dual-mode journeys.

A mid-term review in 2006 found that policy needed to adapt to changed circumstances, including an enlarged EU, rising energy costs, and Kyoto commitments. The review called for a freight logistics action plan, intelligent transport systems, making mobility greener and more efficient, a debate on urban mobility and how to effect changes, and an ambitious program for green power in trucks and cars.

Galileo, the EU’s independent satellite navigation system, is an important tool for supporting the EU’s main transport policy objectives. Galileo services will be used in every transport domain, from aviation to maritime to road, rail, and pedestrian. Galileo’s guarantee of reliable satellite positioning services will help provide answers to current mobility and transport problems in the EU, and it will lead to improved safety and comfort.



## Annexes



For additional information on all EU policy areas, please see:  
[http://europa.eu/index\\_en.htm](http://europa.eu/index_en.htm)

Summaries of EU legislation in all policy areas can be found at:  
[http://europa.eu/scadplus/scad\\_en.htm](http://europa.eu/scadplus/scad_en.htm).

### Chronology: Milestones on the Road to European Integration

*May 9, 1950*

French Foreign Minister Robert Schuman proposes pooling Europe's coal and steel industries.

*April 18, 1951*

European Coal and Steel Community (ECSC) Treaty signed in Paris by Belgium, France, Germany, Italy, Luxembourg, and the Netherlands (enters into force 1952).

*March 25, 1957*

European Economic Community (EEC) and European Atomic Energy Community (EURATOM) Treaties signed in Rome (enters into force 1958).

*April 8, 1965*

Treaty signed merging the institutions of the three European Communities: the European Coal and Steel Community, the European Economic Community, and the European Atomic Energy Community (enters into force 1967).

*July 1, 1968*

Customs union completed.

*January 1, 1973*

Denmark, Ireland, and the United Kingdom join the Community.

*February 28, 1975*

First Lomé Convention with African, Caribbean, and Pacific (ACP) countries signed.

*March 13, 1979*

European Monetary System (EMS) becomes operational.

*January 1, 1981*

Greece joins the European Community.

*June 29, 1985*

European Council endorses "White Paper" plan to complete single market by end of 1992.

*January 1, 1986*

Spain and Portugal join the Community.

*July 1, 1987*

Single European Act (SEA), which, (among other innovative measures) provided for the creation of a single internal market, enters into force.

*June 26-27, 1989*

Madrid European Council endorses plan for Economic and Monetary Union (EMU).

*November 9, 1989*

**Fall of the Berlin Wall**

*October 3, 1990*

The five Laender of the former German Democratic Republic enter the Community as part of a united Germany.

*October 21, 1991*

European Community and European Free Trade Association (EFTA) agree to form the European Economic Area (EEA). EEA in force January 1, 1994.

*December 8, 1991*

Dissolution of USSR-Formation of Commonwealth of Independent States.

*December 11, 1991*

European Council meeting in Maastricht agrees on Treaty on European Union, which enters into force November 1, 1993.

*December 16, 1991*

Poland, Hungary, and Czechoslovakia sign the first Europe Agreements on trade and political cooperation.

*January 1, 1993*

European single market is achieved on schedule.

*January 1, 1995*

Austria, Finland, and Sweden join the European Union.

*November 27-28, 1995*

The Euro-Mediterranean Conference of Ministers of Foreign Affairs, held in Barcelona marked the starting point of the Euro-Mediterranean Partnership (Barcelona Process), a wide framework of political, economic and social relations between the Member States of the European Union and Partners of the Southern Mediterranean.

*December 3, 1995*

The EU-U.S. Summit in Madrid launched the New Transatlantic Agenda (NTA), providing a new framework for the transatlantic partnership, moving it from one of consultation to one of joint action in four major fields: promoting peace and stability, democracy, and development around the world; responding to global challenges; contributing to the expansion of world trade and closer economic relations; and building bridges across the Atlantic.

*June 17, 1997*

Treaty of Amsterdam is concluded, and enters into force May 1, 1999.

*March 12, 1998*

European conference in London launches Europe-wide consultations on issues related to Common Foreign and Security Policy and Justice and Home Affairs.

*May 2, 1998*

Eleven EU Member States qualify to launch the euro on January 1, 1999.

*June 1, 1998*

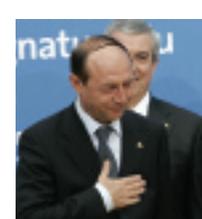
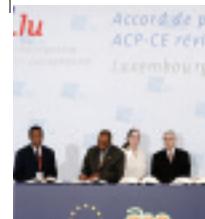
European Central Bank (ECB) inaugurated in Frankfurt, Germany.

*January 1, 1999*

EMU and euro launched in 11 EU countries.

*June 23, 2000*

A new partnership agreement (2000-2020) between the EU and the ACP countries is signed in Cotonou, Benin.



## Annexes

### *December 7–11, 2000*

EU leaders formally proclaim the Charter of Fundamental Rights of the European Union.

### *January 1, 2001*

Greece joins the euro area.

### *February 26, 2001*

Regulation adopted establishing the Rapid Reaction Force.

### *February 26, 2001*

Treaty of Nice signed, and enters into force February 1, 2003.

### *January–February 2002*

The euro becomes legal tender and permanently replaces national currencies in EMU countries.

### *January 1, 2003*

First European Security and Defense Policy mission launches with the deployment of 500 European Union Police Mission officers to Bosnia-Herzegovina to train local police officers and establish sustainable policing arrangements.

### *December 2003*

EU leaders adopt a European Security Strategy.

### *May 1, 2004*

Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovak Republic, and Slovenia become EU Member States.

### *June 2004*

European Council endorses European Neighborhood Policy.

### *October 29, 2004*

The Treaty establishing the Constitution for Europe is signed by Heads of State and Government and EU foreign ministers. Constitution requires approval by Member States.

### *June 16-17, 2005*

European Council-Heads of State and Government, following the French and Dutch negative referenda on the Constitutional Treaty, agree to a period of reflection in order to determine how best to proceed with the Constitutional process, expecting to render an assessment by mid-2006.

### *October 3, 2005*

Accession negotiations begin with Croatia and Turkey.

### *January 1, 2007*

Bulgaria and Romania join the EU and complete the fifth round of enlargement.

Slovenia adopts the euro.





# Annexes

## EU Agencies

Community Fisheries Control Agency (CFCA), Brussels, Belgium

Community Plant Variety Office (CPVO), Angers, France

European Agency for Management of Operational Cooperation at the External Borders of the EU (FRONTEX), Warsaw, Poland

European Agency for Reconstruction (EAR), Thessaloniki, Greece

European Agency for Safety and Health at Work (EU-OSHA), Bilbao, Spain

European Aviation Safety Agency (EASA), Koeln, Germany

European Defense Agency (EDA), Brussels, Belgium

European Center for Disease Prevention and Control (ECDC), Solna, Sweden

European Center for the Development of Vocational Training (CEDEFOP), Thessaloniki, Greece

European Environment Agency (EEA), Copenhagen, Denmark

European Food Safety Authority (EFSA), Parma, Italy

European Foundation for the Improvement of Living and Working Conditions (E.FOUND), Dublin, Ireland

European Judicial Cooperation Unit (EUROJUST), The Hague, Netherlands

European Maritime Safety Agency (EMSA), Brussels, Belgium

European Medicines Agency (EMA), London, U.K.

European Monitoring Center for Drugs and Drug Addiction (EMCDDA), Lisbon, Portugal

European Monitoring Center on Racism and Xenophobia (EUMC), Vienna, Austria

European Union Agency for Fundamental Rights (successor to EUMC in 2007)

European Network and Information Security Agency (ENISA), Heraklion, Crete, Greece

European Police College (CEPOL), Bramshill, United Kingdom

European Police Office (EUROPOL), The Hague, The Netherlands

European Railway Agency (ERA), temporarily in Brussels, Belgium; eventually in Lille/Valenciennes, France

European Training Foundation (ETF), Turin, Italy

European Union Institute for Security Studies (EUISS), Paris, France

European Union Satellite Center (EUSC), Torrejón, Spain

Office for Harmonization in the Internal Market (trademarks and designs) (OHIM), Alicante, Spain

Translation Center for the Bodies of the European Union (CDT), Luxembourg

## EU Acronyms and Abbreviations

ACP-African, Caribbean and Pacific countries

ASEM-Asia-Europe Meeting

CAP-Common Agricultural Policy

CARDS-Community Assistance for Reconstruction Development and Stabilization

CCP-Common Commercial Policy

CFSP-Common Foreign and Security Policy

COPS-Political and Security Committee

COR-Committee of the Regions

COREPER-Council's Committee of Permanent Representatives

DG-Directorate-General

EAEC-European Atomic Energy Community (also EURATOM)

EAGGF-European Agricultural Guidance and Guarantee Fund

EC-European Community

EC-European Commission

ECA-European Court of Auditors

ECB-European Central Bank

ECHO-European Commission Humanitarian Aid Office

ECJ-European Court of Justice

ECFIN-Economic and Finance Council

ECSC-European Coal and Steel Community

EEA-European Environment Agency

EEA-European Economic Area

EEC-European Economic Community

EIB-European Investment Bank

EJN-European Judicial Network

EMS-European Monetary System

EMU-Economic and Monetary Union

ENP-European Neighborhood Policy

EPC-European Political Cooperation

EP-European Parliament

ERDF-European Regional Development Fund

ERM-Exchange Rate Mechanism

EESC-European Economic and Social Committee

# Annexes

ESCB-European System of Central Banks	MEDA-EU financial instrument for Euro-Mediterranean Partnership	Commonwealth of Independent States
ESDP-European Security and Defense Policy	MEPP-Middle East Peace Process	TCAA-Transatlantic Common Aviation Area
ESF-European Social Fund	MEP-Member of the European Parliament	TEMPUS-Trans-European Mobility Scheme for University Students
EU-European Union	MRA-Mutual Recognition Agreement	TEN-Trans-European Networks
EUPM-European Union Police Mission	NTA-New Transatlantic Agenda	TEP-Transatlantic Economic Partnership
EUR-The euro	PCA-Partnership and Cooperation Agreement	TLD-Transatlantic Legislators' Dialogue
EURATOM-European Atomic Energy Community (also EAEC)	PHARE-Originally: Action Plan for Coordinated Aid to Poland and Hungary for Economic Reconstruction; thereafter, a pre-accession instrument to assist Central European applicant countries	UNMiK-United Nations Mission in Kosovo
EUROMED-EU-Mediterranean Partnership	QMV-Qualified Majority Voting	WEU-Western European Union
FIFG-Financial Instrument for Fisheries Guidance	R&TD-Research and Technological Development	WTO-World Trade Organization
FSJ-Freedom, Security, Justice	SAA-Stabilization and Association Agreements	
GATT-General Agreement on Tariffs and Trade	SAP-Stabilization and Association Process	
GCC-Gulf Cooperation Council	SAPARD-Special Accession Program for Agriculture and Rural Development	
GDP-Gross Domestic Product	SEA-Single European Act	
GMO-Genetically Modified Organism	SEE-Southeast Europe	
GSP-Generalized System of Preferences	TABD-Transatlantic Business Dialogue	
IGC-Intergovernmental Conference	TACD-Transatlantic Consumer Dialogue	
ISPA-Instrument for Structural Polices for Pre-accession Programs	TACIS-Technical Assistance to the	
JHA-Justice and Home Affairs		
JRC-Joint Research Center		

More information:  
<http://www.eurunion.org>

## EU symbols

### European flag

The 12 stars in a circle symbolize the ideals of perfection, completeness, and unity. The number of stars does not reflect the number of members.

### European anthem

The melody comes from the Ode to Joy theme from the final movement of Beethoven's Ninth Symphony. When used as the European anthem, this tune is played without the words.

### Europe Day

The ideas behind what is now the European Union were first put forward on May 9, 1950, in a speech by the French Foreign Minister Robert Schuman. May 9 is celebrated each year as the EU's birthday, called Europe Day.

### Motto of the EU

*"United in diversity"*



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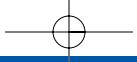
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