



Center for European Studies

What is the European Union?

The European Union (EU) currently consists of 25 member states ranging from Latvia to Spain and Sweden to Italy. It covers close to 4 million kilometers with some 456 million citizens. Its GDP is the second largest in the world (only marginally less than that of the US). It is currently the largest market in the world and the largest trading partner of the US. In addition, the member states of the EU are among America's closest political and military allies. Clearly the political, economic and military futures of Europe and America are closely linked just as their histories have been closely connected in the past.

Map of the Enlarged EU



A Brief Guide to the European Union

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The EU is a family of democratic European countries, committed to working together for peace and prosperity. Its member states have 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 European level. In the early years, much of the co-operation between EU countries was about trade and the economy, but now the EU also deals with many

other subjects of direct importance for everyday life, such as citizens' rights, ensuring freedom, security and justice, job creation, regional development, and environmental protection.

The EU has delivered half a century of stability, peace and prosperity. It has helped to raise living standards, built a single Europe-wide market, launched the single European currency, the “Euro” and strengthened Europe's voice in the world. It promotes unity in diversity: Europe is a continent with many different traditions and languages, but also with shared values.

History of the European Union

- Within just a few years of the end of WWII a series of attempts had been made to unify Europe. These included the Organization for European Economic Cooperation in 1947 (the predecessor to the Organization for Economic Cooperation and Development (OECD)) and the Congress of Europe held in 1948 (which led to the creation of the Council of Europe in 1949). This was followed by the successful creation of a customs union among Belgium, Luxembourg and the Netherlands (the Benelux countries) in 1948.
- The next step was the European Coal and Steel Community (ECSC) in 1952, born out of an attempt to resolve a long-standing dispute between Germany and France over the highly industrial Ruhr region on the border between the two countries. The new ECSC included four institutions, the High Authority, the Council of Ministers, the Common Assembly and the Court of Justice. The most important was the supranational High Authority in charge of creating a true common market in coal and steel between the six member states. This included supervising prices, wages, transport, investment and competition. National representatives appointed to the High Authority were to be economic and sector experts, not politicians. They were also required to work toward the good of all member states, not just their own. The institutional framework created by the ECSC remains the basic structure of the EU of today.

- The Common Assembly became the European Parliament and the High Authority became the Commission after 1957.
- The next successful step forward on the path toward European unification was the joint creation of Euratom and the European Economic Community (EEC) in 1957. Euratom was an attempt to repeat for atomic energy the success of the Coal and Steel Community, and because it related to a specific sector of the economy it was, in fact quite similar to the ECSC. The European Economic Community on the other hand was a significant departure from the past. The EEC had as its goal the creation of a single market between the member states for all goods and services.
- Between 1957 and 1969 the member states of the EEC experienced unprecedented periods of sustained economic growth and development, so much so that Britain, which had originally turned down membership in both the ECSC and the EEC asked to join in 1962 and 1967 (their application was vetoed both times by French President Charles de Gaulle). The lowering of intra-member state trade barriers went forward ahead of schedule, as did the creation of common external tariffs. Despite the optimism of the late 1960s and early 1970s however, the burgeoning European Economic Community was headed for a very difficult period, due largely to changes the end of the Bretton Woods system (which guaranteed the convertibility of the dollar to gold) in 1971, the oil crisis of the mid-1970s, and a heightening of cold war tensions.
- In spite of the negative attitudes of the 1970s the process of integration moved forward. The UK, Ireland and Denmark joined in 1973 and by 1979 negotiations were well under way for the newly democratized Greece, Portugal and Spain to join. Also the member states agreed to hold biannual “summits” of the national leaders to discuss political and foreign policy issues not covered by the Treaties with the goal of presenting a united European position in the global political arena and of directing election of the European Parliament. 1979 also witnessed the launching of the European Monetary

System (EMS) with an exchange rate mechanism (ERM) that finally aided member states in controlling currency fluctuations. The EMS worked so well that it was the springboard for the eventual move to monetary union in the 1990s and the creation of the euro.

Statue Representing the European Union at the European Parliament Building in Brussels



- In 1985, the Intergovernmental Conference led to the passing of the Single European Act (SEA), whose primary achievements were the creation of a clear program for the creation of the single market, internal decision making reform (including the introduction of qualified majority decision making in the Council and an increase in the role of the European Parliament) and the formalization of the earlier biannual summit meetings between the heads of state of the member states.
- In 1992, the Maastricht Treaty led to the creation of a new entity: the European Union. The new EU included the original European Economic Community (including Euratom and the ECSC) but it also formally incorporated areas that did not fall under the jurisdiction of the original treaties such as foreign and security policy and issues related to immigration, crime etc. Perhaps the most important aspect of the Maastricht

Treaty was that it created a European Monetary Union (EMU) with a single currency (the euro) and a European Central Bank (ECB).

- Eleven member states (out of the initial EU-15) joined the European Monetary Union at the beginning of 1999. Three countries (Denmark, Sweden and the UK) decided to wait while Greece joined after satisfying the criteria in 2001.
- On January 1, 2002 the euro coins and notes enter into circulation in the twelve participating member states.
- On May 1, 2004 the European Union's biggest enlargement ever in terms of both scope and diversity became a reality when 10 new countries – Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic, and Slovenia – representing altogether more than 100 million citizens joined the European Union.

How Does the European Union Function?

The **Council of Ministers** (including the European Council), the **Commission**, the **European Parliament** and the **European Court of Justice** (including the Court of First Instance) are the main policy making institutions of the EU.

The Council of Ministers

The Council of Ministers is perhaps best understood as part of the legislative branch of the EU. It can be interpreted as a very powerful upper house that represents the interests of the member states, in a manner similar to the American Senate before the switch to direct elections for senators.

The Council of Ministers consists of 25 members (one from each member state) whose task it is to represent the interests of their respective member states. There are actually a number of Councils, one for every major policy area with members generally being the appropriate government minister for that area within

their member state cabinet. The Council is the primary decision-making institution in the EU. Every piece of EU legislation (except for some implementing legislation) must be adopted formally by the appropriate Council. To be successful most proposals must be supported by a simple majority of the member states and a qualified majority of the weighted votes within the Council of 232/322, equal to approximately 72.3% (or about 5/7) of the weighted votes.

Distribution of Votes in the Council by Member State

Country	# Weighted Votes	% Weighted Votes
Germany, France, Italy & the UK	29	9.0%
Spain & Poland	27	8.4%
Netherlands	13	4.0%
Belgium, Czech Republic, Greece, Hungary, & Portugal	12	3.7%
Austria & Sweden	10	3.1%
Ireland, Denmark, Lithuania, Slovakia & Finland	7	2.2%
Cyprus, Estonia, Latvia, Luxembourg & Slovenia	4	1.2%
Malta	3	0.9%
<i>Total</i>	<i>322</i>	<i>100%</i>

The Commission

The Commission currently consists of 25 members, one from each member state. Before the 2004 enlargement the “big” states (France, Germany, Italy, the UK and Spain) all had two representatives and the smaller member states each had one. This distribution will be changed to a total number of Commissioners equal to two-thirds the total number of member states if the new Constitution is fully ratified and implemented. The Commission’s members are selected by the individual member states with the approval of all of them and the approval of the European Parliament (see below). The President of the Commission is

selected by the Council and must be approved by the Parliament. The main task of the Commission is the initiation and implementation of all EU legislation. It is functionally equivalent to an extremely powerful bureaucracy and in this sense serves as part of the executive branch of the EU government. Were the Commission popularly selected, its actual powers and institutional situation would make it something of a cross between an American presidential and a European prime ministerial type of executive.

Like most executives, the Commission is in charge of implementing legislation approved elsewhere. Like the American executive model the Commission does not require the confidence of the legislature to remain in office (granting it some level of independence), although it can be censured and removed. Also similar to the American model the Commission is not (and cannot be) selected from among the members of the legislature (no dual mandate). Thus the two institutions are wholly separate. As a result, the Commission cannot dissolve the Parliament under any circumstances.

The European Parliament (EP)

Superficially the EP is the most familiar looking institution in the EU. It is a parliament and in many ways behaves as a parliament should. However it too is a kind of hybrid between the standard American strong Congress model and the European weak parliament model. The EP is more influential than standard European parliaments with more than half of its legislative amendments incorporated into EU law; however, it is not as powerful as the US Congress. In particular the EP still cannot initiate its own legislative proposals, but must work through the Commission.

The European Parliament currently includes 732 members or (MEPs). They are directly elected every five years in each of the 25 member states. The most recent election took place in June, 2004. Within each Member State candidates run on *national* party lists. Members then join the supranational party groups once in the

EP. The new Constitution adds a further potential increase to a cap of 750 members. This may cause organizational difficulties as there are already severe space constraints both in the Brussels and the Strasbourg office buildings and plenary halls. Regardless of the eventual upper limit the distribution of MEPs after each enlargement is recalculated to accommodate the new members and insure the proportional distribution of seats between member states.

The European Parliament Building



The EP views itself as the bulwark of democracy in the EU because it is the only directly elected EU body and the only body in which the parties of the opposition at the national level are represented. Although elected on national party lists and usually based on national issues, the supranational party groups that MEPs join are very significant. The party groups are extremely influential within the EP and party voting is very high (between 80% and 90%), as in most European systems.

Distribution of Seats in the EP by Member State

Country	# of Seats	% Total
Malta	5	0.7%
Estonia, Cyprus, Luxembourg	6	0.8%
Slovenia	7	1.0%
Latvia	9	1.2%
Ireland, Lithuania	13	1.8%
Denmark, Slovakia, Finland	14	1.9%
Austria	18	2.5%
Sweden	19	2.6%
Belgium, Czech Republic, Greece, Hungary, Portugal	24	3.3%
Netherlands	27	3.7%
Spain, Poland	54	7.4%
France, Italy, UK	78	10.7%
Germany	99	13.5%
<i>Total</i>	732	100%

The European Parliament, more than any of the other institutions, conducts its work in all 20 of the Community's languages. In addition, it has three official homes in Luxembourg (secretariat and archives), in Strasbourg (new plenary meeting building and offices, the EP must hold its major monthly plenary session here), and in Brussels (offices and the bulk of committee and party group meetings as well as "part-plenary" two-day sessions almost every month). The European Parliament is arguably the most pro-integration institution of the EU (although two of its smaller party groups are strongly anti-integrationist (the Independent-Democrats-IND-DEM and the Union of European Nations-UEN). This means that the shared goal of most members and parties within the European Parliament is generally to increase the speed and level of EU integration through the legislative process.

Party Groups in the EP following the 2004 Elections

European Party Group	# of Seats	% of Seats
European People’s Party-European Democrats (EPP-ED)	268	37%
Party of European Socialists (PES)	200	27%
European Liberal Democratic Reform (ALDE)	88	12%
Greens/European Free Alliance (EFA)	42	6%
Group of the European United Left/Nordic Green Left (EUL/NGL)	41	6%
Independents for Democracy (IND/DEM)	37	5%
Europe of Nations (UEN)	27	4%
Non Attached (NA)	29	4%
<i>Total</i>	<i>732</i>	<i>100%</i>

The European Court of Justice (& the Court of First Instance)

The European Court of Justice (ECJ) consists of 25 judges (one from each country) appointed by their Member States, with the approval of all. The court of First Instance also consists of 25 members chosen by the Member States; it handles cases of lesser importance or controversy than the ECJ. The European Court of Justice is similar in many ways to the US Supreme Court, but once again the differences are significant and require the classification of the ECJ as a kind of hybrid of the American and European models with more similarities to the European model in this case. The ECJ is the highest arbiter of EU legal issues and any potential conflicts between national and EU laws. The Court is also in charge of prosecuting Member States for non-compliance with EU acts (through the levying of fines primarily). However, the ECJ is not primarily a court of appeals, and often cases are brought before

it because of inaction not action contrary to the treaties. Justices are appointed for only six-year terms and are able to renew their appointment leaving them open to some political manipulation by the leaders of their Member State governments. The ECJ is also able to give preliminary rulings to national courts, which is not permitted within the American system.

Citizens, entities (corporations), member States and the other EU institutions all have standing in the Court. Cases can be brought before the court for a number of reasons including proceedings for: annulment (to annul an EU law), failure to act (failure of the EU to do something required by the Treaties), actions for damages (liability of the EU for the actions of its institutions or those in its employ), preliminary rulings (to judge the compliance of a national court ruling with the requirements of EU law).

The European Union in the World

EU Joint Currency and the Creation of Euro-land

The EU has come to play an increasingly important role in the international monetary spheres through the creation of the euro. “Euro-land” currently encompasses 12 member states. The euro is the first currency since the turn of the century with the potential to compete against the dollar. While other national currencies have been strong in the past (particularly the Japanese yen in the 1980s and the German deutsche mark in the 1990s), the limited size of their home markets and potential use in international trade or as a reserve currency severely hampered their growth beyond a certain point. The euro, in contrast, represents the combined economic might of 12 developed and generally prosperous countries. At the moment of its inception in 1999, the euro accounted for 19.4% of the world’s GDP, compared with 19.6% for the US dollar.

Although in its first two years the euro experienced some setbacks it has held sway over the dollar in recent years (1 euro currently equals 1.31 dollars) and continues to have the potential to become an important global currency. Much of the dollar’s current strength comes not just from a strong American economy, but also because

of its overwhelming use as a reserve currency and in international trade. The fate of the euro depends on whether or not it can serve the same purposes in the future. According to some estimates, the euro could account for 25% or more of global foreign exchange reserves in the medium term. This should help the EU and the US share the burden of global financial stability, particularly in the wake of an economic downturn. The European Central Bank helped reassure world markets following 9/11, and cooperated with the US Federal Reserve and other central banks to ensure sufficient liquidity for market and other economic transactions.

Euro Banknotes and Coins



The euro consolidates and extends Europe's single market. By removing transaction costs and completely eliminating currency transactions in the euro-zone, trade and investment are greatly facilitated. It also creates new opportunities in the financial sector. The euro area's ratio of market capitalization to GDP gained significantly in the 1990s. From 1990 to 1995, the ratio hovered around 25% and was remarkably lower than that in Japan or the US. However, by 2000 the overall growth in the euro area's stock

market resulted in an increase in this ratio to 89%, topping Japan's 68%.

The European Union and Global Economy

Because of its size and influence the future economic development of the European Union will impact not just America, but the world. The EU is in the process of deepening its ties to Africa and Latin America, expanding towards the newly democratizing countries of Eastern Europe. The 25 member states of the EU speak with one voice within the World Trade Organization (WTO) and the G8 summits. As the process of European integration continues it is likely that the international role of the EU as a single entity will increase still further. As one of the world's largest trading powers, and as a leading economic partner for most countries, the EU is a major player on the world scene. It aids the development of global trade by cooperating with other international trade associations such as NAFTA, ASEAN, and MERCOSUR, as well as with other industrialized nations like Japan and Canada. The European Union is currently responsible for about 14% of world's import share and about 13% of world's export share.

The European Union and Global Politics

The EU's international influence is not limited to the economic realm, although that is the arena in which it is most well developed. Since the Maastricht Treaty was implemented in November 1993, the member states of the European Union have increasingly spoken with one voice on foreign policy and security issues. The desire to act together in these areas was formalized by the creation of the Common Foreign and Security Policy (CFSP) pillar of the EU structure. The idea of creating a Common European Security and Defense Policy within the structure of CFSP was in part initiated by NATO. In 1994 at a summit in Brussels a general outline for the European Security and Defense Identity was created. The goal was to increase European capabilities *within* NATO structures. This was to be accomplished through the development and use of a Combined Joint Task Force

that would enable Europe to act when NATO was not prepared to intervene (such as occurred initially in the Bosnian crisis). The ESDI initiative proposed by NATO, and strongly supported by the US, was emphatic about the need for any European defense task force to be fully integrated within the existing NATO structure.

The National Flags of the Current 25 EU Member States



In proposing the CESDP, on the other hand, the EU pressed for a more independent European defense organization, the primary goal being the creation of a stand-alone force capable of fulfilling the tasks of humanitarian and rescue operations, peacekeeping, and crisis management (military and civilian). The CESDP has led to tensions between the US and the EU over the exact nature of the ties between a European security and defense organization and NATO. The core goal of the EU is to be able to act independently of NATO *when NATO prefers not to act*. The US for its part has been supportive of a better-developed European defense capability but is wary of weakening NATO or of needlessly duplicating costly capabilities.

The European Union and the United States

Does EU's growing role in the global economy and politics mean a weakening in the transatlantic ties that have governed the foreign and economic policies of Europe and America for so long? Most likely no, but it does mean that Europe wants to renegotiate that relationship. In the post Cold War era Europe is no longer threatened by the Soviet Union. It no longer depends on the US to protect it from outside invasion. Instead, today Europe sees itself as the natural leader in the process of re-democratization of Eastern Europe. With the success of the single market program and the creation of the euro Europe has become an economic power on par with the US and able to negotiate as an equal in global organizations such as the WTO and G-8 summits. Through development of CESDP Europe also seeks to develop an independent identity in matters of defense and security policy as well. After nearly 50 years of playing a supporting role to the US in the global arena Europe is pushing for equality, not isolation or superiority.

EU-US Summit, June 2003



Given the sheer size and impact of transatlantic economic relations, the EU today provides leadership in the global economy together with the US. The EU and the US together account for more than 40% of world trade. They also represent almost 60% of the industrialized world's Gross Domestic Product (GDP). In 2003 the EU took in 21.8 % of total US exports and provided 19.3 % of

US imports, while the US took 21.3 % of EU exports and provided 20.1% of EU imports. The Union is also the biggest export market for US farm products. The EU and the US have a high and steadily increasing level of direct investment by their companies in each other's economies. In 2003 the cumulative direct investment by EU companies made up 62% of the total foreign direct investment in the US, making the EU United States' biggest foreign investor and creating 3 million jobs. American companies' investment in the EU comprised about 47% of total US investment abroad.

In other ways too the economic and political ties between Europe and America have strengthened over the last decade. In 1990 the EU and the US made a joint declaration on the transatlantic partnership outlining the historical ties between the member states of the EU and America and calling for a further strengthening of these links. It established an institutional structure for consultation including a series of meetings between European and American leaders to coordinate their policies in a variety of arenas. In 1995 this was strengthened by the creation of the New Transatlantic Agenda (NTA), which outlined specific goals ranging from trade liberalization to humanitarian assistance. The NTA provides an institutionalized framework for official EU-US interactions. These include regular consultations or "summits" of the presidents of the US, the European Council, and the Commission as well as meetings involving other officials and legislators. The NTA also stipulates new people-to-people links to strengthen the fabric of transatlantic relations among citizens. Dialogs have been launched among business people, labor unions, environmentalists and Consumers. Although the vast majority of transatlantic contacts are cordial and productive, sources of disagreement have arisen over time. In many cases, as in the promotion of international human rights and domestic consumer rights, these disagreements represent differing approaches to the same ultimate goals.

These new attempts at redefining the links between Europe and America, combined with the dramatic evolution of the European integration project suggest a transformation of Europe's position in the transatlantic relationship from junior participant to equal partner.

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