EU Centre in Singapore

THE EU IN A NUTSHELL

EU Centre in Singapore's Guide to European Integration and Institutions

Timothy Misir
Jason Ji

The EU Centre is a partnership of:

NUS National University of Singapore

NANYANG TECHNOLOGICAL UNIVERSITY

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Introduction

What is the difference between a council and a commission, or an institution and an agency? What about the European Council, Council of Ministers and Council of Europe, and what do they do? What's important and what's not? Which actor or institution should we focus on when something happens? What degree of power does the European Union (EU) really have in political decisions, and in what areas? The EU has is often described as "sui generis", an idiosyncratic political union, or an anomaly, which doesn't do it any favours or help in our understanding of what it is.

To outsiders and non-specialists, the EU is often incomprehensible – news and information about it is hard to digest. Many news articles in the media are also misinformed and sometimes outright wrong.

The media, analysts and sometimes politicians themselves are all in some way guilty of contributing to the image of the EU as an authority dominant over its members, comprising faceless bureaucrats working from Brussels to extend its control across its territory by way of technical rules and regulations and having the effect, or alleged deliberate intention, of eliminating any differences and diversity among its members. As such, the media fails to highlight the power that member states still wield within the EU, and the complexities behind its decision-making process.

Apart from myths, misguided beliefs and stereotypes, debates about the EU are not always based on facts. Ongoing crises in recent years have also led to further confusion about the EU's purpose, what it means and represents to its citizens and how it is perceived by observers abroad.

While the media is sometimes accused of over-simplifying and resorting to clichés, other scholarly writing on the EU is highly academic in nature and ill-suited to non-specialists. They are dry and uninteresting and fail to arouse any interest on the political processes and on how the EU actually works.

With this background brief, we hope to cut the jargon and explore the evolving nature of the EU and its purpose as clearly as possible. The aim of this guide is to provide a concise overview for the general public to be able to understand some important facets of the EU and keep up with developments in the EU that have a broader impact on global politics and businesses.

It does not claim to be comprehensive in covering all aspects of the EU. It only covers the key aspects of the EU's history and developments, to provide reflections for why and how nation-states pursue regional integration. It also provides an overview of the key institutions, actors and policy processes without overloading with detail. For interested general readers and students, there are ample topics to delve deeper into, and online resources to keep up with EU developments are listed in the annexes.

The European Union in brief

The EU Flag

The European Union (EU) comprises 28 member states, with a total population of over 500 million people. Together, the EU is the world's largest economy, generating a nominal gross domestic product (GDP) of about €14.3 trillion in 2014. It is also the largest trading bloc in the world. The EU is the top trading partner for around 80 countries. By comparison, China and the United States (US) is the top-trading partner for 43 and 31 countries respectively.

The EU member states are:

> Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom (UK).

The EU has its roots in the European Economic Community (EEC), a regional organisation established in 1958 aiming to bring about economic integration among its founding members: Belgium, France, Germany, Italy, Luxembourg and the Netherlands.

It has expanded over the years to include more member states, including the "big bang" enlargement in 2004, where 10 countries, including those from Eastern Europe and the Baltics, joined at the same time. The most recent addition was Croatia, which joined the EU in 2013.

Aspiring or prospective members of the EU are known as candidate countries (the term “pre-accession countries” is also frequently used). To enter the EU, a candidate country has to fulfil the so-called “Copenhagen Criteria”, which are conditions they must satisfy to become a member state.

States must (1) have the institutions to preserve democracy and human rights, (2) have a functioning market economy, and (3) accept the obligations and intent of the EU.

For EU accession negotiations to be launched, a country must satisfy the first criterion. Accession talks are ongoing with Turkey, Montenegro and Serbia. Albania and Macedonia are candidate countries, and Bosnia and Herzegovina and Kosovo are treated as potential candidates.

The EU Flag displayed in Strasbourg on Europe Day

(Photo: Francois Schnell, from Wikimedia Commons)

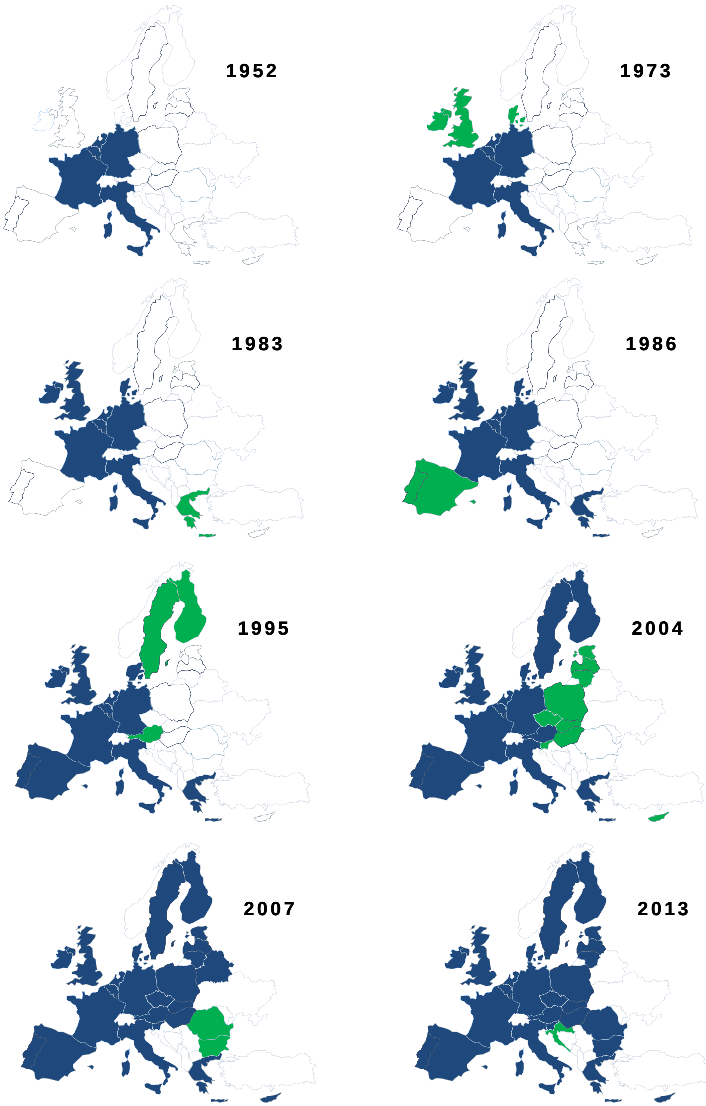
Regional integration and EU enlargement

Regional integration is a process by which neighbouring countries agree to increase cooperation to become more interconnected and interdependent. Typically, they agree on common institutions and rules, and organise cooperation through intergovernmental agreements or by establishing supranational institutions.

Countries integrate for myriad reasons: peace, prosperity, and power, but it often begins with an economic dimension as a step toward achieving broader security and socio-political objectives. For the EU, peace has been achieved through the establishment of the European Coal and Steel Community (ECSC), and prosperity through the introduction of the single market, which has increased the welfare of many people living in its territory. The EU has also given many of its smaller member states a voice in the international arena.

The word "**supranational**" is often used loosely to refer to international, transnational or global unions. The EU however, is truly supranational, in that it is a multinational political entity in which member states delegate power to a centralised authority, going beyond the level of integration afforded by international treaties.

EU enlargement over the years



Note: East Germany joined in 1990 and Malta joined in 2004.

A historical process

For the EU, integration has been the result of a long historical process, which is still ongoing. It has proceeded based on the broad idea of creating interdependence and pooling of sovereignty, and relies on principles of solidarity and subsidiarity for it to function effectively.

Robert Schuman
1886 - 1963

The Schuman Declaration of 9 May 1950 introduced the concept of supranationalism when Jean Monnet and Robert Schuman proposed to place French and German vital interests, namely in coal and steel production,

Robert Schuman: the architect of European integration

Robert Schuman, French foreign minister between 1948 and 1952, is regarded as one of the founding fathers of European unity.

Schuman was born in Luxembourg. As a result of his experiences in Nazi Germany, he recognised that only a lasting reconciliation with Germany could form the basis for a united Europe.

In cooperation with Jean Monnet he drew up the internationally renowned Schuman Plan, which he published on 9 May 1950, the date now regarded as the birth of the European Union. He proposed joint control of coal and steel production, the most important materials for the armaments industry. The basic idea was that whoever did not have control over coal and steel production would not be able to fight a war.

Schuman also supported the formation of a common European defence policy, and held the post of President of the European Parliament from 1958 to 1960.

under one common high authority in the interest of peace. For Monnet, a united Europe would balance between the US and the Soviet Union, and would prevent a repeat of the destructive nationalism that dominated the 19th and early 20th centuries. This led to the Treaty of Paris, which established the European Coal and Steel Community (ECSC), with its six founding members (France, West Germany, Italy, Belgium, the Netherlands and Luxembourg). It was hoped that by pooling sovereignty in the management of the vital coal and steel industries, war between members would be made "not only unthinkable but materially impossible".

Integration proceeded economically, rather than politically. The same six members then signed the Treaty of Rome in 1957, creating the European Economic Community (EEC), the predecessor of the European Union. The EEC proceeded with a gradual reduction of customs duties among its member states, leading towards the establishment of a customs union. It also proposed a number of common policies such as common transport and agricultural policies. In 1958, the European Commission was established to manage these common policies and the European Court of Justice (ECJ), established in 1952, became the court of the EEC to interpret the Treaty of Rome and rule in disputes over EEC decisions.

On 8 April 1965, the Merger Treaty was signed in Brussels. It merged the executives of the ECSC, EEC (and Euratom) to form the European Communities.

In 1979, the European Monetary System was launched as the first step towards the eventual goal of European Monetary Union (EMU). It encouraged countries to coordinate a central exchange rate under the Exchange Rate Mechanism (ERM). This provided the basis for creating a single European currency, the euro.

The Single European Act, which was signed in 1986 and became effective in 1987, was the first major revision of the Treaty of Rome. It set the objective of establishing a single market with the four freedoms – free movement of goods, services, labour and capital – in the European Community by 31 December 1992, and included measures to harmonise laws and reduce policy discrepancies among the member states.

The 1992 Maastricht Treaty (formally known as the Treaty on the European Union, or TEU) created the EU, with the EEC acquiring many more policy functions, or parts of them, previously monopolised by national governments such as foreign and security policy, criminal justice and judicial cooperation. The Maastricht Treaty also laid down the path towards EMU and the creation of the single currency, the euro. While many decisions related to economic and monetary matters are taken within a supranational framework of majority voting by the Council and Commission, the decisions pertaining to Common Foreign and Security Policy (CFSP) and some areas in Justice and Home Affairs are taken through the inter-governmental process and based on principle of consensus and unanimity.

The Lisbon Treaty

The Lisbon Treaty, signed in December 2007 and entered into force in December 2009, amended the treaties that form the basis of the EU, introducing key internal and external policy changes, as well as institutional and legal reforms. The reforms were needed to cope with an enlarged EU, which grew from 12 members in 1992 to 27 members in 2007.

The changes introduced in the Lisbon Treaty were supposed to make the EU more efficient and flexible in decision making while at the same time, increase democratic accountability of the EU to its citizens. It also aimed to ensure coherence among members in tackling common and global challenges such as climate change, energy security and international terrorism, and to make the EU a more prominent global actor on world stage. To achieve that end, the Lisbon Treaty created two new posts: the High Representative of the Union for Foreign Affairs and Security Policy and the permanent President of the European Council.

The signing of the Lisbon Treaty (Photo: Portuguese EU presidency 2007)

Explaining EU integration

Integration has not always been straightforward or logical, though scholars have tried to predict the development of the EU using many theories, such as, in a chronological order, federalism, neo-functionalism, intergovernmentalism and the governance approach.

Federalists broadly agree that the nation states have opted for integration because together in a Federation the states can better guarantee the political safety and economic welfare of their citizens.

Neofunctionalists emphasise the pragmatic step-by-step approach in cooperation in one functional area, creating spill over into other areas.

Intergovernmentalists hypothesise that the development of European integration is determined by a rational calculation based on states' national interests and the outcomes of the EU bargaining process. Integration only takes place if gains are greater than losses for nation-states.

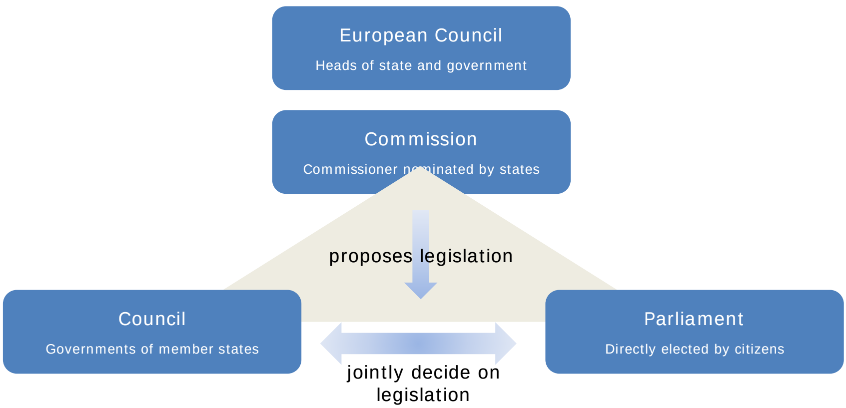
Since the beginning of the 1990s the governance approach has been frequently used to analyse the process of policy formulation and implementation in the EU. It assumes that decision-making competences are not exclusively held by the governments of EU member states, but also shared by supranational institutions.

In short, there are varying interpretations that reflect the different roles the EU has taken on since its inception.

The EU's "institutional triangle"

The EU has been described as a political system without a state. In reality, the EU functions as a highly decentralised political system in the form of a clearly defined set of institutions and common rules that are accepted.

The institutional set-up of the communities that has become the EU has undergone major transformations with periodic revisions of the treaties. A number of institutions, decision-making bodies, organisations and agencies work together that personify the EU. The Lisbon Treaty defines the EU's current institutional structure.



At the highest political level is the European Council where Heads of state and government of member states meet to take major political decisions and provide broad political direction for the EU.

The three key institutions responsible for the EU's everyday policy and decision-making are the Council of the European Union (sometimes known as the Council of Ministers), the Parliament and the Commission. They are often referred to as the EU's "institutional triangle", and though they each represent different interests, together they are responsible for the functioning of the EU.

European Council

European Council

- Comprises heads of state or government (i.e. prime ministers and presidents) of EU member states, the President of the European Council, and the President of the Commission.
- They meet at least four times a year to define the EU's general political direction and priorities.
- Known as the EU's "supreme political authority" and key motor of integration.
- No legislative or formal powers, and instead acts as a collective presidency, giving it coherence and provides direction for the EU's development.
- President is appointed by the European Council for a renewable term of two years and six months.
- The inaugural president was Herman Van Rompuy and current president, for the term 1 December 2014 until 31 May 2017, is former Polish Prime Minister Donald Tusk.

Donald Tusk

European Commission

Jean-Claude Juncker

- Executive arm of the EU and acts as "guardian of the treaties".
- Responsible for implementing decisions of the Parliament and Council and overseeing the implementation of the EU policies by the member states.
- Administered by 28 commissioners, one from each member state, who each head a department (known as a Directorate-General, or DG, which functions as a ministry).
- Independent of national governments; represents and upholds interests of the union as a whole.
- Only EU body that can initiate legislation.
- President is elected by the European Parliament, on a proposal of the European Council for a five-year term. The current president is former Prime Minister of Luxembourg Jean-Claude Juncker.

By means of a "**European Citizens' Initiative**", 1 million EU citizens from at least one-quarter of EU Member States may invite the Commission to bring forward a legislative proposal on a particular issue. Such initiatives may therefore influence the work of the EU institutions and the public debate.

European Parliament

European Parliament

Martin Schulz

- The only directly elected EU body (elections are held every five years).
- Organises itself as a normal multi-party parliament.
- Meetings are held in Strasbourg (France) and Brussels (Belgium) – the plenary sessions take place in Strasbourg 12 times per year; while committee meetings are often held in Brussels.
- Jointly responsible with the Council for approving the EU's €100 billion annual budget and jointly responsible with the Council for passing new laws.
- Has the power to dismiss the Commission.
- Elects the European Ombudsman, who investigates citizen complaints about maladministration by EU institutions.
- Includes 23 standing committees to provide inputs in different policy areas.
- The seats in the European Parliament are allocated among the Member States on the basis of their share of the EU population.
- The president presides over the debates and activities of the European Parliament. The president's signature is required for enacting most EU laws and the EU budget. The current president is Martin Schulz from Germany.

Council of the European Union
(Council of Ministers)

- Comprises representatives of each of the 28 member states at ministerial level, chaired by the President.
- The presidency is not an individual, but rather the position is held by a national government. Presidency rotates among members every six months.
- Three successive presidencies, known as presidency trios, the current trio (2016–17) is made up of the Netherlands (Jan–Jun 2016), Slovakia (Jul–Dec 2016) and Malta (Jan–Jun 2017).
- Work prepared by two committees – the Committee of Permanent Representatives (COREPER II), and the Committee of Deputy Permanent Representatives (COREPER I), who are supported by various working groups, working parties and committees
- Has the power to pass laws and the budget (along with the Parliament). The Council must vote unanimously on certain legislative issues (e.g. taxation), but in general, decisions require a simple majority or qualified majority.
- To conclude international agreements between the EU and one or more states or international organisations.

Other important institutions integral to the functioning of the EU are the European Court of Justice, the European Central Bank and the Court of Auditors. There are also over 40 agencies, each with its own legal personality, set up by the European Union to achieve specific tasks, such as environmental protection, aviation safety and encouraging innovation.

Court of Justice of the European Union

- The Court of Justice of the European Union (CJEU) is the chief judicial authority of the EU.
- It oversees the uniform application and interpretation of European Union law, in cooperation with the national judiciary of the member states.
- CJEU also resolves legal disputes between national governments and EU institutions, and may take action against EU institutions on behalf of individuals, companies or organisations whose rights have been infringed.
- The Court is located in Luxembourg and has one judge from each member country.
- It consists of three separate courts: the Court of Justice, the General Court and the Civil Service Tribunal.
- “CVRIA” (curia) in the emblem means “court”.

European Central Bank

- Headquartered in Frankfurt, the ECB is the EU’s central monetary authority, setting the interest rates for lending to commercial banks, which influences the price and the amount of money in the economy.
- The purpose of the ECB is to maintain monetary stability in the euro area by ensuring low and stable consumer price inflation (This is defined as a consumer price inflation rate of less than, but close to, 2% per annum).
- The ECB is an independent institution and takes its decisions without seeking or taking instructions from governments or other EU institutions.

EU law and decision-making

EU law is a body of treaties, legislation and supplementary law, which includes case law by the European Court of Justice, the highest court able to interpret EU law.

EU law is divided into primary and secondary law. The former refers to the treaties, which are the basis for all EU action, while the latter, which includes directives, regulations and decisions, is derived from the objectives and principles set out in the treaties.

In the adoption of EU legislation, the European Parliament and Council constitute a two-chamber legislature, and they both can make amendments and have veto powers.

Acts of EU Law

There are three types of acts the EU may adopt:

1. Directives (must be incorporated into member state law by a specified implementation date)
2. Regulations (legally binding in all member states from dates specified within them)
3. Decisions (binding on those to whom it is addressed)

The EU also issues “recommendations”, which are not binding on those to whom it is addressed. Recommendations allow the institutions to make their views known and suggest appropriate courses of action without imposing any legal obligations.

Legislative procedures

There are two types of legislative procedures through which new EU laws are adopted:

- Ordinary legislative procedure
- Special legislative procedure

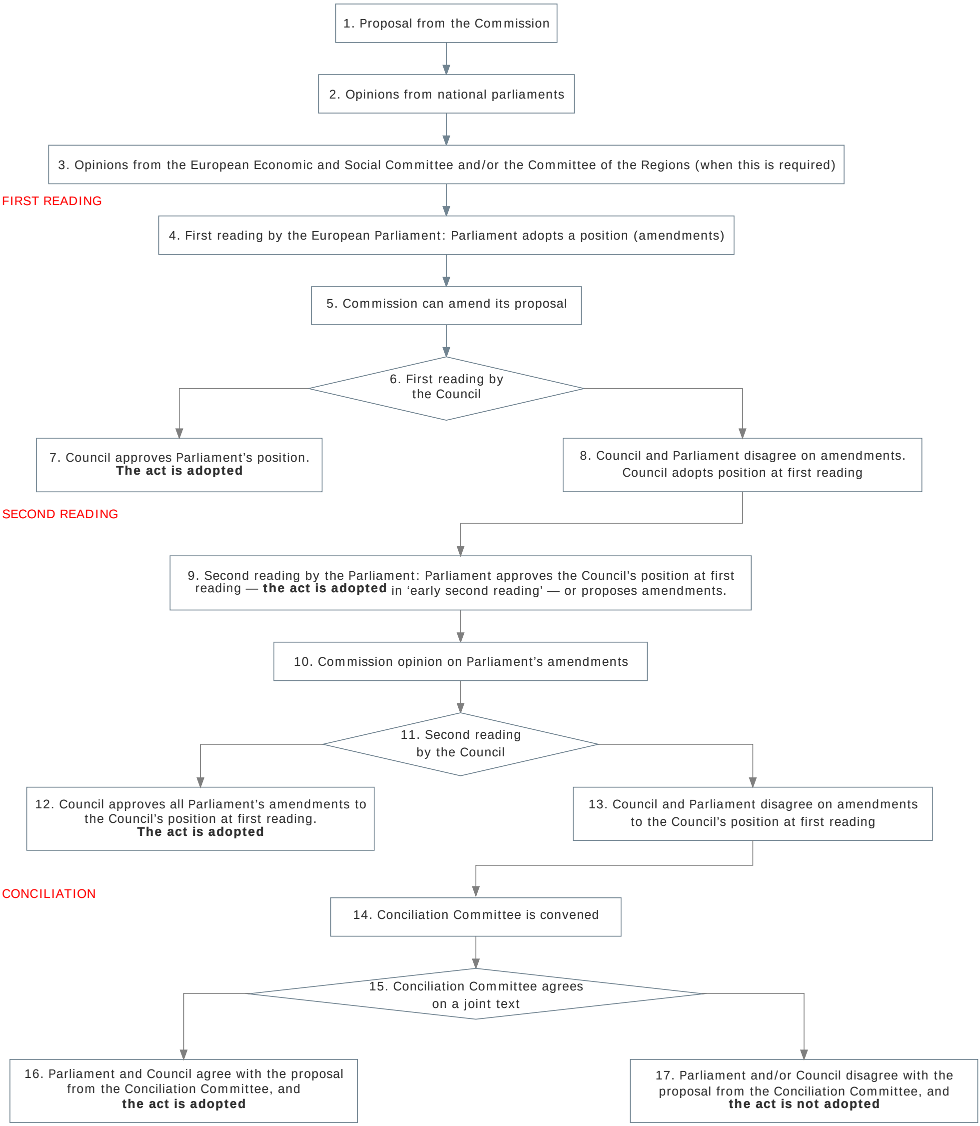
The **ordinary legislative procedure** (also known as co-decision) applies to about 70 areas of EU law covering 80% of all EU legislation, including justice and home affairs, agriculture and external trade. There is the possibility of a first reading deal, a second reading deal (after the Council adopts a first reading position), and the possibility of conciliation if a deal is not reached. Qualified majority voting (QMV) always applies, though member states can put a stop to decision making on specified grounds.

In the **special legislative procedure**, the European Parliament and Council are still involved, though the rules are different depending on each of the legal bases that provide for such procedures (about 30 areas currently). Special legislative procedures are available depending on the subject of the proposal. In the Consultation Procedure, the Council is required to consult Parliament on a proposal from the Commission, but is not required to accept Parliament's advice. This procedure is only applicable in a few areas, such as internal market exemptions and competition law. In the Consent Procedure, Parliament may accept or reject a proposal, but may not propose amendments. This procedure can be used when the proposal concerns the approval of an international treaty that has been negotiated.

Community law takes precedence over domestic law in member states. One of the main principles of EU law is that if European law and the law of member states are in conflict, European law prevails. The enforcement of European law is the responsibility of member states, though a small number of regulations like competition law are enforced by the EU directly through its Directorate-General. The Commission can open formal infringement proceedings and refer member states to the ECJ if they fail to incorporate EU laws and directives into its national policy framework, or if it suspects member states of breaching Union law.

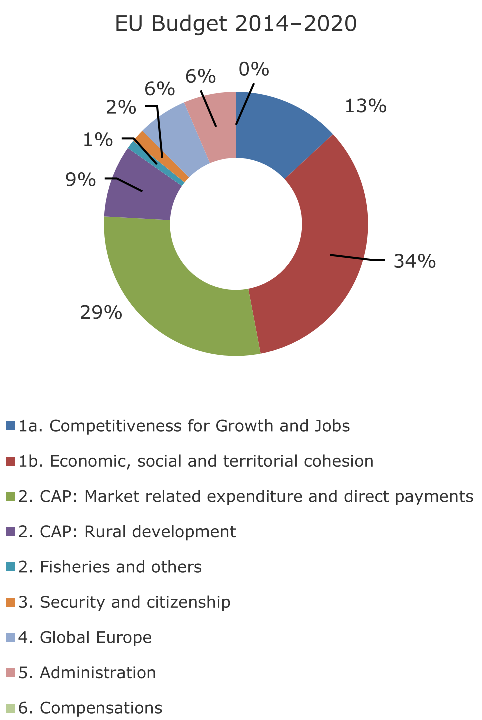
European Parliament voting (Photo: European Parliament)

Ordinary legislative procedure



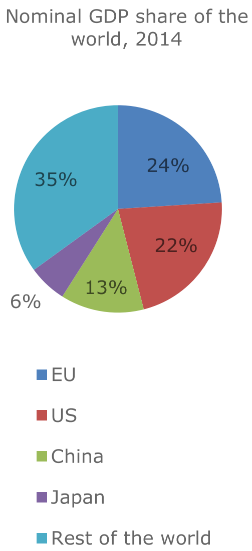
The EU budget

The current multiannual financial framework for 2014–2020 amounts to almost €1 trillion, or about €145 billion per year. Each EU member state makes a contribution to the budget based on its GDP and receives money back to support development projects and other EU initiatives. Much of the budget is spent on agricultural subsidies and transfers through initiatives such as Cohesion Fund to less developed regions within the EU to help with redevelopment.



The EU's single market

The idea behind a single European market is to foster competition and trade, while improving specialisation and economies of scale and as a result, improving efficiency and lowering prices.



In economic terms, the EU aspires to be one unified internal marketplace with the four freedoms – free movement of goods, services, capital and people. The creation of a seamless internal market is an on-going process, and successive EU treaties have focused on removing barriers to trade, achieving mutual recognition of standards, and agreeing on common regulations to strengthen the single market. Though not part of the EU, Iceland, Norway, Lichtenstein participate in the European Economic Area (EEA) with the EU's 28 member states. Like EEA countries, Switzerland also has access to the single market, but this is achieved through a series of bilateral agreements with the EU.

The EU prohibits restrictions based on nationality. EU citizens are free to live, work, study or retire in other member states. Workers have the right to be employed in other member states under the same conditions as its own nationals. Self-employed persons are allowed to move around member states and provide services on a temporary or permanent basis anywhere in the EU. The movement of capital is also guaranteed and intra-EU transfers in euro are considered domestic payments.

The EU levies a common tax, known as the Common External Tariff (CET), to imports from third countries, and is responsible for making preferential trade agreement deals and negotiating trade agreement with other areas or countries. The EU is the largest member in the World Trade Organisation (WTO) and participates actively to shape global trade rules and regulations.

The EU also has a comprehensive set of legislation conducive to fostering competition and to ensure a level playing field for companies to compete in the single market, including those pertaining to state aid, protectionism and industrial policy. This includes measures to prevent the establishment of cartels or the development of a dominant position in the market.

Some sectors like digital and other online services, and goods from e-commerce, remain fragmented in the EU. In May 2015, the European Commission announced plans to address the fragmentation in the online market by establishing a Single Digital Market.

Container Terminal Altenwerder in Hamburg

(Photo: Frank Grunwald, from Wikimedia Commons)

Schengen Agreement

The Schengen Agreement, which covers cross-border legal arrangements and the abolition of systematic border controls among the participating countries, was negotiated independently of the European Union and signed in 1985 by five of the EEC's then 10 members.

The Amsterdam Treaty incorporated the Schengen agreement into EU law in 1997, abolishing the single market's physical barriers and border controls among its participating states, and implementing common visa rules and police and judicial cooperation.

The Schengen area currently consists of 26 states, including non-EU members Switzerland, Norway and Iceland. Ireland and the UK opted out of the agreement. Cyprus, Croatia, Romania and Bulgaria do not participate but are preparing to join at a later date.

A border inside the Schengen zone between Slovenia and Italy

(Photo: noniq, from Wikimedia Commons)

Schengen area

The euro and the euro zone

Euro banknotes from the first series (2002-2013) (Photo: Blackfish)

Economic and Monetary Union (EMU) involves a grouping of member states focused on working towards economic convergence. This was set out in the Maastricht Treaty involving three stages, and completed with the adoption of the single currency, the euro. This group of member states who have given up their own national currencies to adopt the euro are often referred to as being in the Euro zone or Euro area.

The history of the creation of the euro zone goes back to 1979 when the European Monetary System (EMS) was set up to prevent large fluctuations among the currencies of EEC members (apart from the UK) relative to one another. It consisted of two parts: a managed float known as the Exchange Rate Mechanism (ERM) and the creation of an artificial unit of account, the European Currency Unit (ECU).

ERM ended in May 1998 when member states fixed exchange rates as the first step towards EMU. ERM II was launched on 1 Jan 1999, dropping the ECU in favour of the euro as an anchor.

The Eurogroup, comprising finance ministers of the Euro zone members, exercises political control over the euro and related aspects of the monetary union. The European Central Bank (ECB) is the central bank for the euro and administers the monetary policy of the euro zone. Its primary objective is to maintain price stability.

The euro convergence criteria, also known as the Maastricht criteria, are the requirements that EU member states need to meet to enter the third stage of EMU and adopt the euro as their currency. These requirements were set so that there would be price stability in the euro zone and that it would not be negatively impacted when new member states joined. The criteria included:

1. A budget deficit of less than 3% of GDP;
2. Debt-to-GDP ratio of below 60%;
3. Inflation rate within of 1.5% of the average of the lowest three countries;
4. Long-term interest rates within 2% of the lowest three countries, and
5. Exchange rates within “normal” fluctuation margins of the ERM. The ECB publishes a Convergence Report every two years on aspiring euro zone members to check their progress on complying with the criteria.

- The euro is official currency of 19 of 28 EU member states. All EU member states are legally bound to eventually adopt the euro except for Denmark, Sweden and the UK, which opted out of the agreement.
- The euro is the world’s second-largest reserve currency and second most traded currency after the US dollar.
- The euro replaced the virtual European Currency Unit (ECU) in 1999 and physically entered circulation in 2002.

Why monetary union?

Because of high transaction costs resulting from currency conversion and uncertainties linked to exchange-rate fluctuations, it became increasingly clear that the potential of the single market would not be entirely fulfilled. Furthermore, many economists felt that the EU could not overcome the policy dilemma of "impossible triangle/trinity", which dictates that free movement of capital, exchange rate stability and independent monetary policies were incompatible in the long term and that the ECB can only pursue two of the above-mentioned three policies simultaneously. Speculative attacks on the ECU continued well into 1993. On 16 September 1992, the UK left the EMS while countries like France saw their currencies come under such heavy attack that the exchange rate bands were widened so much that they were effectively floating currencies.

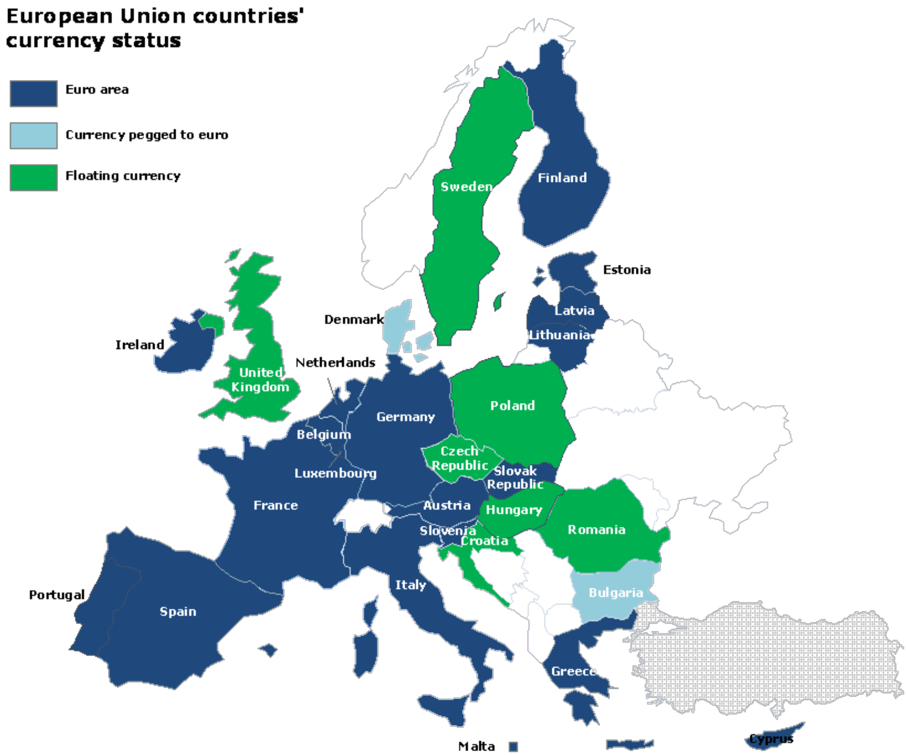
Being in a monetary union means its members rely on a single monetary authority for managing the currency and are unable to set their own exchange rate policy. Countries joining the euro zone gave up some national sovereignty, and hence some member states encountered opposition at home on ideological and pragmatic grounds. Some economists believed that it is risky to have a monetary union without political union, and others felt that the EU is not yet an optimal currency area, questioning if the gains of increasing trade and enhanced economic efficiency really outweigh the losses. Those economists who have warned against rushing into creating a single currency felt that their objections were vindicated when the euro zone succumbed to the fallout from global financial crisis in 2008. However, there were still those who believed the initial arguments for the euro remained valid.

Arguments for the euro

Elimination of currency conversion costs (which has resulted in an estimated increase of 0.4% of GDP)

- Increase competition and efficiency
- Elimination of exchange rate uncertainty among member states
- Increased inward investment
- Lower inflation and interest rates
- More choices and stable prices for consumers and citizens
- Improved economic stability and growth
- A stronger presence for the EU in the global economy
- A tangible sign of a European identity

- Currently there are two non-EU countries that use the euro as their currency: Kosovo and Montenegro.
- Four small sovereign states in Europe – Andorra, Monaco, San Marino and Vatican City – also use the euro as their currency.


European Union countries' currency status
Euro area
Currency pegged to euro
Floating currency
Sweden
Finland
Estonia
Latvia
Lithuania
Denmark
Ireland
United Kingdom
Netherlands
Poland
Germany
Belgium
Czech Republic
Slovak Republic
Luxembourg
France
Austria
Hungary
Romania
Slovenia
Croatia
Portugal
Spain
Italy
Bulgaria
Greece
Malta
Cyprus

The EU in the world

The EU plays an important role in global affairs, given its sheer size and status as the world's largest trading power. It is also an important development actor, and given its concern for stability in its region, it works actively to resolve conflicts in its neighbourhood. For the EU, having a common foreign policy is challenging because each member state still controls certain aspects of its own foreign policy and is reluctant to pool sovereignty and delegate authority in those aspects to the EU. Although there are some areas of "external relations" which the EU have much more say, bringing all these different policy areas together to have a coherent common foreign policy has proved difficult, if possible.

Most of the EU's formal partnerships with third countries are either development-related or enlargement-related. Some of its other relationships include preferential trade agreements, as well as partnership and cooperation agreement to promote political dialogue and human rights.

Before the Lisbon Treaty, the DGs most relevant to external relations were:

- Development and Humanitarian Aid
- Enlargement
- External Relations
- External Trade

The Maastricht Treaty introduced the Common Foreign and Security Policy (CFSP) in 1992, but the EU still lacked a coherent and independent foreign policy until the introduction of the Lisbon Treaty. The CFSP, together with the Common Security and Defence Policy (CSDP) has since become an essential tool for the EU's foreign policy. It has the following aims:

1. To foster cooperation among EU member states in promoting peace and respect for human rights.
2. Promote the EU's interests.
3. To make the EU more secure.

The EU foreign policy is very much related to peacekeeping and humanitarian missions, such as dispatching electoral observers, providing institutional support, and support outlined in its Association Agreements, as it is doing in Ukraine. Legal instruments used by the Council for the CFSP include "common positions", "joint actions" and "common strategies".

One of its main elements is the Common Security and Defence Policy (CSDP), which cover defence and military aspects, as well as civilian crisis management. Since 2002, the EU has launched over 30 civilian and military missions under the CSDP, 15 of which are on-going, including a post-conflict reconstruction mission in Libya (EUFOR Libya), a police training mission to Afghanistan (EUPOL Afghanistan), a ceasefire monitoring mission in Georgia (EUMM Georgia), and a mission to support Palestinian civil police, security sector reform and criminal justice (EUPOL COPPS).

The EU's foreign policy chief has the title **of High Representative of the Union for Foreign Affairs and Security Policy** (sometimes referred to in the media as EU Foreign Minister). He/She is appointed by the European Council and is delegated the authority to negotiate on behalf of member states in areas where foreign policy is agreed. The position of High Representative was introduced under the Treaty of Amsterdam, but the Lisbon Treaty expanded the position, putting it in charge of foreign affairs roles and giving it a seat on the European Commission as Vice-President and permanent chair of the Foreign Affairs Council. Hence, in EU jargon, the foreign policy chief is often referred to as HR/VP. The HR/VP is assisted by the European External Action Service (EEAS), set up in December 2010. The current HR/VP is Ms Frederica Mogherini, former Italian foreign minister.

Frederica Mogherini

Crises and responses

The best response for the EU in dealing with international crises is with solidarity among its members, and for them to speak with one voice on external issues. But adopting cohesive and coherent regional stances is much easier said than done. External events tend to open up fault lines between EU institutions and its member states, as well as among member states themselves. The division is often between national interests and a pan-European response or long-term strategy.

EU sanctions

According to the European External Action Service (EEAS), sanctions are one of the EU's tools to promote the objectives of the CFSP: peace, democracy and the respect for the rule of law, human rights and international law. They are always part of a wider, comprehensive policy approach involving political dialogue and other complementary efforts. EU sanctions are designed to bring about a change in policy or activity by the target country, entities or individuals. At the same time, the EU makes every effort to minimise adverse consequences for the civilian population or for legitimate activities.

EU member states take responsibility for enforcing and implementing the sanctions. The sanctions are reviewed at regular intervals, with the Council deciding whether sanctions should be renewed, amended or lifted. All legal acts related to EU sanctions are published in the Official Journal of the EU.

Migration and refugee crisis

More than 1 million migrants fleeing conflicts, civil wars and other instabilities in the Middle East and Africa entered the EU in 2015. The arrival of a large number of refugees and migrants in a relatively short time has sparked a crisis as member states struggled to deal with the uncontrolled influx. Member states were divided over sharing the burden of accepting them in large numbers.

The European Commission has tried to come up with a unified response to these challenges, proposing mandatory quotas to distribute refugees among member states, agreeing on a number of stopgap measures to relocate migrants already in the EU, to boost military operations in the Mediterranean to stop human smuggling and trafficking, to provide greater financial support to humanitarian efforts in Syria, and worked with "frontline" states such as Turkey to improve the conditions of the refugees at the Turkish border and stop them from taking the treacherous route to Europe in the first place. However, not all countries have been willing to share the burden of accepting refugees equally, and the response of member states has been slow and uneven. As such, following through on the commitments made has been poor because of a lack of public funds, lack of public support and logistical challenges.

By and large, the asylum seekers are headed towards northern Europe, but Spain, Italy, Greece and Hungary – countries on the frontline of the refugee crisis and within the passport-free Schengen zone – are receiving the most number of migrants, though they are among the most ill-equipped to handle the migrant flows. Citizens of several EU member states are divided over accepting more migrants and several governments have acted unilaterally to strengthen their borders. Many far-right political parties in the EU, playing on the public's fears have gained considerable political support over the issue.

Because of the unilateral actions to build fences and enforce border checks, the Schengen agreement on freedom of movement has been threatened. Concerns over the breakdown of the Schengen agreement and allaying fears of EU citizens over migration are now the top priorities of the EU leadership.

Syrian refugees crossing the border of Hungary and Austria, 6 September 2015

(Photo: Mstyslav Chernov, from Wikimedia Commons)

Ukraine

Ukraine sought a closer relationship with the EU and was to sign an Association Agreement with the EU in 2014. However, a last-minute about-turn in favour of a multibillion-dollar loan from Russia was received with widespread public disapproval. This together with other political issues contributed to the Ukrainian revolution and the ousting of President Viktor Yanukovych. Following Ukraine's regime change, talks with the EU resumed.

However, the situation in Ukraine rapidly deteriorated into military conflict with Russia after the latter's annexation of Crimea and Sevastopol. As the EU's foreign policy does not allow for any military actions, its hands were tied, and it could only issue economic sanctions against Russia and implement visa bans for certain Russian officials. EU–Russia relations were affected, with several bilateral activities suspended and a range of sanctions adopted on both sides.

Thousands of people protesting at Maidan Square, 29 November 2013

(Photo: Mstyslav Chernov, from Wikimedia Commons)

The European sovereign debt crisis

The euro zone debt crisis started in late 2009, when a new Greek government revealed that previous governments had been consistently misreporting government budget data. Higher than expected deficit levels eroded already low investor confidence and credit rating agencies lowered the credit rating of Greece, causing Greek bond spreads and debt repayment burden to rise sharply. Market fears and anxiety quickly spread as it appeared that the fiscal positions and debt levels of a number of other euro zone countries, notably Portugal, Italy, Ireland and Spain were also unsustainable.

The crisis was exacerbated, by a set of common challenges facing some euro zone countries according to US Congress Research Service. The internal EU economic imbalance – inflow of capital from current account surplus economies and subsequent build-up of debt over the past decade into the euro zone "periphery" countries – was the chief culprit. As the peripheral countries transitioned from national currencies to the euro, their sovereign bond spreads fell dramatically, converging to the low interest rates paid by the traditionally stronger economies of euro zone "core" countries such as Germany.

However, as they took advantage of access to new and cheap credit, the capital inflows were either mismanaged or not sufficiently used for productive investments in the economy that could generate the resources with which to repay the debt. As a result, debt levels rose to unsustainable or even disastrous level. In some countries, this debt was largely seen in the public sector, such as in Greece, where tax evasion was rampant and government spent generously on public sector jobs and benefits. In other countries, debt was concentrated in the private sector—such as in Ireland and Spain, which had serious banking and real estate bubbles. The unsustainable nature of these debts was exposed during the global financial crisis of 2008-2009, when international capital markets froze up and it became difficult for governments, consumers, and companies to access new loans and roll over existing debt.

Over the course of the crisis, European leaders and institutions have implemented a number of policy measures to try to contain the crisis. A key policy response has been to provide countries and banks in crisis with financial assistance. This assistance was first provided through the temporary European Financial Stability Facility (EFSF). This then became the European Stability Mechanism (ESM), a permanent EU agency, in 2012, providing some degree of relief.

The ECB also took unprecedented steps to improve liquidity in the euro zone banking system. Starting in March 2015, the ECB buys sovereign bonds from euro-area governments and securities from European institutions and national agencies worth €60 billion per month. The scale of quantitative easing will be beefed up to €80 billion from April 2016 onwards.

Some heavily indebted euro zone members had to be "rescued" with bailout packages offered by the "European Troika" – the ECB, International Monetary Fund (IMF) and the European Commission. However, financial assistance from the Troika came with strings attached. The financial assistance was disbursed to countries in phases, only after the country reached benchmarks on fiscal austerity and structural reforms.

The harsh conditionality escalated the economic crisis into a political crisis. A combination of deep cuts in public spending, rising unemployment and economic recession in several euro zone member states provoked repeated, large-scale protests. Governments in Greece, Ireland, Italy, the Netherlands, Portugal, Slovenia, Slovakia and Spain collapsed or were voted out of office.

The diverging political discourses and therefore drastically differing understandings about the causes and cures of the crisis had also translated into disagreements among key policymakers over the appropriate crisis response. French President François Hollande joined the leaders of Spain and Italy, countries that had been trapped in austerity measures, in calling for a more concerted European action to spur economic growth. They also advocated steps to boost EU integration, such as the establishment of a banking union, as a way of resolving some of the underlying causes of the euro zone crisis. In particular, the group criticised what they perceive as a German-led policy response that has overly emphasised austerity and structural reform as the road towards future growth. For its part, the German government was reluctant to endorse additional financial assistance to what many German voters perceive to be “profligate governments” in Southern Europe. German leaders argued that closer economic integration would not be possible without powerful central surveillance and control over national economic policies.

Of all the euro zone countries receiving assistance from the Troika, Greece presented a particularly difficult case because of a combination of factors ranging from fiscal imprudence, a dysfunctional tax regime, among others, resulting in high, unsustainable public debt.

In October 2011, euro zone leaders agreed to a number of measures to address the Greek crisis, including a 50% write-off on Greek sovereign debt, €35 billion in credit enhancement to mitigate losses by European banks, and a fourfold increase in bailout funds held by the EFSF to €1 trillion. In February 2012, the Eurogroup, the IMF and the Institute of International Finance agreed on a second Greek bailout package worth €130 billion, which would bring Greece’s debt to 117% to 120.5% of GDP by 2020.

Unfortunately these were not enough to help Greece in repaying its debts and a 3rd bailout was requested in 2014. However, this came at a time after general elections in Greece that saw the election of Syriza, a far left party led by Alexis Tsipras, who campaigned on the promise of no more austerity. This triggered another round of crisis as Greece tethered on the brink of bankruptcy and talks of a "Grexit" – Greece leaving the euro zone – spooking the financial market. In June 2015, the Greek government did not make a €1.5 billion payment to the IMF, making it the single biggest missed payment in the IMF's 60-year history. Grexit was put to a rest after the left-leaning Greek government finally agreed on an austerity and reform package (despite a referendum that rejected the austerity measures) in order to receive the third bailout package.

As of the time of writing (March 2016), Greece's next major debt repayment is on 20 July 2016, when about €2.3 billion in bonds held by the ECB is due. However, Athens' reform progress is not satisfactory enough to convince the IMF to dispatch the next instalment of the latest bailout package, which could be as much as €86 billion. This is not good news for the EU; the spectre of Greek debt crisis may come to haunt it again.

People marching against Troika in Greece a couple of days before the bailout referendum

(Photo: Des Bryne, from Wikimedia Commons)

Where is the EU heading?

Looking at the news coming out of Europe in the past few years, it seems that the EU is being hit by one crisis after another and sometimes by a dangerous "cocktail of threats". The earlier threat of Grexit is now followed by the threat of "Brexit" – Britain leaving the EU. Greece is still not out of the woods on the debt issue and is now faced with the additional burden of dealing with a huge influx of refugees/migrants. Related to the refugee/migrant crisis is the added concern over the rise of extremist parties capitalising on security fears and identity crisis to get a hold on power. The recent terrorist attacks in Paris and Brussels further fuelled debates on security and the lack of internal border controls. How would all these issues affect the functioning of the EU and what would this mean for the liberal ideology enshrined in Europe's decades-long integration remain to be seen.

Will the EU be able to overcome all these crises and emerge even stronger, or will it succumb under the barrage of crises, reversing the gains that were made in integration and down a path towards disintegration? While disintegration may be the least likely scenario, the EU of the future may be different from the vision of "ever closer union", and may be either a much looser union with a distinct core and periphery, or a two-speed or even multi-speed EU.

Despite its various crises, the EU retains considerable resources and remains one of the key players in the global economic order. What happens in Europe and the EU will have serious repercussions for regional and global affairs. It is important that we raise our awareness and understanding of the developments in the EU and stay vigilant on events in Europe.

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EU jargon / glossary

Discussions in Brussels and news on the EU tend to be filled with many EU-specific words and phrases. This section lists the more common ones and what they mean.

A comprehensive list published by the EU can be found at: http://ec.europa.eu/ipg/content/tips/words-style/jargon-alternatives_en.htm.

Acquis Communitaire

The whole body of EU law, as well as acts adopted by the EU and common objectives laid out in its treaties. This includes more than 90,000 pages of directives.

ACP

African, Caribbean and Pacific countries (beneficiaries of the EDF)

Additionality

Refers to the additional funding rule, or the requirement of matching national funds on the part of member states.

Benelux

The Benelux Union is a politico-economic union of three neighbouring states in central-western Europe: Belgium, the Netherlands, and Luxembourg. The name was first used to name the customs agreement that initiated the union (signed in 1944). It is now used more generally to refer to the geographic, economic and cultural grouping of the three countries.

Comitology

The process by which national experts supervise the technical aspects of implementing EU law.

Conditionality

Use of conditions attached to the provision of benefits such as a loan, debt relief, bilateral aid or even EU membership.

Convergence Criteria

The requirements to join the euro.

COREPER (Committee of Permanent Representatives)

A group comprising heads or deputy heads of missions of EU member states in Brussels. It prepares the agenda for the ministerial meetings of the Council of Europe and oversees the work of over 250 committees made up of civil servants from member states that work on technical issues of policies to be discussed by COREPER and the Council. It is chaired by the Presidency of the Council of the European Union.

Council of Europe

A non-EU intergovernmental organisation made up of 47 countries, including all 27 EU member states, established in 1949 with an emphasis on human rights, democratic development, rule of law, culture and the environment.

Decision

A decision can be addressed to Member States, groups of people, or even individuals. It is binding in its entirety. Decisions are used, for example, to rule on proposed mergers between companies.

Directorate General

Administrative units within the European Commission, each focusing on a specific area of policy. A commissioner is responsible for each of the DGs.

Directive

A directive is a law that binds the Member States, or a group of Member States, to achieve a particular objective. Usually, directives must be transposed into national law to become effective. Significantly, a directive specifies the result to be achieved: it is up to the Member States individually to decide how this is done.

ECHR (European Convention on Human Rights)

An international treaty drafted in 1950 by the Council of Europe to protect human rights and fundamental freedoms in Europe.

ECOFIN (Economic and Financial Affairs Council)

A group comprising economics and finance ministers of member states, and budget ministers when discussing budgetary matters.

EDF (European Development Fund)

The main instrument for European aid for development cooperation in ACP countries and OCT states

European Economic Community

Also known as the Common Market. A regional organisation created by the Treaty of Rome in 1957. It aimed to bring about economic integration among its members. It was renamed the European Community in 1993 and was abolished in 2009, with its institutions absorbed into the EU's wider framework.

EFTA (European Free Trade Association)

A European trade bloc established in 1960 as an alternative to the EEC.

Enhanced Cooperation

A procedure where a minimum of nine member states are allowed to establish advanced integration or cooperation within EU structures without involving other member states.

Euribor

The rate at which banks in the euro zone borrow from one another.

Eurogroup

The collective term for informal meetings of finance ministers of the euro zone.

Exclusive Competence

Exclusive competence means that in certain policy areas decisions are taken at EU level by the Member States meeting in the Council and the European Parliament. These policy areas cover customs, competition rules, monetary policy for the euro area and the conservation of fish and trade.

Freedom of Establishment

Businesses are free to set up outside their home country, enjoying "freedom to operate abroad".

Green Paper

A consultation or discussion paper.

OCT

Overseas Countries and Territories.

Open Method of Coordination

A method of EU governance based on voluntary cooperation among member states, using soft law, benchmarking, and sharing of best practices.

OSCE (Organization for Security and Co-Operation in Europe)

A security-oriented intergovernmental organisation established in 1973 not related to the EU, though most of its member states are participants.

Preliminary Ruling

A decision by the European Court of Justice on the interpretation of EU law, made at the request of a member state. They are the final determinations of the law in question by the EU courts.

Presidency

The six-month rotating leadership of the EU held by member states, giving them the opportunity to lead the EU's policy agenda during this period.

Proportionality

A principle that limits the EU's role to the minimum necessary to achieve its policy goals

Qualified Majority Voting

The most widely used voting method in the Council when it takes decisions during the ordinary legislative procedure. A qualified majority needs 55% of member states (16 out of 28) representing at least 65% of the EU population.

Regulation

A regulation is a law that is applicable and binding in all Member States directly. It does not need to be passed into national law by the Member States although national laws may need to be changed to avoid conflicting with the regulation.

Shared Competence

Share competence means that if legislation is passed at EU level, then these laws have priority. However, if no legislation is adopted at EU level, then the individual

Member States may legislate at national level. Shared competence applies in many policy areas, such as the internal market, agriculture, the environment, consumer protection and transport.

Subsidiarity

An organising principle of decentralisation, which states that matters should be taken by the least centralised competent authority and that political decisions be taken at a local level if possible. In the context of the EU, it means that except in the areas where it has exclusive powers, the EU only acts if action will be more effective at EU level than at national level.

Supranational

A type of multinational political union like the EU, where negotiated power is delegated to an authority by member state governments.

Third Country

Term used to refer to countries outside the EU, or the EU's trading partners.

Transposition

The process by which member states give force to an EU directive by passing appropriate implementation measures.

White Paper

A proposal paper or set of policy proposals.

EU official sources

European Parliament
http://www.europarl.europa.eu/

The European Council
http://www.consilium.europa.eu/en/home/

The Council of the European Union
http://www.consilium.europa.eu/en/home/

European Commission
https://ec.europa.eu/

The Court of Justice of the European Union
http://curia.europa.eu/jcms/jcms/Jo1_6308/

The European Central Bank
https://www.ecb.europa.eu/home/html/index.en.html

The European Court of Auditors
http://www.eca.europa.eu/en/Pages/ecadefault.aspx

European External Action Service
http://eeas.europa.eu/

The European Economic and Social Committee
http://www.eesc.europa.eu/?i=portal.en.home

The European Ombudsman
http://www.ombudsman.europa.eu/home.faces

The European Investment Bank
http://www.eib.org/

Eurostat
http://ec.europa.eu/eurostat

EU media sources

EUBusiness
http://www.eubusiness.com
EU legal, business and economy news

EUobserver
https://euobserver.com
Independent online newspaper founded and based in Brussels.

Euractiv
http://www.euractiv.com
The leading online media in EU affairs that publishes in 12 languages.

Eur-Lex
http://eur-lex.europa.eu
European Union law and other public EU documents, including the Official Journal of the European Union.

Euronews
http://www.euronews.com
International and European news from a European perspective.

Europa
http://europa.eu/newsroom/index_en.htm
The European Commission's news portal, which should be your first stop for EU-related news.

Eurobarometer
http://ec.europa.eu/public_opinion/index_en.htm
The website of the Commission's public opinion analysis sector.

New Europe
http://neurope.eu
Weekly newspaper providing political, business.

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