European Union
EXTERNAL ACTION

A GUIDE FOR AMERICANS

The 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."

www.eurunion.org

Editor's Notes

In December 2009, the European Union's Treaty of Lisbon entered into force, ushering in an EU that is more efficient, more democratic, more transparent, more united, and more secure than ever before. The treaty's provisions have modernized the EU's operations, reinforced its capacity to take action, enhanced democratic processes within the EU, and given the EU a single voice in external relations.

The evolution prompted by the Treaty of Lisbon is only one of the many aspects of the European Union covered by this "Guide for Americans." It also outlines the growth of the EU from its initial incarnation as the six-nation European Coal and Steel Community to today's 27-nation partnership; the day-to-day functioning of the EU; the EU's Economic and Monetary Union; the EU's relations with the United States as well as other international actors; and signature EU policy areas.

The term "European Union" (EU) is used in this brochure whenever appropriate. Other terms, such as "European Community" and "European Coal and Steel Community," 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, the website of the Delegation of the European Union to the United States.

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

The European Union is the most successful experiment in economic and political integration in the world. It is a community of law and values, and an area of cooperation and solidarity.

From the earliest days of European integration, we found a supporting partner in the United States. After World War II, America helped to ensure western Europe's security, encouraged European cooperation by requiring joint administration of U.S. Marshall Plan funds, and welcomed the 1951 move by the six founding nations of today's EU to put their coal and steel production under a common authority.

Fast-forward nearly sixty years, and today's European Union, with 27 Member States and a population of more than 500 million people, is much safer, more prosperous, stronger, and considerably more influential than the original European Coal and Steel Community. We have deepened our political cooperation, created a single market, developed common policies, allowed citizens to circulate freely, and launched a single currency shared by 17 of our countries.

As the EU has evolved, the transatlantic partnership has continued to prosper. The EU and the U.S. share common values, including a commitment to the rule of law, the democratic process, respect for human rights, and alleviating poverty. Together, we provide around 80 percent of global development assistance.

We are each other's closest allies when it comes to addressing the world's most demanding challenges. We cooperate to help stabilize fragile states, end nuclear proliferation, fight terrorism, and battle climate change.

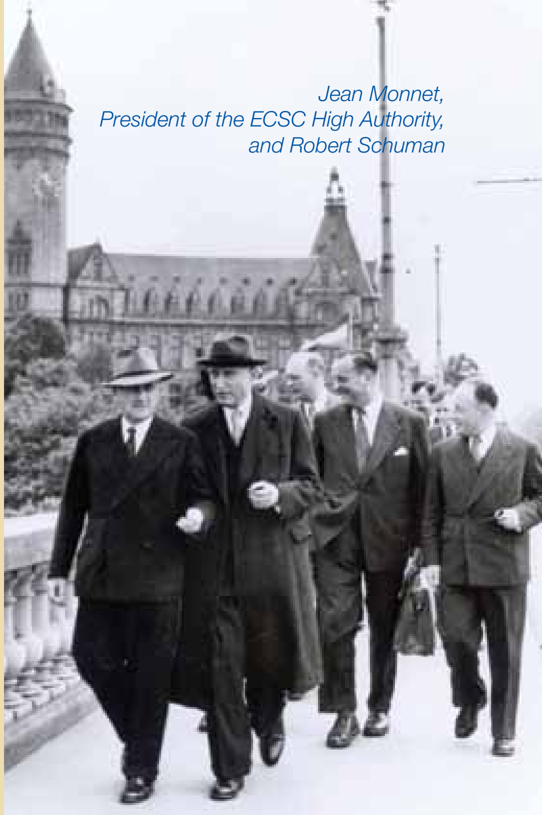
Finally, our intertwined economies form the bedrock of the global economy. As we enter the second decade of the 21st century, the transatlantic economic partnership accounts for approximately half of global gross domestic product and 40 percent of world trade. Europe continues to be the most profitable world region for U.S. companies, and the transatlantic economic relationship provides for approximately 15 million jobs on both sides of the Atlantic.

As we look to the future, and to the roles the EU and the U.S. will play in a globalized and multi-polar world, we will require a deeper mutual understanding than ever before. We must share a common understanding not only of each other's values, but also of our respective histories and political evolutions; of how decisions are made on each side of the Atlantic; of how our economies and currencies work; and of our respective and complementary actions on the world stage.

It is for these reasons that our Delegation has published "The European Union: A Guide for Americans." In the forty-plus pages that follow, we have endeavored to cover the most important details about the European Union, presented in the context of the EU-U.S. relationship. I also encourage you to visit our website at **www.eurunion.org**, which offers comprehensive details about many of the areas covered in the "Guide for Americans."

João Vale de Almeida,
EU Ambassador to the United States

Chapter One
Introducing the European Union



Jean Monnet, President of the ECSC High Authority, and Robert Schuman

The European Union is not a federation like the United States. It is neither a state intended to replace existing states, nor an organization for cooperation between governments, like the United Nations. It is much more than any other 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, and are directly applicable to citizens of all the countries.

All EU decisions and 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 half a billion people producing almost a third of the world's gross national product and speaking dozens of 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 traditions. 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. 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

The economic integration that would lead to today's European Union 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. An 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, 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.

Building a Union, Treaty by Treaty

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, which are followed by ratification of the treaties or agreed amendments by all Member States.

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 in 1987 facilitated the creation of the single market, gradually abolishing internal borders to allow for the free movement of goods, services, capital, and people.

Major elements of the Single European Act included institutional reform and the expansion of European Community powers in research

Signing of the Treaty of Rome

and development, the environment, and common foreign policy.

The Treaty on European Union, signed in Maastricht, the 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. Maastricht also created European citizenship and strengthened the European Parliament's legislative role in certain areas.

In 1999, the Treaty of Amsterdam reformed EU institutions to support its economic and security objectives. Major provisions included extending the scope of qualified majority voting, where each Member State's vote is given a weighting, with smaller countries getting a greater share than their populations alone would warrant; increasing the European Parliament's responsibilities by making the co-decision procedure for adopting legislation with the Council of the European Union 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, which came into effect in 2003, set the stage 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, and strengthened its presidency.

From the European Constitutional Treaty to the Treaty of Lisbon

In 2004, EU heads of state and government and foreign ministers signed the Treaty establishing a Constitution for Europe, which provided for changes to the EU's governing institutions and decision-making processes. The treaty grew out of the 2002-2003 "Convention on the Future of Europe" and built upon previous efforts to institute internal reforms enabling an enlarged EU to function more effectively, more transparently, and closer to EU citizens. It also contained measures to raise the EU's visibility on the world stage.

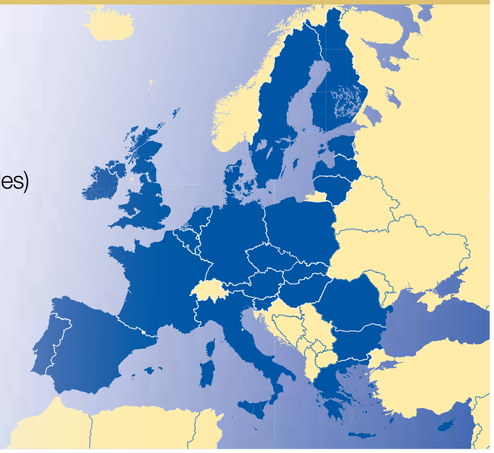
As with all treaties, to enter into force, the Constitutional Treaty required unanimous ratification by all 27 EU Member States—by popular referendum or parliamentary vote, depending upon individual country requirements. Although a majority of Member States had ratified the Constitutional Treaty, the French and Dutch "No" votes prevailed.

Following an in-depth review, EU leaders re-worked the Constitutional Treaty and on December 13, 2007, signed the new Treaty of Lisbon. The Treaty of Lisbon, which entered into force on December 1, 2009, after ratification by all 27 EU Member States, was designed to modernize the EU's operations, reinforce its capacity to take action, enhance democratic processes within the EU, and give the EU a single voice in external relations.

Innovations included appointing a single individual to serve as president of the European Council for up to five years; creating the inter-institutional post of EU High Representative for Foreign Affairs and Security Policy and a foreign service (known as the European External Action Service); increasing the powers of the European Parliament; and simplifying voting procedures. It also provides citizens with new avenues for direct participation in EU governance and more actively involves the national parliaments. Other changes improve operations and transparency. The Treaty also legally guarantees citizens' fundamental rights. The Lisbon Treaty amends the EU's two current core treaties, the Treaty on European Union and the Treaty Establishing the European Community (which becomes The Treaty on the Functioning of the European Union). The amendments end the current distinction between the European Union and the European Community, providing the EU with a single

The EU Today

Member States:	27
Official languages:	23
Area:	4 million km² (1.6 million square miles)
Population:	501 million
GDP (2009):	€11.4 trillion ($16.4 trillion)



Chapter One
Introducing the European Union

legal personality, which enables the Union to conclude international agreements and join international organizations. The Lisbon Treaty also establishes a clear division of labor between the European and national levels. For the first time, the treaty includes provisions that would apply if a Member State decided to leave the EU.

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 safety and quality of important goods and services, 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. 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. 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 official 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 peacekeeping, 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 more than two billion dollars in transatlantic trade each day and supports jobs for 7 million Americans and about the same number of Europeans.

Twenty-Three Official Languages

The 23 official languages of the EU's 27 Member States represent the Union's broad cultural diversity: Bulgarian, Czech, Danish, Dutch, English, Estonian, Finnish, French, German, Greek, Hungarian, Irish, Italian, Latvian, Lithuanian, Maltese, Polish, Portuguese, Romanian, Slovak, Slovenian, Spanish and Swedish.

A United States of Europe?

The European Union is often compared to the United States, and some similarities in function and organization do exist. 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.

So far, 17 Member States have also joined together their monetary policy and adopted the euro as their currency.

However, there are also many differences. Unlike the American states, EU Member States retain their individual authority in areas such as security and defense, although they now can take joint action in certain foreign and security policy areas. Additionally, 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.

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

The EU and the U.S. – A Long-Standing Partnership

The United States has played an important role in the development of the European Union. From the very beginning, European integration has benefited from American support. The United States was the first nation to recognize the European Coal and Steel Community and the first to establish diplomatic relations. The Marshall Plan was vital to launching Europe's post-war economic boom, and was made conditional on cooperation between European nations. NATO created a secure space in Western Europe where this new cooperation flourished, and the United States has consistently supported the EU's drive, through successive enlargements, to open its cooperation and structures to ever more people and countries.

The 27 European Union Member States

Country	Council Votes	MEPs (2009-2014)	Population 2010 (Millions) Eurostat	GDP 2009 ($ billions) World Bank	Currency
Austria	10	17	8.4	381	Euro
Belgium	12	22	10.8	471	Euro
Bulgaria	10	17	7.6	49	Lev
Cyprus	4	6	.8	25*	Euro
Czech Republic	12	22	10.5	190	Czech Koruna
Denmark	7	13	5.5	310	Danish Krone
Estonia	4	6	1.3	19	Euro
Finland	7	13	5.4	238	Euro
France	29	72	64.7	2,649	Euro
Germany	29	99	81.8	3,330	Euro
Greece	12	22	11.3	330	Euro
Hungary	12	22	10.0	129	Forint
Ireland	7	12	4.5	227	Euro
Italy	29	72	60.3	2,113	Euro
Latvia	4	8	2.3	26	Lats
Lithuania	7	12	3.3	37	Litas
Luxembourg	4	6	.5	52	Euro
Malta	3	5	.4	7**	Euro
Netherlands	13	25	16.6	792	Euro
Poland	27	50	38.2	430	Zloty
Portugal	12	22	10.6	233	Euro
Romania	14	33	21.5	161	Leu
Slovakia	7	13	5.4	88	Euro
Slovenia	4	7	2.0	48	Euro
Spain	27	50	46.0	1,460	Euro
Sweden	10	18	9.3	406	Swedish Krona
United Kingdom	29	72	62.0	2,175	Pound Sterling
EU 27 Total	345	736	501 million	$16.4 trillion	

*2008 figures / **2007 figures*

Chapter Two

How is the EU Run?

A Unique Governing System

The European Union is governed by 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 the citizens of the 27 Member States, 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 general political direction and priorities of the European Union are defined by the European Council, which comprises the heads of state and/or government of the EU Member States.

The EU's decision-making process involves three main institutions, all set up in the 1950s under the EU's founding treaties. Through subsequent treaty changes—including the 2009 Treaty of Lisbon—these institutions have adapted to a larger, more complex European Union than was envisioned more than half a century ago.

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.

Three other institutions also play a vital role: the Court of Justice of the European Union upholds the rule of European law, the Court of Auditors checks the financing of Union activities, and the European Central Bank is responsible for the EU's single currency—the euro—and monetary policy in the eurozone. Other bodies also play important roles, including the European Economic and Social Committee (EESC) and the Committee of the Regions (COR), both of which support the institutions in advisory capacities.

Governing Institutions

European Commission

The European Commission is the European Union's executive branch and has the sole right of legislative initiative, except where the Treaties provide otherwise. It is independent of national governments and represents the European (as opposed to the individual Member State) perspective. The Commission comprises 27 appointed Commissioners—one from each EU country—each of whom is responsible for specific policy areas. More than 24,000 civil servants work at the Commission, primarily in Brussels.

The Commission ensures that the provisions of the EU treaties are applied correctly, represents the EU internationally, and negotiates with non-EU countries in areas falling within its jurisdiction. 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, 2014. 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 of the Commission, 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 Members of the European Parliament. The seat of the Commission is in Brussels (Belgium), but it also has offices in Luxembourg, and is represented in each EU Member State.

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 associated with EU policies. 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 Court of Justice of the European Union against persons, companies, or Member States that violate EU rules.
4. Representing the EU internationally on specific policy issues, such as trade and the implementation of development assistance. It also negotiates with non-EU countries in areas falling within its jurisdiction, (e.g. World Trade Organization negotiations). Catherine Ashton, the EU's High Representative of the Union for Foreign Affairs and Security Policy, also serves as a Vice-President of the European Commission and ensures consistency and coordination of EU external action.

Council of the European Union

The Council is one of the EU's main decision-making bodies 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). 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, with the exception of the Foreign Affairs configuration, is held by a pre-established group of three Member States for an 18-month period, with each of the three countries acting as chair for one six-month rotation.

The Treaty of Lisbon formalized this cooperation between successive presidencies—a "team presidency"—which is guided by a common program for the 18-month period drawn up by all three Member States. Each EU country in turn takes charge of the Council agenda and chairs all the meetings for its six-month period, promoting legislative and political decisions and brokering compromises among the Member States.

The General Affairs Council oversees the operation of the different Council configurations. EU relations with the rest of the world are dealt with by the Foreign Affairs Council, chaired by High Representative Ashton.

The Council of the European Union has six key responsibilities:

1. Adopting European laws—jointly with the European Parliament in most policy areas.
2. Coordinating the 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. Playing a key role in the development of 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 policy areas where the Member States have decided

Who Does What? Shared Responsibility between the EU and Its Member States

The EU operates according to the principle of subsidiarity, which means that the European Union does not take action (except in the areas which fall within its exclusive jurisdiction) unless it is more effective than action taken at the national, regional, or local level.

Exclusive EU jurisdiction: Only the EU may legislate and adopt legally binding acts in fields including the customs union, the common commercial policy, competition rules, and monetary policy for euro countries.

Shared EU-Member State jurisdiction: Jurisdiction is shared between the EU and the Member States in specified areas including internal market rules; aspects of social policy; economic, social, and territorial cohesion; agriculture and aspects of fisheries; the environment; consumer protection; transport; trans-European networks; energy; the area of freedom, security, and justice; aspects of public health; aspects of research and technological development and space; and aspects of development cooperation and humanitarian aid.

Member State jurisdiction with support from the EU: Although Member States retain jurisdiction in areas related to the protection and improvement of human health; industry; culture; tourism; education, vocational training, youth and sport; civil protection; and administrative cooperation, EU actions can support, coordinate, or supplement Member State activities.

The EU also coordinates economic employment policy and a common foreign and security policy; however, these areas are managed separately from the above framework.

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How is the EU Run?

European Council

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.

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 slightly in favor of the less populous countries.

On most issues, the Council makes decisions by qualified majority voting (QMV). Until changes set for 2014, 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 addition, a Member State may ask for confirmation that the votes in favor represent at least 62 percent of the total population of the Union.

From November 1, 2014, QMV will be based on the principle of a double majority (e.g., a majority of the Member States and of the population) that will be reached when at least 55 percent of the Member States comprising at least 65 percent of the EU's population vote yes.

Unanimity, however, is still required in some areas, including taxation, social security, foreign policy, defense, and operational police cooperation. Effectively, each Member State has veto power in areas subject to unanimity.

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

European Council

The European Council, comprising the presidents or prime ministers of the Member States, together with the Presidents of the European Commission and the European Council, operates at a political level and does not legislate. European Council summits, which take place several times a year, set overall EU policy and resolve issues that could not be settled at the ministerial level (e.g., by the ministers at the Council of the EU meetings). The High Representative for Foreign Affairs and Security Policy/Commission Vice-President also participates in the European Council's work.

Under the Treaty of Lisbon the European Council became an official EU institution, and a new position was created—permanent president of the European Council—a 2 ½ year renewable term.

Herman Van Rompuy of Belgium, the first permanent president of the European Council, chairs the European Council and drives forward its work; ensures the preparation and continuity of the Council's work; facilitates cohesion and consensus within the Council; and reports to the European Parliament following each European Council meeting. The President of the European Council also represents the EU abroad on foreign and security matters at the equivalent level.

European Parliament

Since 1979, the European Parliament (EP) has been directly elected by the EU's citizens, with each member serving a five-year term.

The present Parliament, elected in June 2009, has 736 members representing all 27 EU countries, a total due to rise to 751 by 2014 under the Treaty of Lisbon. The treaty sets the number of members per country according to a population-based proportional system, with no Member State having fewer than six representatives, nor more than 96. Nearly one-third of Parliament's members are women. Parliament elects a president who serves a 2 ½ year renewable term. In 2009, Jerzy Buzek of Poland was elected President of the European Parliament.

Parliament has three main roles:

1. Passing European laws jointly with the

Co-Decision Procedure

Co-decision—where the European Parliament and the Council of the European Union share legislative power equally—is the "ordinary legislative procedure" now used for most EU law-making.

The co-decision procedure requires the two bodies to agree on an 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: agriculture, energy security, legal immigration, justice and home affairs, public health, the internal market, employment, customs cooperation, consumer protection, research, environment, and preventing and combating fraud.

In certain cases specified by the Treaty, legislative acts may be adopted by the Council alone rather than by the two institutions jointly. This "special legislative procedure" applies in certain areas of justice and home affairs (e.g., matters concerning the European public prosecutor's office, operational police cooperation, measures relating to passports, identity cards and residence permits, and family law measures with cross-border implications); budget and taxation; and specific aspects of certain policies—environmental measures of a fiscal nature; R & D programs; and social welfare and protection for workers.

European Parliament.
Plenary session October 2009
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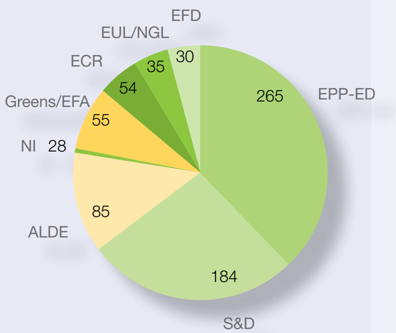
European Parliament: Number of seats per political group (2010)



EPP-ED	European People's Party (Christian Democrats)
S&D	Progressive Alliance of Socialists and Democrats Group
ALDE	Alliance of Liberals and Democrats for Europe Greens/EFA - Greens/ European Free Alliance
ECR	European Conservatives and Reformists
EUL/NGL	Confederal Group of the European United Left-Nordic Green Left
EFD	Europe of Freedom and Democracy Group
NI	Non-aligned members and temporarily vacant seats

Council in most policy areas. All international treaties with the EU require the consent of the European Parliament.

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. Full parity with the Council in the approval of the whole EU budget and of the legally-binding multi-annual financial programming.

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." The Parliament meets in Strasbourg, France, and Brussels, Belgium.

Court of Justice of the European Union

The Court of Justice of the European Union was set up under the ECSC Treaty in 1952. Based in Luxembourg, it acts as the European Union's Supreme Court. The Court 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, the General Court was created in 1988. 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 General Court each have a president chosen by their fellow judges to serve for a three-year renewable term.

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

EU Law and Legislation

Legislation is drafted by the Commission and requires approval by the Council and the Parliament under the ordinary legislative procedure. 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.

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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.

Budget: Revenue and Expenditure Explained

The European Union finances its expenditures from its "own resources," which are made up of the following:

- Revenue collected from customs duties and import levies (12 percent of total revenue).
- A set share of the value-added tax collected by each Member State (11 percent).
- A further contribution from the Member States based on the size of their gross national income (GNI) and ability to pay (76 percent).
- Miscellaneous revenue from income taxes paid by EU officials, contributions by non-EU countries to certain EU programs, and fines on companies that breach competition or other laws (1 percent).

The total EU budget for 2011 is approximately €126.5 billion. The European Union is required to balance its budget annually, so deficit financing is not permitted. In addition, the amount of EU revenue available for expenditure is capped and currently may not exceed 1.23 percent of the GNI of the EU as a whole.

The European Commission prepares the draft budget and submits it to the budgetary authority—the Council of the EU and the European Parliament—which amends and adopts the draft budget.

Should the Council and the Parliament disagree, a specific Conciliation Committee is convened, and given 21 days to reach agreement on a joint text that meets with the budgetary authority's approval. If rejected by the Council, the European Parliament has the right to ultimately approve the budget. The EU's Court of Auditors regularly audits and reports on the EU's accounts and resource management.

Other Bodies

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, farmers, consumers, and other civil society in policy discussions with the Commission, the Council, and the European Parliament. 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.

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.

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.

To carry out its role, the ECB works within the European System of Central Banks (ESCB), which covers all 27 EU countries. Seventeen EU Member States have adopted the euro to date. Collectively, these 17 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.

The ECB's main task 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.

European Investment Bank

The European Investment Bank (EIB) was set up in Luxembourg 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 EIB is non-profit and 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 Eastern Europe, 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.

Catherine Ashton,
EU High Representative for Foreign Affairs and Security Policy

EU Foreign and Security Policy

In 2009, the Treaty of Lisbon combined three formerly separate functions— High Representative of the Council for Common Foreign and Security Policy (CFSP), President of the Foreign Affairs Council, and European Commissioner for External Relations—into the single inter-institutional position of the High Representative for Foreign Affairs and Security Policy/ European Commission Vice-President.

Designed to make the EU's conduct of foreign and security policy more coherent, more consistent, more effective, and more visible on the world stage, the High Representative is the counterpart to the U.S. Secretary of State, and steers foreign and security policy; represents the EU internationally at the ministerial level on CFSP; and enhances the consistency and unity of the EU's external action. The High Representative is appointed for a five-year term and is assisted by a newly created European External Action Service (EEAS), which is comparable to the U.S. foreign service.

The EU's official diplomatic service was launched on December 1, 2010, to support the High Representative and assist the Presidents of the European Council and the European Commission with their functions in the areas of external relations.

The EEAS, which is autonomous from the Commission and the Council, includes staff from the Council Secretariat, the European Commission, and Member State diplomatic services.

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How is the EU Run?

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, candidate and potential candidate countries, including Turkey, and four EFTA countries (Iceland, Liechtenstein, Norway, and Switzerland).

Noteworthy Innovations under the Treaty of Lisbon: Top Ten

- **Citizens' Initiative.** One million EU citizens may sign a petition inviting the European Commission to submit a legislative proposal on any area within EU jurisdiction.
- **Lawmaking.** The European Parliament's role as co-legislator with the Council is substantially reinforced because the co-decision legislative procedure becomes the norm in most cases.
- **Simplification of Legislative Procedures.** The Treaty broadens the application of the ordinary legislative procedure (co-decision) and expands qualified majority voting.
- **National Parliaments.** Member State legislatures act as "watchdogs" on the subsidiarity principle—meaning that decisions/legislation must be made at the most appropriate level of government—regional, national, or European. Additionally, the national parliaments are consulted directly early in the EU decision-making process, and have the power to intervene when a legislative act is still a Commission proposal.
- **European Council President.** The first permanent president of the European Council provides cohesion and continuity for the Council's work and represents the EU abroad on matters of common foreign and security policy.
- **High Representative for Foreign Affairs and Security Policy/Commission Vice-President.** This inter-institutional position—comparable to the U.S. Secretary of State—fuses several previous functions and enables the EU to act more coherently, consistently, effectively, and visibly in the international arena.
- **European External Action Service.** A professional diplomatic corps will support the HR/VP.
- **Single Legal Personality.** This enables the EU to conclude international agreements and join international organizations.
- **Charter of Fundamental Rights.** The Charter becomes legally binding.
- **Withdrawal.** For the first time, the EU treaty addresses a Member State's right to withdraw from the EU.

Chapter

The EU-U.S. Partnership

The historic relationship between the European Union and the United States is crucial and unique. Based on shared values and a strong fundamental belief in democratic government, the rule of law, human rights, and the market economy, the EU-U.S. partnership is not limited to trade relations and economic ties. Promoting energy security and efficiency, combating climate change, helping developing nations lift themselves out of poverty, and fighting the spread of infectious diseases are only some of the global challenges that the EU and the U.S. regularly face together.

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 more than 30 percent of global merchandise trade and more than 40 percent of world trade in services. The partnership is also the single most important driver of global economic growth, trade, and prosperity; 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. The huge amount of bilateral trade and investment illustrates the high degree of interdependence of the two economies. In 2010, bilateral trade in goods alone was worth $546 billion.

Despite the impact of the worldwide financial crisis and recession, the EU-U.S. economic relationship remains on solid ground and is more important than ever. The two economies each provide the other with its most important sources of foreign direct investment (FDI), and close to a quarter of all EU-U.S. trade consists of transactions within firms based on their investments on either side of the Atlantic. The overall transatlantic workforce is estimated at 15 million workers, and approximately half are Americans who owe their jobs directly or indirectly to EU companies.

Addressing Global Challenges Together

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. Together, the EU and the U.S. provide the bulk (80 percent) of official development assistance worldwide.

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.

From the Leaders

"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

"Our values, our interests, our multiple dialogues create an extraordinary basis for a strong transatlantic partnership."

European Council President Herman Van Rompuy

"America has no better partner than Europe. Now is the time to build new bridges across the globe as strong as the one that bound us across the Atlantic. Now is the time to join together, through constant cooperation, strong institutions, shared sacrifice, and a global commitment to progress, to meet the challenges of the 21st century."

U.S. President Barack Obama

The EU and the U.S. work together to confront global challenges such as climate change, poverty, 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,

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The EU-U.S. Partnership

and disease that often result from such conflicts. The two partners worked side-by-side to bring stability to the Balkans. The EU and the U.S., directly and 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, and the EU provides a vital component of the international drive to ensure security and stability in the country, while helping the Afghan government establish the rule of law and good governance.

Troops drawn from many of the EU Member States have participated in NATO's International Security Assistance Force. Individually, a number of EU countries also contribute to the U.S.-led Operation Enduring Freedom coalition conducting counterinsurgency and counterterrorism operations in Afghanistan.

In order to help the reconstruction of a democratic and stable Iraq, the European Union and the U.S. government both contribute financial resources, technical expertise, and an unbending commitment to the principles of democracy and freedom.

Catherine Ashton, EU High Representative for Foreign Affairs and Security Policy, and U.S. Secretary of State Hillary Clinton

Differing Approaches to Some Issues

Naturally, 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. However, 98 percent of economic relations between the two partners are dispute-free, and the EU and the U.S. share an overarching commitment to the democratic values that underpin their respective ways of life.

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 strengthened the relationship by providing the 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.

Terrorist Finance Tracking Program (TFTP)

Under the Terrorist Finance Tracking Program (TFTP), the U.S. Treasury seeks to identify and track suspected terrorists and their financial backers. As part of TFTP, the U.S. arm of SWIFT—a worldwide communications platform which allows banks and other financial institutions to exchange data—transfers financial information relevant to terrorism investigations to the U.S. Treasury. SWIFT data made available to the authorities can only be used to fight terrorism.

According to the EU, more than 1,450 TFTP-generated leads shared by U.S. authorities with European governments have helped investigators prevent terrorist attacks in Europe, including an Al-Qaeda plot to attack transatlantic airline flights. TFTP has also been used to identify and arrest individuals who were later convicted of terrorist offenses in the EU.

Sizing Each Other Up		
	EU27	U.S.
Population (2010)	501 million	310 million
Percent of global population	7.31 percent	4.51 percent
GDP (2009)	$16.4 trillion	$14.1 trillion
Percent of global GDP	28.19 percent	24.52 percent

- 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. The EU and the United States also cooperate outside the NTA framework to improve the dialogue between EU and U.S. regulators and ensure that regulatory processes on both sides of the Atlantic are as open and transparent as possible for all given the intertwined transatlantic economies.

As the EU's political and legal structure has evolved, active cooperation between the EU and the U.S. has expanded to encompass areas beyond economic and trade relations, such as counterterrorism, crisis management, energy and energy security, the environment, research and development, and education and training.

The EU's Lisbon Treaty, which took effect on December 1, 2009, facilitates and strengthens the European Union's external relations—including its partnership with the United States—through provisions that increase the impact, coherence, consistency, and visibility of the EU's actions abroad.

The Transatlantic Economic Council: Integrating the Transatlantic Economy

Established in 2007, the Transatlantic Economic Council (TEC) advances EU-U.S. economic integration by bringing together governments, the business community, and consumers to work on key areas where greater regulatory convergence and understanding can reap rewards on both sides of the Atlantic.

Chaired by the EU Trade Commissioner and the U.S. Deputy National Security Adviser for International Economic Affairs, the TEC pro-

Euro Challenge

The Euro Challenge is an annual academic competition that tests U.S. high school students about their knowledge of European economic affairs and the euro. Student teams make presentations on specific aspects of the European economy and the EU's single currency. They are also asked to select one euro area country, examine an economic problem at the country level, and identify appropriate policy solutions. More than 80 schools from 15 states participate.

The program was developed by the Delegation of the European Union to the United States, with technical support provided by the Federal Reserve Bank of New York. The Moody's Foundation funds prize awards for the winning team. More information is available online at http://euro-challenge.org.

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vides a high-level forum to address such complex areas as investment, the financial markets, mutual recognition of accounting standards, and secure trade, as well as more technical regulatory issues.

Of particular value is the opportunity that TEC provides to defuse transatlantic trade disputes through consultation on standards as they are being formulated, rather than after-the-fact. A new EU-U.S. innovation dialogue aims at spurring growth, productivity, and entrepreneurial activity, by sharing best policy practices and improving the policy environment for innovative activities by drawing on talents and ideas from both markets.

The EU and the U.S.— Deep Integration

In 2009, a recession year, Europe's investment stakes in the U.S. totaled a record $1.7 trillion, a 13 percent rise from 2008 and more than triple the level of a decade earlier. The same year, corporate Europe accounted for 74 percent of total foreign direct investment in the U.S., or $2.3 trillion.

Between 2000 and 2010, U.S. firms sank roughly $1.3 trillion into Europe, representing more than 60 percent of total U.S. FDI for the entire decade. Europe's share of total U.S. FDI in 2010 was approximately 52 percent, and at the end of 2009, the United States' investment in Europe was nearly four times more than in all of Asia

Sources: U.S. Department of Commerce, Bureau of Economic Affairs; "The Transatlantic Economy, 2011," Daniel S. Hamilton and Joseph P. Quinlan, Center for Transatlantic Relations, Johns Hopkins University School for Advanced International Studies

The Delegation of the European Union to the United States

The EU is represented in the United States by the Washington, DC Delegation of the European Union, which works in close coordination with the diplomatic and consular missions of the 27 EU Member States.

The EU Delegation presents and explains EU policy to the U.S. Administration and to Congress, and analyzes and reports on the political, social, and economic situation in the U.S. to its headquarters in Brussels. Through its engagement with political actors, the media, academia, business circles, and civil society, the EU Delegation raises awareness of EU issues and concerns, and promotes the importance of the EU-U.S. relationship among the broader American public.

The European Union has had a permanent presence in Washington since 1954; as the EU's first overseas representation, the Washington office is a testament to the deep and long-standing relationship between the United States and the European Union. Since 1964, the EU has also maintained an office in New York, which now serves as the EU's Delegation to the United Nations.

U.S. President Barack Obama and EU Ambassador to the United States João Vale de Almeida

The European Union Delegation to the United States is headed by Ambassador João Vale de Almeida of Portugal. Mr. Vale de Almeida is the first EU Ambassador to the United States since the Lisbon Treaty entered into force on December 1, 2009.

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.

How the Relationship Works

To ensure that EU-U.S. relations remain robust, the EU and the U.S. have developed formal and informal mechanisms to foster transatlantic cooperation.

Annual summits, held alternately in the EU and the U.S., take place between the Presidents of the European Commission and the European Council and the President of the United States. The Senior Level Group (SLG), comprising senior EU and U.S. State Department officials, prepares for EU-U.S. summits with the support of a joint task force which meets regularly to oversee the day-to-day implementation of summit decisions.

Thematic dialogues ensure that a wide range of actors contributes to the EU-U.S. policy process by encouraging legislators, businesspeople, consumers, scientists, academics, and citizens' groups to build and sustain links with their transatlantic counterparts.

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.

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. policymaking. TACD conferences take place once a year, alternately in the U.S. and the EU, and produce recommendations related to food, nanotechnology, trade, health, and intellectual property issues.

Transatlantic Legislators' Dialogue (TLD)

The TLD 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.

People-to-people contacts are vital to increasing awareness and understanding in the U.S. of the EU and its policies. In addition to EU Centers of Excellence, the European Commission also helps fund conferences, briefing sessions, and scholarly research—activities designed to encourage reflection and discussion on the EU-U.S. relationship—at U.S. think tanks and public policy research centers.

Through its "Getting to Know Europe" grant competition, the European Commission awards grants to U.S.-based non-governmental non-profit organizations for programs to promote a greater knowledge of the EU within local and regional communities around the U.S.

The Atlantis Program for EU-U.S. Cooperation in Higher Education and Vocational Training, funded and managed jointly by the European Commission and the U.S. Department of Education, provides support to EU-U.S. partnerships as they establish joint or dual degree programs.

Erasmus Mundus provides EU-funded scholarships for non-EU nationals participating in Erasmus Mundus Masters Courses and doctoral programs, top-quality graduate programs offered by consortia of at least three universities located in three or more European countries.

The EU's Jean Monnet program supports university-level teaching and research on European integration. The highest number of Jean Monnet teaching projects outside Europe can be found in the United States, where there are 30 Jean Monnet projects funded at 21 U.S. universities, including one Jean Monnet Center of Excellence at the University of Florida

Through Marie Curie actions, the European Commission promotes the training and mobility of researchers through all stages of their careers by offering fellowships for Europeans to work in non-EU countries, including the U.S. Funding is also available for non-European researchers to work in the EU.

Programs such as the EU Visitors Program and the EU Visiting Fellows Program also help build long-term relationships and mutual understanding.

Chapter Four

Economic and Monetary Union and the Euro

The EU's Economic and Monetary Union (EMU) is unprecedented in modern history and has transformed the global economic landscape.

More than a decade after its launch, EMU's most visible accomplishment, the euro, provides stability for businesses and national economies. A single monetary policy for the 17 euro area Member States, combined with coordinated national fiscal policies, has helped foster macroeconomic stability, spurr the economic integration of Europe, and boost cross-border trade, financial integration, and investment. Budgetary discipline has improved thanks to the rules-based Stability and Growth Pact (SGP), and the exchange rate realignments that periodically traumatized European economies have become a thing of the past.

EMU has also increased the EU's resilience to adverse shocks. The EU also addressed the sovereign debt crises in several euro area countries by creating new instruments to provide financial assistance to a euro area country, should this become necessary.

Economic and Monetary Union

The EU's Economic and Monetary Union (EMU) encompasses the coordination of economic and fiscal policies, a common monetary policy, and a common currency, the euro.

Achieved in three main stages, EMU is based on the concept of a single market for sovereign nations. During the first stage, beginning in 1990, the EU ensured completely free movement of capital within the EU and established the single market. Stage two (1994–1999) included the introduction of the European Monetary Institute (EMI), the precursor to the European Central Bank. The final stage, launched in 1999, witnessed the birth of both the euro and the European Central Bank's single monetary policy for the euro area.

Although all EU Member States are part of the Economic and Monetary Union, not all EU countries are part of the euro area, which includes only those that have adopted the euro as their currency and are subject to the monetary policy of the European Central Bank (ECB). All EU Member States—with the exception of Denmark and the United Kingdom, which negotiated "opt-out" clauses—are required to join the euro area once specific economic convergence criteria are met.

Tangible Benefits of Economic and Monetary Union

- *Economic stability.* During the first decade of EMU, inflation averaged just two percent per year, and long-term nominal interest rates declined substantially, averaging 4.47 percent.
- *Jobs.* Almost 16 million jobs were created in the euro area between 1999 and 2008.
- *Closer economic and financial integration*. Internal EU trade now accounts for one-third of GDP, and total private and public investment within the euro area has risen to 22 percent of GDP. The euro has also driven the integration of interbank money, bond, and equity markets, and the single currency eliminates transaction costs associated with currency exchange.
- *International role of the euro*. The euro has rapidly become one of the world's most important currencies, second only to the U.S. dollar.

Who Uses the Euro?

Austria
Belgium
Cyprus
Estonia
Finland
France
Germany
Greece
Ireland
Italy
Luxembourg
Malta
Netherlands
Portugal
Slovakia
Slovenia
Spain

EU member countries that have acceded since 2004 will join the euro area once they fulfill the necessary conditions; Estonia, Slovenia, Cyprus, Malta, and Slovakia have already adopted the euro.

Economic policy under EMU requires that Member States ensure coordination of their economic policies, provide for multilateral surveillance of this coordination, and demonstrate financial and budgetary discipline. Monetary policy underpins the single currency's stability through price stability and respect for the market economy. Fiscal policy (tax and spending) remains in the hands of individual national governments, as do policies about labor, pensions, and capital markets. However, sound public finances and flexible and integrated product, labor, and financial markets are vital for EMU to function effectively.

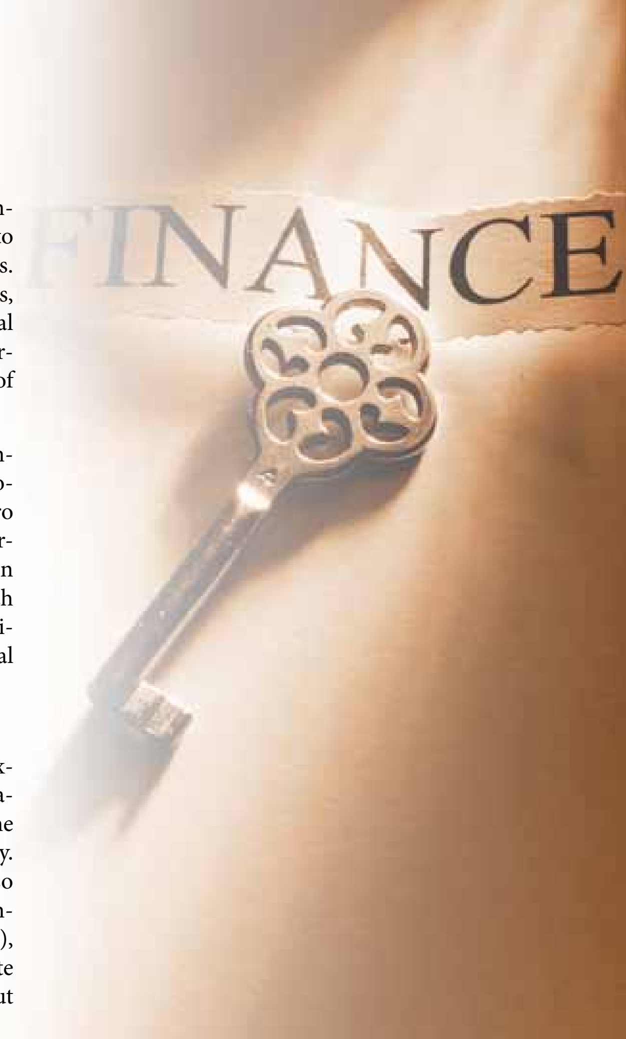
Governments commit to respect commonly agreed rules on public finances through adherence to the Stability and Growth Pact, and coordinate their structural policies to better achieve continental level stability, growth, and development through the Europe 2020 strategy.

The Stability and Growth Pact helps to enforce fiscal discipline within the EMU and to ensure sound and sustainable public finances. The SGP, which applies to all EU countries, requires governments to maintain an annual budget with a deficit no greater than three percent of GDP and public debt at 60 percent of GDP or less.

In mid-2010, the European Commission introduced a strategy for strengthening economic governance of the EU and the euro area, particularly in the aftermath of the sovereign debt crisis that first emerged in Greece in early 2010. Cornerstones of the new approach include enhanced surveillance of fiscal policies, macroeconomic policies, and structural reforms.

Non-Euro Area Countries and ERM II

Once a Member State adopts the euro, an exchange rate is irrevocably fixed between its national currency and the euro throughout the transition to full use of the single currency. Member States outside the euro area can also choose to link their currencies to the euro under the Exchange Rate Mechanism (ERM II), in which participating currencies fluctuate within a specified margin around a stable but



The Maastricht Economic Convergence Criteria

Five economic convergence criteria must be fulfilled before an EU Member State can adopt the euro:

- **Price stability.** The inflation rate should be no more than 1.5 percentage points above the previous year's rate for the three EU countries with the lowest inflation.
- **Budget deficit.** The national deficit generally must be below three percent of GDP.
- **Debt.** National debt should not exceed 60 percent of GDP, although a country with a higher rate can still adopt the euro, provided its debt level is falling steadily.
- **Interest rates**. Long-term rates should be no more than two percentage points above the previous year's rate in the three EU countries with the lowest interest rates.
- **Exchange rate stability.** The national currency's exchange rate should have remained within the authorized fluctuation margins for two years.

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Economic and Monetary Union and the Euro

adjustable central rate. When necessary, a currency is supported by intervention (buying or selling) to maintain the exchange rate within the set limits.

ERM II ensures that exchange rate fluctuations between the euro and other EU currencies do not disrupt economic stability within the single market, and helps countries prepare to join the euro area. Euro area candidates are required to participate successfully in ERM II for at least two years before joining the euro area to satisfy the convergence criteria on exchange rate stability. Current members of ERM II are Latvia, Lithuania, and Denmark.

Jean-Claude Trichet, President of the European Central Bank

The Euro

The most visible symbol of European integration, the euro was launched as a "virtual currency" on January 1, 1999, followed by the introduction of banknotes and coins at the start of 2002. The euro area has expanded from its initial 11 members to 17 with the January 2011 addition of Estonia.

Countries earn their way into the euro area through adopting the economic, monetary, and fiscal discipline necessary to comply with required economic convergence criteria, known as the "Maastricht criteria."

After just a decade, the euro is already the world's second most important international currency, after the U.S. dollar. It is the second most actively traded currency in foreign exchange markets worldwide, and is used in more than one-third of all foreign exchange transactions.

The European Central Bank and the Eurosystem

The Eurosystem, comprising the independent European Central Bank (ECB) and the national central banks (NCBs) of the EU Member States using the euro, is the monetary authority responsible for safeguarding price stability in the euro area. The Eurosystem also supports the EU's general economic policy objectives, including sustainable, non-inflationary economic growth and a high level of employment.

Unlike the Federal Reserve in the U.S., the European Central Bank does not have direct responsibility for bank supervision and financial stability, which remain under national jurisdiction in EU countries. However, the ECB is charged with "contributing to the smooth conduct of policies… relating to the prudential supervision of credit institutions and the stability of the financial system."

To fulfill this role, the ECB monitors and assesses financial stability at the euro area level; advises on the design and review of regulatory and supervisory requirements for financial institutions; and promotes cooperation between central banks and supervisory authorities on issues of common interest, such as payment system oversight and financial crisis management.

The Global Financial Crisis

EMU has also increased the EU's resilience to adverse shocks. As the impact of the global financial crisis on Europe intensified, EU leaders rapidly and resolutely responded with a rescue plan that allowed governments to guarantee interbank lending, provide short-term liquidity, and buy into banks to increase their capital. Member State governments committed substantial funding to the EU's coordinated effort to restore confidence and stability.

The European Central Bank also reacted quickly and effectively from the start of the financial turmoil that began in the U.S. subprime mortgage market in 2007, and provided additional liquidity for the EU financial system.

Main Tasks of the European Central Bank and the Eurosystem

- Define and implement monetary policy for the euro area.
- Conduct foreign exchange operations.
- Hold and manage the official foreign reserves of participating EU Member States.
- Promote the smooth operation of payment systems.
- Authorize the issue of banknotes by NCBs in the euro area.
- Contribute to financial stability and supervision through monitoring, assessment, and advice to the national authorities.

The European Central Bank and the NCBs of all EU Member States comprise the European System of Central Banks (ESCB). As long as some EU states remain outside the euro area, the ESCB and the Eurosystem will co-exist.

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European Enlargement and the European Neighborhood: Europe Whole and Free

Enlargement

On January 1, 2007, Bulgaria and Romania joined the European Union, completing the EU's historic fifth enlargement. It was a momentous achievement, symbolizing Europe's unification after 50 years of artificial division, and 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. 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 that respects liberty, democracy, human rights and fundamental freedoms, and the rule of law is eligible to apply for EU membership, and must satisfy the Copenhagen Criteria for the process to begin.

Copenhagen Criteria

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

1. Stable institutions that can sustain democracy, the rule of law, human rights, and 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).

On the Path to EU Membership

According to EU nomenclature, "candidate countries" are those whose EU membership application has been accepted by all relevant EU institutions, allowing it to begin accession negotiations. Currently, there are five candidate countries: Croatia, the former Yugoslav Republic of Macedonia (fYROM), Iceland, Montenegro, and Turkey.

"Potential candidate countries" encompass the remaining Western Balkan nations whose future lies within the EU. Some have applied for membership; others have not yet done so. Potential candidates are Albania, Bosnia-Herzegovina, Serbia, and Kosovo under UNSCR 1244.

Because accession often requires major political and economic reforms within the candidate country, the process moves forward at a pace which is largely determined by the applicant's proven ability to take on the obligations of membership.

27 EU Member States

5 EU Candidates: Croatia, former Yugoslav Republic of Macedonia, Iceland, Montenegro, Turkey

4 EU Potential Candidates: Albania, Bosnia & Herzegovina, Kosovo under UNSCR 1244, Serbia

Croatia

Despite the turmoil that besieged the countries that made up the former Yugoslavia, today EU candidate country Croatia is a stable democracy with a functioning market economy. In 2001, within a decade of gaining its independence, Croatia concluded a Stabilization and Association Agreement (SAA) with the EU to govern relations until accession, including financial and technical assistance geared toward helping the country fulfill the requirements for EU membership. Croatia presented its application in 2003 and was accepted as a candidate

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country the following 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, as both are essential to a well functioning democracy and a healthy economy that can attract foreign investment. Accession negotiations are progressing steadily, with about one-third of the "negotiating chapters" completed in mid-2010.

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.

Iceland

Iceland applied for EU membership in July 2009 and began accession negotiations in July 2010.

Severely impacted by the 2008 financial crisis and economic downturn, Iceland experienced an economic recession following the collapse of its banking system and the devaluation of its national currency. Nevertheless, the country's economic base remains strong and the prospect of EU membership is expected to have a stabilizing effect on Iceland's economy.

Iceland has deep democratic roots, a tradition of good governance, high social and environmental standards, and historically close ties with other European countries. It already has a high degree of integration with the EU and is well-positioned to progress quickly with negotiations in certain policy areas, thanks to its long-term membership in the European Economic Area (EEA) and participation in the Schengen area, which allows its citizens to work and travel freely throughout the EU. Through the EEA, Iceland already participates in the single market, and a significant number of EU laws apply in Iceland.

Iceland's accession will strengthen the EU in its dealings with the Arctic region and in areas including renewable energy and climate change.

The EU Accession Process

Applying for EU membership is the start of a long and rigorous process. When a country submits an application to the Council of the EU, it triggers a sequence of EU evaluation procedures that may, or may not, result in the country being invited to become a member.

The European Commission issues a formal opinion on the applicant country, after which the Council of the EU decides whether to accept the application. Once the Council unanimously agrees to begin accession negotiations, discussions may be formally opened provided that the applicant country has met the core conditions—the Copenhagen criteria.

Negotiations in 35 separate policy areas (known as "chapters") are conducted individually with each candidate country, proceeding from one stage of the process to the next, but only moving forward once all conditions have been met at each stage. Thanks to this meticulously managed process, the prospect of accession acts as a powerful incentive for reform, providing simultaneous benefits to the EU and to its acceding members.

Once negotiations are concluded to the satisfaction of both sides, a detailed, comprehensive Draft Accession Treaty is submitted for approval by the Council of the EU, the European Commission, and the European Parliament. Once approved, the treaty is signed by the candidate country and the representatives of all EU Member States, after which it is submitted to all Member States and the candidate country for ratification, according to their respective constitutional rules. Once the ratification process is complete, the treaty enters into force on its scheduled date, and the candidate country becomes an EU Member State.

Montenegro

Since gaining its independence in 2006, Montenegro has made significant progress in building stable democratic institutions; fostering the rule of law, human rights, and respect for and protection of minorities; and establishing a degree of macroeconomic stability. As a result, on December 17, 2010, the European Council granted Montenegro the status of candidate country.

Before accession negotiations can be opened, Montenegro will need to address specific areas including the rule of law; judicial, electoral, and administrative reform; the role of Parliament; freedom of the press; cooperation with civil society; and the fight against organized crime and corruption.

Turkey

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. Its 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 Turkey's eventual membership in the EU. The customs union, which allows most goods to cross the border in both directions without customs restrictions, became reality in 1995, jump-starting bilateral trade.

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—€566 million in 2009, in addition to more than €1.5 billion between 1996 and 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 of Cyprus.

In December 2006, the EU decided to delay the opening of certain "chapters" (subject areas) of the accession negotiations 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.

Albania, Bosnia-Herzegovina, and Serbia

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.

Individual Stabilization and Association Agreements provide 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 donor of assistance to the Western Balkans as a whole. The EU has provided substantial 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 UNSCR 1244

The EU has been providing significant support to Kosovo under UNSCR 1244 since 1999, when the UN Security Council authorized a civilian and military presence there under UN authority. EU Member States continue to provide about 75 percent of the forces in the NATO-led KFOR peacekeeping force.

The European Commission Liaison Office supports the Stabilization and Association Process and helps drive through reforms that strengthen institutions, develop the economy, and adopt European standards.

In 2008 the EU established its largest ever civilian mission in Kosovo—EULEX. This Rule of Law mission helps to develop an independent and multi-ethnic justice system and police and

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customs service, and to ensure that these institutions are free from political interference and adhere to internationally-recognized standards and best practices. In June 2010, the EULEX mission was extended for an additional two years.

The EU's political envoy to Kosovo—the EU Special Representative (EUSR)—promotes overall coordination among the EU presences on the ground by providing political guidance to the Head of the EULEX Rule of Law mission and contributing to the development and consolidation of human rights and fundamental freedoms in the country.

EFTA and the EEA

The European Free Trade Association (EFTA) is an intergovernmental organization set up fifty years ago to promote free trade and economic integration among its Member States. Originally comprising Austria, Denmark, Norway, Portugal, Switzerland, and the UK, and joined later by Finland, Iceland, and Liechtenstein, EFTA nations were not at that time EU Member States. (Once a country becomes an EU Member State, it relinquishes its EFTA membership.)

Instead, EFTA members sought a different relationship with the EU, but one that was characterized by robust and progressively freer trade. With the exception of EU candidate country Iceland, current members of EFTA—Norway, 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.

The European Neighborhood Policy and the Eastern Partnership

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 Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, the Palestinian Territories, Syria, Tunisia, and Ukraine.

The ENP is complemented by the Eastern Partnership, which fosters further engagement with the EU's eastern neighbors—Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine—and offers them concrete, far-reaching support for democratic and market-oriented reforms that contribute to their political and economic stability.

Under the Eastern Partnership, existing Partnership and Cooperation Agreements (PCAs) negotiated in the 1990s are being replaced by more ambitious Association Agreements and deep and comprehensive free trade agreements.

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The EU on the World Stage – Policies, Tools, and Global Relationships

EUFOR Tchad/RCA

The EU's Common Foreign and Security Policy

In parallel with its growing economic and political power, the EU has created its own foreign and security policy which enables it to speak—and act—as one in world affairs.

The need for European political cooperation first emerged in the 1970s, and in 1974, EU ministers of foreign affairs began meeting regularly to coordinate their foreign policy. Regional conflicts in Europe and elsewhere in the 1990s, along with the emerging threat of international terrorism, persuaded EU leaders to go beyond the original system of political cooperation and create formal instruments for both joint diplomacy and intervention. 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 consistent policies and assert the EU's inherent political identity.

European Security Strategy

Spurred by increasing global security threats, in 2003 the European Union developed 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.

Italian firefighters participate in a WMD simulation exercise

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 Common Security and Defense Policy (CSDP).

CFSP is designed 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.

Because foreign and security policy is one area where essential authority remains with the governments of the EU Member States, CFSP decision-making procedures are intergovernmental. However, all of the EU's major institutions play a role.

The European Council, consisting of Heads of State and/or Government, is responsible for foreign policy, defining policy principles and general guidelines, agreeing on common strategies for activities with individual countries, and adopting joint actions and common positions within the CFSP framework. The President of the European Council ensures the external representation of the EU in the area of Common Foreign and Security Policy at the level of heads of state and government,

The EU's High Representative for Foreign Affairs and Security Policy also serves as the President of the Foreign Affairs Council—made up of the foreign ministers of the Member States—and is a Vice-President of the Commission. As such, the High Representative ensures effective inter-institutional coordination leading to the implementation of coherent external policies. The High Representative is supported by the European External Action Service (EEAS), comprising staff recruited from the diplomatic corps of EU Member States, the Council Secretariat, and the European Commission.

The European Parliament is consulted regularly, although it has no direct powers in this realm.

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."

Common Security and Defense Policy

In 1999, as part of the EU's Common Foreign and Security Policy, European leaders decided to put in place an EU Security and Defense Policy (ESDP) to develop the international crisis management capacity needed to undertake security-related operations, such as peacekeeping, monitoring, and conflict prevention.

In March 2003, the EU deployed its first military operation to the former Yugoslav Republic of Macedonia. Since then, the EU has launched more than 20 civilian and/or military operations worldwide within the ESDP framework, including actions in Southeast Europe, the Middle East, Africa, South Asia,

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and Georgia. To allow for such a rapid expansion of the ESDP, substantial institutional and conceptual innovations were introduced in 2009 under the Lisbon Treaty, and the ESDP became the Common Security and Defense Policy (CSDP).

The Treaty of Lisbon introduced a solidarity and mutual assistance clause that obliges all EU Member States to provide aid and assistance in the event that another Member State were to become a victim of armed aggression. (It does not, however, affect the specific character of the security and defense policies of certain EU Member States, their neutrality, or their commitments under NATO.)

In addition, the Lisbon Treaty introduced a provision, known as “enhanced cooperation,” that enables a group of at least nine willing Member States to deepen their cooperation in the field of military crisis management following the unanimous approval of the Council. A second measure, “permanent structured cooperation,” provides for a flexible and permanent defense mechanism which does not require a minimum number of participating countries to proceed, and within which the European Defense Agency plays a key role.

Finally, the Treaty of Lisbon codifies and updates the scope of CSDP operations. In addition to traditional humanitarian and relief work, peacekeeping and post-conflict stabilization, and the use of combat forces in crisis management, the treaty provides for joint disarmament operations, military advice and assistance, and a contribution to the fight against terrorism.

EULEX Kosovo

European Union’s Rule of Law Mission in Kosovo (EULEX) is the largest civilian mission ever launched under the CSDP. It assists the Kosovo authorities in implementing the rule of law, particularly by helping to develop an independent and multi-ethnic justice system and police and customs service, and by ensuring that these institutions are free from political interference and adhere to internationally-recognized standards and best practices.

Fully deployed, EULEX includes nearly 2,000 international police officers, judges, prosecutors, and customs officials, supported by around 1,200 local staff. Its mandate extends until June 14, 2012.

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 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

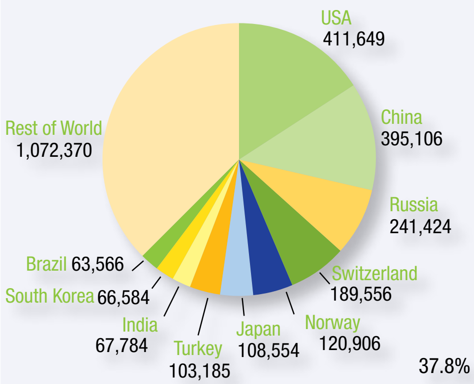
EU NAVFOR Atalanta

Since 2005, commercial shipping in the Gulf of Aden and off the Somali coast increasingly has been prey to modern-day pirates, who not only endanger cargo and crew, but also threaten the free movement of commerce and humanitarian aid. The EU battles such modern-day piracy through its first Common Security and Defense Policy (CSDP) naval operation, EU NAVFOR Somalia/Operation Atalanta.

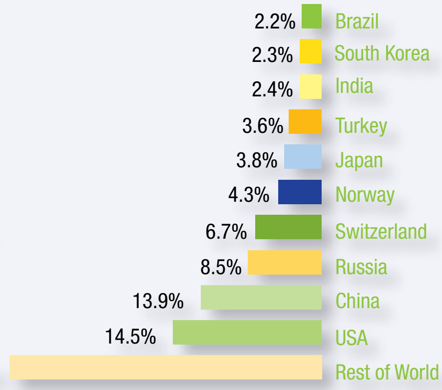
Conducted in support of 2008 UN Security Council Resolutions calling on maritime nations to deploy naval vessels and military aircraft to fight piracy and armed robbery on the high seas, Operation Atalanta protects vulnerable vessels cruising off the Somali coast, including World Food Program vessels delivering food aid to displaced persons in Somalia. Up to 12 EU ships and a number of Maritime Patrol Aircraft operate at any given time, and aid ships protected by the EU carry supplies to feed approximately 1.6 million Somalis every day.

**Austria, Cyprus, Finland, Ireland, Malta, and Sweden are not NATO members.*

EU Trade Partners,
By Country (2010), € millions



Percentage of EU's
External Trade, By Country (2010)



Source: DG Trade-Eurostat

Container terminal Hamburg Harbor. Credit: Raimond Spekking

first time the Union led a military mission.

Cooperation between the EU and NATO is likely to grow in the future.

Bilateral and Multilateral Relationships across the Globe

Since its inception, the EU has developed a network of bilateral and multilateral agreements designed to continually expand and deepen relations with its partners. As a major global actor, the EU is at the forefront of promoting free trade, sustainable development, the fight against poverty, freedom, democracy, and respect for human rights.

To advance its aims, the EU holds regular summit meetings with major partners such as the United States, Japan, Canada, Russia, Ukraine, India, China, and Brazil. The Union also holds regional dialogues with other countries in Asia, the Mediterranean, the Middle East, Latin America, and Africa. These relationships cover political dialogue, investment, economic cooperation, finance, energy, science and technology, human rights, environmental protection, counterterrorism, and international crime.

The EU is a staunch proponent of multilateralism—relying on an effective multilateral system—a principle at the core of its external relations, whether in international trade, development, human rights, or foreign and security policy.

International Trade and the World Trade Organization

Because the harmonization of trade policies was central to European integration, the EU has been a key player in the successive rounds of international negotiations on trade liberalization. The World Trade Organization (WTO) and the multilateral trading system are at the core of EU trade policy—the EU believes that a system of global rules is the best way to ensure that trade between countries is fair and open.

Although all EU Member States are individually members of the WTO, trade policy is the exclusive jurisdiction of the European Union, which represents the interests of all 27 EU Member States at bilateral and multilateral levels. Trade agreements are authorized by the Council of the EU, negotiated by the European Commission, and require the approval of both the Council and the European Parliament before entering into force.

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 agenda of the DDA is much broader than past global trade negotiations and is specifically targeted at addressing the needs of developing countries. The focus of negotiations has been on ensuring that new liberalization in the global economy respects the need for sustainable economic growth in developing countries, reforming agricultural subsidies, and improving access to global markets. Negotiations have been underway since 2001, and serious differences remain between some WTO members.

Meanwhile, the EU has complemented its Doha strategy by launching a series of negotiations on bilateral agreements. In addition to opening its markets to trading partners that reciprocate, the EU employs a combination of preferential trade arrangements, technical assistance, and grant funding to contribute to the economic development, stability, and prosperity of developing and least developed countries. The first trade agreement of this kind – a free trade agreement with South Korea – will enter into force in July 2011.

Foreign Aid and Development

In 2000, 189 world leaders recognized that eradicating poverty worldwide could only be achieved through international partnership. By adopting the eight Millennium Development Goals (MDGs)—the first-ever set of shared development targets at a global level—they agreed to take decisive action to address the world's major development challenges, including the basic human rights to education, food, health, security, and shelter, by 2015.

The European Union has been active in development cooperation from its start in the

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late 1950s. As enshrined in its treaty, poverty eradication is the EU's primary objective in development cooperation policy. Since adopting the MDGs, development assistance provided by the EU and its Member States has nearly doubled, and it now provides the majority of the world's funding for development—56 percent in 2009 (over $67 billion). The EU has committed to collectively devote 0.7 percent of its Gross National Income (GNI) to development aid by 2015, and to radically improve the coherence and effectiveness of aid.

Humanitarian Aid. The EU is a leading donor of emergency and humanitarian assistance, and delivers aid to those in need regardless of race, religion, or politics. Through the European Commission's Directorate-General for Humanitarian Aid (ECHO), the EU has supported humanitarian aid programs in more than 100 countries by providing funding, technical expertise, and operational coordination.

ECHO funding aids approximately 18 million people each year, and its assistance, relief and protection operations, along with its actions to facilitate the free flow of assistance, play a key role in alleviating the worst effects of serious humanitarian crises. In 2009 alone, ECHO brought humanitarian relief to approximately 150 million beneficiaries in more than 70 countries with funding totaling €930 million.

Millennium Development Goals

MDG 1: Eradicate extreme poverty and hunger

MDG 2: Achieve universal primary education

MDG 3: Promote gender equality and empower women

MDG 4: Reduce child mortality

MDG 5: Improve maternal health

MDG 6: Combat HIV/AIDS, malaria, and other diseases

MDG 7: Ensure environmental sustainability

MDG 8: Develop a global partnership for development

Global Governance and Effective Multilateralism

United Nations

Today's global challenges—sustainable development, climate change, and humanitarian crises, among others—can only be managed by nations working in partnership.

To respond successfully, the international community needs an efficient multilateral system founded on universal rules and values.

In addition to the active participation of the EU Member States, the European Union has been a permanent observer at the United Nations since 1974, with Delegations at major UN sites: New York, Geneva, Vienna, Rome, and Paris.

With the entry into force of the Treaty of Lisbon, the European Union replaced and succeeded the European Community, and the European Union now exercises all rights and assumes all obligations of the European Community, including its status within the United Nations. Talks are ongoing to shift the EU from observer status to member of the United Nations.

EU-UN cooperation occurs on a broad range of issues: development; climate change; peacebuilding in conflict-ridden countries; humanitarian assistance in crises; fighting corruption and crime; addressing global health concerns; labor issues; and culture. The partnership reflects the European Union's commitment to "effective multilateralism," with the United Nations at its core—a central element of the EU's foreign policy.

Together, the 27 EU Member States comprise more than one-eighth of all votes in the UN General Assembly and one-fifth of the membership in the UN Security Council. EU Member States together are the single largest financial contributor to the UN system, funding 38 percent of the organization's regular budget, more than 40 percent of UN peacekeeping operations, and about one-half of all UN member countries' contributions to UN funds and programs. The European Commission also contributes more than €1 billion to support external assistance programs and projects. With the United States providing around one quarter of UN resources, the EU and the U.S. together account for more than 60 percent of the budget of the United Nations.

The EU Member States, the Council of the EU, and the Commission meet regularly to coordinate their positions and give their collective weight greater impact. Since the mid-1990s, they have stood together on about 95 percent of all resolutions passed by the UN General Assembly. EU candidate countries, potential candidate countries, and members of the European Free Trade Association and European Economic Area also frequently align their positions with those of the EU.

The EU is party to more than 50 UN multilateral agreements and conventions as the only non-state participant, and has obtained "full participant" status in many major UN conferences.

Council of Europe

The Council of Europe (COE), an international organization established in 1949, in Strasbourg, France, to promote democracy and protect human rights and the rule of law in Europe, counts all 27 EU countries among its 47 member states. The COE's European Convention for the Protection of Human Rights and Fundamental Freedoms (ECHR) lies at the heart of both organizations' activities, and is enshrined in the EU's treaty.

The EU cooperates with the Council of Eu-

EU Delegations

The European External Action Service is supported by a network of roughly 130 EU delegations throughout the world, staffed by EU diplomats and locally recruited employees. With the status of diplomatic missions, the delegations officially represent the EU to their host countries, and in several cases to international organizations, including the United Nations.

Each delegation has a mandate that reflects the specific EU relationship with the individual country, whether it is an applicant for EU membership, a neighboring nation that benefits from the European Neighborhood Policy, an industrial nation with which the EU has specific strategic and trade relations, or one of the many beneficiaries of development assistance.

The Delegations are essential to the promotion of EU interests and values around the world, and are at the front line in delivering EU external relations policy and action, from the common foreign and security policy through trade and development cooperation to scientific and technical relations. They work in close cooperation with the local diplomatic missions of the EU Member States.

rope on issues including protection of persons belonging to national minorities, the fight against discrimination, racism and xenophobia, the fight against torture and ill-treatment, the fight against human trafficking, and freedom of expression and information. The EU's Fundamental Rights Agency also works with the Council of Europe to promote respect for human rights inside the EU.

All EU Member States have acceded to the ECHR, and the Treaty of Lisbon requires the EU itself to accede, placing it on the same footing as its Member States vis-à-vis the system of fundamental rights protection supervised by the European Court of Human Rights. With accession, the EU becomes the 48th signatory of the ECHR and will have its own judge at the Strasbourg court. Accession negotiations began in 2010.

G8 and G20

The European Union is a full member of both the G8 and the G20; it is represented at summits by both the European Commission and European Council presidents.

G8. The Group of Eight (G8), launched in the 1970s as a forum for the leaders of eight of the world's most industrialized countries, aims to find solutions to global issues, including international development, health, peace and security, and climate change. G8 members include Canada, France, Germany, Italy, Japan, Russia, the United Kingdom, the United States, and the European Union.

G20. Since 1999, the Group of Twenty (G20) has contributed to strengthening the international financial architecture and fostering sustainable economic growth and development. Established in the wake of the 1997 Asian financial crisis, the G20 brought together the finance ministers and central bank governors of the major advanced and emerging economies to stabilize the global financial market.

To address the global financial and economic crisis that began in 2008, G20 summits were held twice in 2009 and again in 2010. G20 members are Argentina, Australia, Brazil, Canada, China, the European Union, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, Republic of Korea, Turkey, United Kingdom, and the United States.

Specific Relationships

Africa, Caribbean, and Pacific

The EU maintains special links to African, Caribbean, and Pacific (ACP) countries that were already in place, based on colonial and other historical and geographic ties. The EU is also Africa's biggest trading partner and largest donor, providing more than 50 percent of development aid to the region.

Following decades of special cooperation and assistance to ACP countries, in 2000 the EU and the ACP—which now includes 78 countries and acts as a group within a legal framework—signed the 20-year Cotonou Partnership Agreement to facilitate development, cooperation, and dialogue. (While an ACP country, Cuba is not a signatory to the Cotonou Convention.) Cotonou establishes a comprehensive EU-ACP partnership that seeks to reduce and eventually eradicate poverty in ACP countries, promoting sustainable development and the gradual integration of the regions into the world economy through cooperation on development, economic, and trade matters, and also in the political sphere.

Economic Partnership Agreements. For more than 30 years, ACP exports to the EU market were granted non-reciprocal preferential access (i.e., reduced import tariffs). To-

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day, the EU and ACP countries instead work together through regional Economic Partnership Agreements (EPAs), specialized and "tailor made" to take account of the specific socio-economic circumstances of the various ACP regions.

EPAs seek to kick-start reform, strengthening economic and institutional change and the rule of law, and helping to attract foreign direct investment and generate sustainable economic growth. As part of the EPAs, in negotiation in the Pacific and Africa and already finalized in the Caribbean, the EU provides considerable cooperation and assistance to ACP countries and works to ensure that efforts are complementary to the countries' own strategies to reduce poverty. EU funding for 2008-2013 of €22.7 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.

Everything but Arms. Since 2001, the EU has offered "duty-free/quota-free" or DFQF access (no tariffs, no restrictions on quantity) to imports of all products except arms and ammunition from the 48 countries on the UN Least Developed Countries list, including many ACP countries.

EU-Africa Strategic Partnership. Established in 2007 at the second EU-Africa summit, this strategic relationship is designed to further develop dialogue and cooperation in areas of joint political concern; openly address not only African issues but also those at a European and global level; find regional and continental responses to Africa's most important challenges; and leverage the involvement of stakeholders including national parliaments, civil society, the private sector, and the African diaspora. Efforts are concentrated in the areas of peace and security; trade, regional integration, and infrastructure; the Millennium Development Goals; energy; climate change; migration, mobility, and employment; and science, the information society, and space.

African Union. 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.

Russia

The EU and Russia are global players bonded by proximity and shared interests, and are very important to each other's stability, security, and prosperity.

EU-Russian relations are covered by a Partnership and Cooperation Agreement (PCA) in place since 1997; negotiations to develop a comprehensive new framework for relations are ongoing. Provisions 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 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 2010 EU-Russia summit, leaders agreed on a new Partnership for Modernization to build on progress achieved in the "common spaces" and provide a flexible framework for promoting reform, enhancing growth, and raising competitiveness. Among its objectives, the new partnership strives to break down business barriers and facilitate further investments, which will boost trade and growth; strengthen ties on climate and energy issues; and promote people-to-people links and enhanced dialogue with civil society.

The Mediterranean Region/EUROMED

The Euro-Mediterranean Partnership, introduced in 1995 and formerly known as the Barcelona Process, was re-launched in 2008 as the Union for the Mediterranean (UpM). The partnership includes all 27 EU Member States plus 16 partners ringing the Mediterranean: Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, the Palestinian Territories, Syria, Tunisia, Turkey, other Mediterranean coastal states (Albania, Croatia, Bosnia & Herzegovina, Montenegro, Monaco), and Mauritania. The Arab League and Libya have observer status.

The Union for the Mediterranean has a special role, because it complements bilateral relations, which will continue to develop under the European Neighborhood Policy (ENP) and the pre-accession framework (for the Western Balkan countries and Turkey). The Union for the Mediterranean priorities include reversing Mediterranean Sea pollution; developing transportation corridors to enhance the free flow of people and goods; establishing a civil protection scheme focused on prevention, preparation, and response to disasters; creating alternative energy sources, including a Mediterranean solar plan; establishing the Euro-Mediterranean Higher Education, Science, and Research Area; and supporting micro-, small-, and medium-sized businesses with technical and financial assistance.

The Middle East

In early 2011, populations in several countries in the Middle East and North Africa forced out autocratic rulers and began a process of political transformation. Such democratic change is consistent with the EU's core values of human rights, pluralism, the rule of law, and democracy, and the European Union is prepared to commit important technical and financial resources, as well as its extensive experience on transition, at the request of countries in the region. Priorities include supporting democratic transformation and institution building; increasing dialogue with and support to civil society; promoting mobility and people-to-people contacts; and buttressing economic growth, notably by improving market access.

Israel and the Palestinian Territories

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 forms the "Quartet" that 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. 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.

Iraq

In late 2009, the EU and Iraq concluded a Partnership and Cooperation Agreement (PCA), a landmark achievement representing the first ever contractual agreement between the partners, which is expected to enter into force in 2011. The PCA provides a comprehensive platform for engagement in areas including:

- Facilitating Iraq's engagement with the international community to benefit the country's internal and regional stabilization process.
- Stimulating and anchoring ongoing institutional and socio-economic reforms.
- Contributing to Iraq's socio-economic development and improved standards of living.
- Promoting bilateral trade relations based on WTO principles.
- Ensuring business of a minimum level of predictability, transparency, and legal certainty.
- Improving EU-Iraqi trade arrangements.

The EU continues to provide financial support to Iraq—almost €1 billion since 2003, which includes both reconstruction and humanitarian assistance. The EU has been one of the largest donors supporting the Iraqi political and electoral process, with more than €94 million since 2004, including the deployment of an Electoral Assessment Team for the March 2010 general elections. EU support also targets the refugee crisis and the rule of law.

In July 2005, the EU launched EUJUST LEX in Iraq, the Union's first integrated rule of law mission, with a mandate currently running through June 30, 2012. The civilian crisis man-

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agement operation strengthens the rule of law and promotes a culture of respect for human rights in Iraq by providing professional development opportunities for senior Iraqi officials from the criminal justice system.

Iran

While practical cooperation (including trade and academic programs) between the EU and Iran exists, its scope is well below its potential due to ongoing concerns in the EU and the international community about Iran's nuclear program.

The EU responded vigorously to the United Nations Security Council (UNSC) Resolution 1929 of June 2010, imposing a strong, broad-based new set of sanctions on Iran because of its continued refusal to comply with its international obligations regarding its nuclear program. To implement UNSC 1929, the EU adopted its own set of sanctions in July 2010 that go beyond the resolution, taking punitive steps in the areas of trade, financial services, energy, transport, and additional designations for visa bans and asset freezing, particularly for Iranian banks, the Islamic Revolutionary Guard Corps, and the Islamic Republic of Iran Shipping Line.

While emphasizing its willingness to work toward a diplomatic solution of the Iranian nuclear issue, the EU stalwartly supports its allies' objective of Iranian compliance with international nuclear obligations.

Catherine Ashton, EU High Representative for Foreign Affairs and Security Policy, co-chairs ongoing talks between Iran and the EU3 + 3 (Britain, France, Germany, United States, Russia, China) aimed at resolving international concerns about Iran's nuclear program.

The EU also follows the human rights situation in Iran closely. It does not have a delegation in Iran, but works in close collaboration with EU Member State embassies in Tehran.

Central Asia

Following the 2004 and 2007 enlargements, the EU moved closer to Central Asia geographically, politically, and economically, and is intent on strengthening and deepening its relationship with Central Asian countries: Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan.

The EU has established Partnership and Cooperation Agreements with each country, which encompass political dialogue, trade and economic relations, and cooperation in a variety of sectors, including energy, environment, transport, security, and education. EU priorities in Central Asia include promoting stability and security, contributing to sustainable economic development and poverty reduction, promoting good governance and economic reform, and facilitating closer regional cooperation both within Central Asia and with the EU.

In late 2008, the EU launched a Rule of Law Initiative for Central Asia to foster exchanges of experience in the legal and judicial spheres. Under this program, EU and Member State projects will work toward reinforcing cooperation between constitutional courts, modernizing legal training, and implementing the legal guarantees for those accused in court.

Afghanistan

The EU is committed to a secure, stable, free, prosperous, and democratic Afghanistan through increased cooperation with Afghan leaders across a range of areas, including subnational governance, reform of the justice and police sectors, and respect for human rights. EU assistance reflects the priorities of Afghanistan's National Development Strategy, including support for justice, law and order; combating the production of narcotics; and, assistance for the health sector.

Collectively, the EU and its Member States have contributed more than €8 billion in aid to Afghanistan since 2002, including European Commission funding of €1.8 billion (through 2009). Nearly half of EU support is dedicated to good governance, the rule of law, and security programs.

The EU supports operations in Afghanistan through both a military presence (EU Member States contribute troops to NATO's ISAF and the U.S. Operation Enduring Freedom) and by civil support helping to strengthen the vital components of effective democratic government.

In 2007, the EU launched EUPOL Afghanistan—a civilian Common Security and Defense Policy operation—as part of the international effort to help Afghans take responsibility for maintaining law and order. The mission supports the development of sustainable and effective civil policing arrangements that ensure appropriate interaction with the wider criminal justice system under Afghan ownership.

India

Over the past five years, EU-India trade has more than doubled and investments have multiplied tenfold. Negotiations for an EU-India Free Trade Agreement, begun in 2007, are ongoing and close to being completed.

The EU and India have 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. Areas of particular focus include the following:

- 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 opportunities.

Pakistan

From the start of bilateral relations in the mid-1970s, the EU has committed more than €500 million to projects and programs aimed at poverty reduction in Pakistan. The EU has also provided timely humanitarian assistance over the years, most recently to assist the victims of the severe flooding that plagued Pakistan in the summer of 2010.

Relations between the EU and Pakistan are based on a Cooperation Agreement on Partnership and Development, in force since 2004, which seeks to enhance bilateral trade, support comprehensive and sustainable development, and promote investment and mutually beneficial economic, technical, and cultural links.

The EU and Pakistan are working together to eradicate poverty and extremism by advancing economic and development goals and supporting sustained economic governance. The EU values Pakistan's resolve to fight terrorism in its own territory and seeks a long-term, high-level political engagement with Pakistan that addresses the root causes of the violent extremism, radicalization, and terrorism. The EU is working with Pakistan to develop its democratic structures, its counterterrorism capacity, its police, law enforcement, and criminal justice sectors.

ASEAN

Regular and wide-ranging dialogues between the EU and Asia—home to some of the world's most significant emerging economies—are paving the way for cooperation and convergence on global issues, regional security, regulatory, and other economic issues.

Despite Asia's mix of high-income industrialized nations and dynamic emerging economies, the region is home to two-thirds of the world's poor. Between 2007 and 2013, the EU has allocated more than €5 billion in development aid to help address regional challenges including climate change, sustainable development, security and stability, governance, human rights, and the response to manmade and natural disasters.

The EU holds regular dialogues on regional political and security issues with ASEAN through the ASEAN Regional Forum, which is the only inter-governmental forum aimed at promoting peace and security through dialogue and cooperation in Asia Pacific.

In May 2007, the EU and ASEAN launched negotiations for a regional free trade agreement (FTA), covering most members of ASEAN. However, progress was slower than expected, and in 2009 both sides agreed to a temporary suspension of the negotiations. The EU is now exploring bilateral FTAs with some ASEAN countries. In March 2010, the EU launched negotiations on an FTA with Singapore and agreed to launch talks on an FTA with Vietnam once technical details are completed. FTA

talks with Malaysia are also expected to be forthcoming.

China

Europe has a major political and economic stake in supporting China's full and successful transition into a prosperous, stable, and open country that embraces the rule of law and free market principles.

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EU policy toward China is centered on several principal objectives:

- Broadening and deepening dialogue with China bilaterally and on the world stage.
- Supporting China's transition to an open society based on the rule of law and respect for human rights.
- Encouraging China's ongoing integration in the global economy and trading system, while supporting the economic and social reform process.
- Raising the EU's profile in China to enhance mutual understanding.

In 2007, the EU and China began negotiating a comprehensive new Partnership and Cooperation Agreement that would encompass the full scope of EU-China relations, including enhanced cooperation in political matters. The following year, the EU and China launched a High-level Economic and Trade Dialogue as a platform for tackling issues of mutual concern in trade, investment, market access, and protection of intellectual property rights.

Human rights are discussed regularly as part of the regular political dialogues, as well as through specific Human Rights dialogues held biannually since 1995.

Japan

As democracies sharing the same values and beliefs in the rule of law, human rights, and sustainable economic development, the EU and Japan together have the potential to project joint interests and ideals on a global scale. Both provide support internationally where it is needed most: stabilization and democratization work in Afghanistan and Pakistan, help in Sudan's Darfur region, and participation in anti-piracy efforts off the coast of Somalia.

To form a solid strategic partnership, the EU and Japan agreed to a ten-year Joint Action Plan designed to promote peace and security, enhance the economic and trade partnership, work together to tackle global challenges, and bring people and cultures together.

Cooperation occurs at all levels, and covers foreign policy, economic and trade relations, and regional and global issues. Ongoing bilateral dialogues address the environment, information society, science and technology, trade, financial services, and industrial policy.

South Korea

The EU-Korean relationship includes cooperation in science and technology, the information society, education, social policy, customs, competition, the environment, and foreign aid.

In late 2010, EU and South Korean leaders concluded the landmark EU-South Korea Free Trade Agreement (FTA), which is predicted to generate up to a 40 percent increase in bilateral trade. The FTA will eliminate tariffs on industrial and agricultural goods, break down non-tariff barriers in areas including automobiles, electronics, pharmaceuticals, and medical devices, and boost market access in the services area. The FTA also includes chapters on protection of intellectual property rights, government procurement and sustainable development (environmental and labor rights protections), among other areas, and is due to enter into force in July 2011.

Canada

In 1976, Canada became the first industrialized country to sign a commercial and economic agreement with the EU. Currently, negotiations are underway for an ambitious new Comprehensive Economic and Trade Agreement that will provide a new impetus to trade, investment, innovation, and job creation.

In addition to sharing a close economic relationship, the EU and Canada work together on global challenges including the environment, climate change, energy security, and regional stability throughout the world. Cooperation ranges from research into alternative energy sources to providing police training in Afghanistan. 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.

The EU-Canada Partnership Agenda, adopted at the 2004 summit, identifies ways of working together, particularly in areas where joint efforts are more effective than individual actions.

Latin America

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 provider of development cooperation to Latin America and the Caribbean and supports the region's efforts at economic and social reform and regional integration. Combined contributions from the EU and its Member States total around €500 million per year since 1996, and the EU's Latin American regional strategy has allocated approximately €3 billion between 2007 and 2013 to reduce poverty, inequality, and exclusion; support regional integration and economic cooperation; and develop human resources and promote mutual understanding between the EU and Latin America.

Mercosur. The EU is currently negotiating an association agreement with the Mercosur countries (Argentina, Brazil, Paraguay, and Uruguay; Venezuela has applied to join the group) that encompasses political dialogue, cooperation, and the creation of a free trade area. The EU-Mercosur Agreement will be the first trade agreement between two regional blocs.

Central America. In 2010 EU and Central American leaders concluded an association agreement that includes a free trade area, reinforces the political and economic stability of Central American nations, fosters sustainable development, and deepens regional integration. Central American countries are Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama.

Andean Community (Bolivia, Colombia, Ecuador, Peru). In 2003, the EU-Andean Community Political Dialogue and Cooperation Agreement institutionalized the existing political dialogue and extended its scope to include conflict prevention, good governance, immigration, money laundering, and the fight against organized crime and terrorism.

Negotiations toward an association agreement stalled in 2008, resulting in a split negotiating format: continued regional negotiations with the Andean Community on political dialogue and cooperation, plus multi-party WTO-compatible trade negotiations with individual states.

Colombia and Peru reached an agreement with the EU in 2010 on a multi-party trade accord that provides for progressive and reciprocal liberalization through creation of a comprehensive and balanced free trade area for goods and services.

Chile. Through an association agreement in force since 2005, the EU and Chile coordinate their positions in international forums, and the EU helps fund Chilean modernization programs, encouraging innovation in Chilean business and supporting sustainable development. The agreement also establishes a free trade area for goods, services, and government procurement; liberalizes investment and capital flows; and strengthens the protection of intellectual property rights.

Mexico. In 2000, Mexico became the first Latin American country to sign a comprehensive partnership agreement with the EU. The accord enhances EU-Mexican cooperation on a range of political, security, environmental, and socio-economic issues; strives for closer coordination on global issues of common concern in multilateral forums; and aims to jointly promote common values and principles in the international arena. The agreement also established a comprehensive free trade area, which covers trade in goods and services and contains specific provisions on public procurement, competition, intellectual property rights, and investment.

Brazil. EU relations with Brazil are governed by the 1992 EU-Brazil framework cooperation agreement and the 1995 EU-Mercosur framework cooperation agreement. In 2007, the EU and Brazil formalized a strategic partnership with an emphasis on effective multilateralism; the environment, particularly climate change; sustainable energy; the fight against poverty; Mercosur's integration process; and Latin America's stability and prosperity.

The EU and Brazil also cooperate on political issues, macroeconomic and financial affairs, and science and technology.

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Chapter Seven

Signature EU Policies

For a comprehensive overview of all EU policies—including business, culture, education and youth, health, regional policy, the information society, transport, and more—please see http://ec.europa.eu/policies.

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. Initially, CAP was designed to increase agricultural productivity and help farmers attain a fair standard of living; stabilize markets; and ensure a secure supply of affordable food.

Since the 1990s, CAP has moved away from supporting product prices, and today's CAP has been transformed into a multi-functional policy, supporting market-oriented agricultural production throughout Europe while contributing to vibrant rural areas and environmentally sustainable production.

Aviation

The EU has a single integrated free aviation market, which means all European carriers compete on equal terms across the EU. 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 more than half a billion people. The EU's ultimate objective is the establishment of a single pan-European air transport market, based on a common set of rules and encompassing up to 60 countries with approximately one billion inhabitants.

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. In 2009, the EU updated the "single sky" package to take into account environmental issues as well as cost-efficiency. The EU has also adopted important legislation in the fields of aviation security, environmental rules, and passenger protection.

Open Skies. The EU-U.S. Air Transport Agreement—"Open Skies"—entered into force in 2008, ushering in unprecedented liberalization of the EU-U.S. airline market by removing restrictions on routes, prices, and number of flights. Stage one of the agreement triggered an increase in services in previously restricted parts of the transatlantic market and established closer EU-U.S. cooperation to tackle new challenges, such as security and the environment.

The second stage of the agreement, concluded in 2010, builds on the benefits of the first and includes additional investment and market access opportunities, and strengthens the cooperative framework in regulatory areas such as safety, security, and the environment.

Competition (Antitrust)

In a market economy, fair 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, EU rules also prohibit state aid that distorts competition in the internal market. The European 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, the European Commission is entitled to review mergers between non-EU companies with certain revenue thresholds that conduct significant business in the EU. It also takes steps to prevent a major industry player squeezing its competitors out of the market.

EU-U.S. Cooperation. 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. The Positive Comity Agreement allows one party adversely affected by anticompetitive behavior in the other's territory to request that the other party take action.

Democracy and Human Rights (see also Freedom, Security, and Justice)

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 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, persons with disabilities, minorities, and displaced persons. The EU is particularly concerned about human rights vis-à-vis asylum and migration and is fighting racism, xenophobia, and other discrimination against minorities.

Externally, respect for human rights and fundamental freedoms are general objectives of the Common Foreign and Security Policy (CFSP). 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. 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. 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.

Election Monitoring. Credible and fair elections are vital to democracy, the rule of law, and respect for human rights, and EU election observation missions (EOMs) assess whether the electoral process conforms to international standards for democratic elections. Observers examine whether political parties can participate freely and openly in the electoral process; the level of access candidates have to the media; voter education; and the safety and security of voters. Since 2000, the EU has deployed more than 70 long-term election observation missions in nearly 50 countries.

European Instrument for Democracy and Human Rights. The EU provides direct funding for human rights and democratization through the European Instrument for Democracy and Human Rights (EIDHR). Launched in 1994, EIDHR's annual budget of €155 million supports activities including global campaigns against the death penalty, the rehabilitation of torture victims, assistance for human rights defenders at risk, and support for free media organizations. More than 90 percent of EIDHR partners are local and international civil society organizations; the remainder are international intergovernmental bodies with special expertise, such as the Office of the UN High Commissioner for Human Rights and the Council of Europe. Additional EU funding supports projects with partner governments to improve the implementation of human rights in areas such as police training and prison and judicial reform.

Torture and Capital Punishment. The EU unconditionally supports the right to life and the right not to be subject to cruel, inhuman, and degrading treatment or punishment—standards recognized in the Universal Declaration of Human Rights, other international human rights agreements, and many national constitutions.

Abolition of the death penalty is a prerequisite for EU membership, and the European Union actively promotes a global moratorium on the use of the death penalty and 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.

As a global leader in the fight against torture and other forms of ill treatment, the EU works to prevent and eliminate torture and to end the impunity of those responsible. Through its Guidelines on Torture and Other Cruel, Inhuman and Degrading Treatment, the EU strives to persuade non-EU countries to produce and apply effective measures to outlaw torture. The EU also champions anti-torture initiatives in international forums, consistently raises its concerns with other countries through political dialogue and bilateral initiatives, and provides substantial funding for relevant projects by civil society organizations.

Growth and Jobs

The EU's strategy for creating sustainable growth and jobs promotes innovation within businesses and investment in people to create a knowledge-based society. The strategy also seeks to attract more people into employment, keep them in work longer as life expectancy rises, improve the adaptability of workers and enterprises, provide better education and skills, and adapt social protection systems to the challenges of innovation, globalization and mobility.

Through the Europe 2020 strategy, the EU has identified three key drivers for European growth in the 21st century – smart growth (fostering knowledge, innovation, education, and digital society), sustainable growth (making EU production greener and more resource efficient while boosting competitiveness), and inclusive growth (enhancing labor market participation, skills acquisition, and the fight against poverty) – designed to help Europe emerge stronger from the economic crisis and prepare the EU economy for the coming decade.

Chapter Seven

Signature EU Policies

By 2020, the EU aims to have met the following targets:

- 75 percent of the population aged 20-64 should be employed.
- 3 percent of the EU's GDP should be invested in R&D.
- The "20/20/20" targets in terms of reduction of greenhouse gas emissions, renewable energy production, and energy efficiency should be met. (See also Energy and Environment.)
- The share of school dropouts should be under 10 percent and at least 40 percent of the population between the ages of 30 and 34 should have a degree or diploma.
- 20 million fewer people should be living below the poverty line.

In order to meet the targets, in 2010 the EU adopted a proposal to re-focus R&D and innovation policy on major challenges; enhance the quality and attractiveness of Europe's higher education system; deliver sustainable economic and social benefits from a Digital Single Market; support the shift toward a resource-efficient and low-carbon economy; enable the EU's industrial base to become more competitive, promote entrepreneurship, and develop new skills for workers; foster modernized labor markets; ensure the sustainability of European social models when baby-boomers retire; and ensure economic, social, and territorial cohesion by helping the poor and socially excluded.

Energy and Environment

In December 2008 EU leaders adopted a comprehensive package of measures on climate change and energy—the "20/20/20 by 2020 plan"—to reduce the EU's contribution to global warming and ensure reliable and sufficient supplies of energy. The most far-reaching reform ever of European energy policy, the package will make Europe the world leader in renewable energy and low-carbon technologies. The EU climate change and energy strategy is also in line with the EU's drive for economic growth and job creation.

The plan aims to reduce greenhouse gas emissions at least 20 percent by 2020 (compared with 1990 levels), raise renewable energy's share of the market to 20 percent, and cut overall energy consumption by 20 percent (compared with projected trends). Within the drive for more renewable energy, it was agreed that 10 percent of fuel for transport should come from biofuels, electricity or hydrogen. In 2008, more than 10 percent of the EU's gross energy consumption was already powered by renewable sources.

In parallel, the EU adopted legislation to reduce the CO_2 emissions of new passenger cars to 130 grams per kilometer on average, equivalent to a fuel consumption of 43 miles per gallon, by 2015, and to 95 grams per kilometer (59 mpg) by 2020. The legislation also extends to light commercial vehicles.

The measures will also reduce dependence on imports of gas and oil and help shelter the economy from volatile energy prices and uncertain supplies. More than 50 percent of the EU's energy comes from countries outside the Union—and the percentage is growing.

To better prepare for a possible energy emergency, the EU is working to make emergency oil stocks more readily available and to clarify when and how they can be used. Another priority is setting up a southern gas corridor of pipeline networks to bring gas from the Caspian Sea region via Turkey, and strengthen the networks of power lines and pipelines that bring electricity, gas and oil to homes and businesses.

The EU-U.S. Energy Council improves transatlantic coordination on strategic energy is-

sues and strengthens cooperation on energy policies, as well as on ongoing scientific and technology collaboration

Climate Action. Climate change is one of the gravest challenges facing humanity. The EU is working for a global agreement to reduce emissions of greenhouse gases and is leading the way by taking bold action of its own.

In addition to the 2008 package of emission-cutting measures, the EU fights climate change through the EU Emissions Trading Scheme (EU ETS), the world's first and largest international trading system for greenhouse gas emissions. The EU ETS uses a cap-and-trade market mechanism to put a price on carbon and allow companies to cut emissions cost-effectively.

Under the system, EU governments set limits on the amount of carbon dioxide emitted by energy-intensive industries like power generation and steel and cement makers. If these businesses want to emit more CO2 than their quota, they have to buy spare permits from more efficient companies.

In the future, more industries will be subject to quotas, including airlines (beginning in 2012) and petrochemical companies. EU countries will also be able to offset emissions by buying credits from projects to reduce CO2 in non-EU countries. EU Member States are also obligated under EU legislation to reduce the emissions of those sectors not covered by the Emissions Trading Scheme.

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

Environmental Protection. In addition to battling climate change, the EU has developed a substantial body of environmental law to sustain biodiversity, protect against water, air, and noise pollution, and to control risks related to chemicals, biotechnology, and nuclear energy within the Union.

Global demands for natural resources to feed, clothe, house and transport people are accelerating. These mounting demands on natural capital are exerting increased pressure to ecosystems, economies and social cohesion in Europe and elsewhere. The EU's environmental policies are designed to improve Europe's environment without undermining Europe's growth potential.

Sustainable Development. The EU has enshrined the notion of "sustainable development" in its Treaties 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.

Freedom, Security, and Justice

One of the fundamental objectives of the European Union is to offer its citizens an area of freedom, security, and justice without internal borders. The Union spearheads 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 fight against terrorism and the Internal Security Strategy, linked to the broader European Security Strategy, are cornerstones of efforts to make Europe more secure by strengthening cooperation in law enforcement, border management, civil protection, and disaster management.

The EU focuses on preventing radicalization by tackling the root causes that attract individuals to terrorist groups; protecting its citizens and infrastructure and reducing their vulnerability to attack through improved security of borders, transport, and critical infrastructure; pursuing and investigating terrorists across borders and globally; and developing systems to respond rapidly and effectively to a terrorist attack.

While the individual EU Member States have the primary responsibility for combating terrorism, the EU adds value by strengthening national capabilities, facilitating European cooperation, developing collective capabilities and standards, and promoting international partnership. The EU has agreed collectively on a common list of terrorist organizations and provided EUROPOL, which assists the EU Member States in preventing and combating all forms of terrorism and other serious crime, with additional resources to analyze terrorist threats and further improve information exchange. EUROPOL coordinates the collection, analysis, and dissemination of law enforcement information and deals with an expanding range of crimes, including counterterrorism issues.

In 2002, EUROJUST—a "college" of experienced judges and prosecutors—was established 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.
Consolidation of a genuine common immi-

Chapter Seven
Signature EU Policies

gration and asylum policy—including the development of a new and flexible admission system for economic immigration; initiatives to support smooth integration of immigrants into society; and a common European Migration and Asylum system based on solidarity and respect of human rights—is also a priority. FRONTEX, the European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the EU, assists Member States in applying EU measures relating to the management of the EU's common external border.

Research, Development, and Innovation

Europe has a long tradition of excellence in research and innovation, and each Member State has its own research and innovation policies and programs. In the past decade, the "European research area" (ERA) has been taking shape. The ERA is building a research and innovation equivalent of the "common 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. EU leaders recognize the need to accelerate investment in R & D to 3 percent of GDP, and because Europe's future economic growth and jobs will increasingly have to come from innovation in products, services, and business models, have made this a central goal in the Europe 2020 strategy to achieve smart growth and expand employment.

Vital to the development of ERA are the EU's Framework Programs for research and technological development. 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.

The Science and Technology Agreement between the European Union and the United States, originally signed in 1998 and extended through 2013, brings a pan-European dimension to transatlantic S & T cooperation to complement the many bilateral arrangements with individual Member States. Collaboration occurs in such areas as the environment, metrology, and materials science—including nanotechnology and biotechnology.

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 to draft and adopt the hundreds of directives needed to sweep away the technical, regulatory, legal, and bureaucratic barriers that stifled free trade and free movement within the Union.

The European Commission estimates that this remarkable achievement has created 2.75 million new jobs since 1993, increased growth by 1.85 percent, 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 more than 500 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. EU citizens 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. The independent national regulators who supervise the now-liberalized markets for telecommunications and energy coordinate their activity at EU level. Not only big industries, but also households and small businesses across Europe, are increasingly able to choose their suppliers for electricity and gas.

Still, 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 profes-

sional qualifications. The fragmented nature of national tax systems also puts a brake on market integration and efficiency. Currently, remedial action is underway, although neither at a uniform pace nor in all sectors.

Intellectual Property. A uniform system of protection of intellectual property rights, ranging from industrial property to copyright and related rights, constitutes the foundation for creativeness and innovation within the European Union. Respect of the basic principles of the internal market (the free movement of goods and services and free competition) is based on standardization of intellectual property at European level.

Protection of intellectual property is covered by many international conventions, most of which are implemented by the World Intellectual Property Organization (WIPO) and the World Trade Organization (WTO).

The European Union possesses two important bodies to carry out its mission: the Office for Harmonization in the Internal Market (OHIM), which is responsible for the registration of Community trademarks and designs, and the European Patent Office (EPO). Protection of intellectual property rights also entails protecting them against piracy, illegal trade and counterfeiting.The EU and the U.S. cooperate extensively on a bilateral and multilateral basis in efforts to safeguard intellectual property rights.

Trade and Customs

Trade policy is the exclusive jurisdiction of the European Union, which represents the interests of all 27 EU 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 "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 also ensure 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. This is accomplished both multilaterally and bilaterally through free trade agreements and other arrangements with individual countries or groups of 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 believes that a system of global rules is the best way to ensure that trade between countries is fair and open, and it has played a leading role within the General Agreement on Tariffs and Trade (GATT) and its successor, the World Trade Organization. The WTO and the multilateral trading system are the core focus for EU trade policy – indeed, the successful conclusion of the current WTO trade round, the Doha Development Agenda (DDA), would confirm the central role of multilateral liberalization and rule-making. All 27 EU member states are individually members of the WTO, but the EU negotiates and acts within the WTO as a single body.

The DDA 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. As with all trade negotiations, at the end of the Round, the Council and the European Parliament must formally agree to the outcome.

Annexes

Annex 1: Milestones on the Road to European Integration

May 9, 1950:

French Foreign Minister Robert Schuman proposes pooling Europe's coal and steel industries. May 9 is commemorated each year as Europe Day.

April 18, 1951:

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

March 25, 1957:

The European Economic Community (EEC) and European Atomic Energy Community (EURATOM) Treaties are signed in Rome; they enter into force in 1958.

April 8, 1965:

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

July 1, 1968:

The customs union is completed.

January 1, 1973:

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

February 28, 1975:

The first Lomé Convention with African, Caribbean, and Pacific (ACP) countries is signed.

March 13, 1979:

The European Monetary System (EMS) becomes operational.

June 1979:

The European Parliament becomes the first directly-elected transnational political body.

January 1, 1981:

Greece joins the European Community.

June 29, 1985:

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

January 1, 1986:

Spain and Portugal join the Community.

July 1, 1987:

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

June 26-27, 1989:

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

November 9, 1989:

The Berlin Wall falls.

October 3, 1990:

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

October 21, 1991:

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

December 8, 1991:

The USSR dissolves, and the Commonwealth of Independent States is formed.

December 11, 1991:

European Council meeting in Maastricht agrees on the Treaty on European Union, which enters into force November 1, 1993. In addition to creating the EU, the Maastricht Treaty establishes the Common Foreign and Security Policy and lays the groundwork for European Economic and Monetary Union and a single European currency.

December 16, 1991:

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

January 1, 1993:

The European single market is achieved on schedule.

January 1, 1995:

Austria, Finland, and Sweden join the European Union.

March 26, 1995:

The Schengen Area is created and border checks are abolished between seven EU countries. Belgium, Germany, France, Luxembourg, the Netherlands, Spain, and Portugal agree to adopt a common border security area.

June 17, 1997:

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

May 2, 1998:

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

June 1, 1998:

The European Central Bank, responsible for framing and implementing the EU's monetary policy and managing the euro, is inaugurated in Frankfurt, Germany.

January 1, 1999:

Eleven EU Member States are the first to adopt the euro (as a "virtual" currency).

December 7-11, 2000:

EU leaders formally proclaim the Charter of Fundamental Rights of the European Union, outlining fundamental rights for all EU citizens, including dignity, freedoms, equality, solidarity, citizens' rights, and justice.

January 1, 2001:

Greece joins the euro area.

February 26, 2001:

The Regulation establishing the Rapid Reaction Force is adopted.

February 26, 2001:

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

January–February 2002:

Twelve EU countries begin using the euro as a legal tender for daily transactions.

January 1, 2003:

The 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 the European Security Strategy.

May 1, 2004:

Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia join the European Union, bringing membership to 25.

June 2004:

The European Council endorses the 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. The Constitution requires approval by Member States.

June 16-17, 2005:

The European Council, 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.

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; EU membership expands to 27 and brings the total EU population to 500 million people.

January 1, 2007:

Slovenia adopts the euro.

December 13, 2007:

The Treaty of Lisbon, intended to optimize the EU's institutions and working methods, is signed in Lisbon and enters into force December 1, 2009.

December 21, 2007:

The Schengen area is enlarged to include Estonia, the Czech Republic, Lithuania, Hungary, Latvia, Malta, Poland, Slovakia, and Slovenia.

January 1, 2008:

Cyprus and Malta adopt the euro, bringing euro-area membership to 15 EU countries and a population of around 320 million.

December 13, 2008:

The EU launches Operation Atalanta, the EU's first joint naval operation, to deter attacks by pirates on vessels off the Somali coast.

December 12, 2008:

The EU welcomes Switzerland to the Schengen area.

January 1, 2009:

Slovakia adopts the euro.

July 27, 2010:

Accession negotiations begin with Iceland.

January 1, 2011:

Estonia adopts the euro.

Annexes

Annex 2 : Agencies

EU Agencies

An EU agency is a body governed by European public law; it is distinct from the EU institutions (such as the Council, the Parliament, and the Commission) 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 EU act.

There are currently more than twenty bodies throughout the EU meeting the definition of EU agency, even though differing terms are used to designate them (e.g. center, foundation, agency, or office). 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. Three others—CEPOL, Europol, and Eurojust—help coordinate police and judicial cooperation in criminal matters, CEPOL is the European Police College, Europol is the European Police Office, and Eurojust is a permanent network of judicial authorities.

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 EU activities.

Agency for the Cooperation of Energy Regulators (ACER)
Ljubljana, Republic of Slovenia

Community Fisheries Control Agency (CFCA)
Vigo, Spain

Community Plant Variety Office (CPVO)
Angers, France

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

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

European Aviation Safety Agency (EASA)
Cologne, Germany

European Centre for Disease Prevention and Control (ECDC)
Stockholm, Sweden

European Centre for the Development of Vocational Training (Cedefop)
Thessaloniki, Greece

European Chemicals Agency (ECHA)
Helsinki, Finland

European Defense Agency (EDA)
Brussels, Belgium

European Environment Agency (EEA)
Copenhagen, Denmark

European Food Safety Authority (EFSA)
Parma, Italy

European Foundation for the Improvement of Living and Working Conditions (EUROFOUND)
Dublin, Ireland

European GNSS Supervisory Authority (GSA)
Brussels, Belgium

European Institute for Gender Equality (EIGE)
Vilnius, Lithuania

European Institute for Security Studies (EUISS)
Paris, France

European Law Enforcement Agency (EUROPOL)
The Hague, The Netherlands

European Maritime Safety Agency (EMSA)
Lisbon, Portugal

European Medicines Agency (EMA)
London, United Kingdom

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

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

European Police College (CEPOL)
Bramshill, United Kingdom

European Railway Agency (ERA)
Lille and Valenciennes, France

European Training Foundation (ETF)
Turin, Italy

European Union Agency for Fundamental Rights (FRA)
Vienna, Austria

The European Union's Judicial Cooperation Unit (EUROJUST)
The Hague, The Netherlands

European Union Satellite Centre (EUSC)
Torrejón, Spain

Fusion for Energy (F4E)
Barcelona, Spain

Office for Harmonization in the Internal Market (Trademarks and Designs) (OHIM)
Alicante, Spain

Translation Centre for the Bodies of the European Union (CdT)
Luxembourg, Luxembourg

Commonly Used Symbols of the EU

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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