Brief Introduction of European Union (EU)

Evolution

The history of the EU began shortly after World War II, when there developed in Europe a strong revulsion against national rivalries and parochial loyalties. While postwar recovery was stimulated by the Marshall Plan, the idea of a united Europe was held up as the basis for European strength and security and the best way of preventing another European war. (This last motivation in particular informed the awarding of the 2012 Nobel Peace Prize to the European Union, which also mentioned the EU's fostering of democracy in its member nations.) In 1950 Robert Schuman, France's foreign minister, proposed that the coal and steel industries of France and West Germany be coordinated under a single supranational authority. France and West Germany were soon joined by four other countries—Belgium, Luxembourg, the Netherlands, and Italy—in forming (1952) the ECSC. The EEC (until the late 1980s it was known informally as the Common Market) and Euratom were established by the Treaty of Rome in 1958. The EEC, working on a large scale to promote the convergence of national economies into a single European economy, soon emerged as the most significant of the three treaty organizations.

The Brussels Treaty (1965) provided for the merger of the organizations into what came to be known as the EC and later the EU. Under Charles de Gaulle, France vetoed (1963) Britain's initial application for membership in the Common Market, five years after vetoing a British proposal that the Common Market be expanded into a transatlantic free-trade area. In the interim, Britain had engineered the formation (1959) of the European Free Trade Association. In 1973 the EC expanded, as Great Britain, Ireland, and Denmark joined. Greece joined in 1981, and Spain and Portugal in 1986. With German reunification in 1990, the former East Germany also was absorbed into the Community.

The Single European Act (1987) amended the EC's treaties so as to strengthen the organization's ability to create a single internal market. The Treaty of European Union, signed in Maastricht, the Netherlands, in 1992 and ratified in 1993, provided for a central banking system, a common currency to replace the national currencies (the euro), a legal definition of the EU, and a framework for expanding the EU's political role, particularly in the area of foreign and security policy. The member countries completed their move toward a single market in 1993 and agreed to participate in a larger common market, the European Economic Area (est. 1994), with most of the European Free Trade Association (EFTA) nations. In 1995, Austria, Finland, and Sweden, all former EFTA members, joined the EU, but Norway did not, having rejected membership for the second time in 1994.

A crisis within the EU was precipitated in 1996 when sales of British beef were banned because of "mad cow disease" (see prion). Britain retaliated by vowing to paralyze EU business until the ban was lifted, but that crisis eased when a British plan for eradicating the disease was approved. The ban was lifted in 1999, but French refusal to permit the sale of British beef resulted in new strains within the EU. In 1998, as a prelude to their 1999 adoption of the euro, 11 EU nations established the European Central Bank. The euro was introduced into circulation in 2002 by 12 EU nations; additional EU nations have since adopted it.

The EU was rocked by charges of corruption and mismanagement in its executive body, the European Commission (EC), in 1999. In response the EC's executive commission including its president, Jacques Santer, resigned, and a new group of commissioners headed by Romano Prodi was soon installed. In actions taken later that year the EU agreed to absorb the functions of the Western European Union, a comparatively dormant European defense alliance, thus moving toward making the EU a military power with defensive and peacekeeping capabilities.

The installation in Feb., 2000, of a conservative Austrian government that included the right-wing Freedom party, whose leaders had made xenophobic, racist, and anti-Semitic pronouncements, led the other EU members to impose a number of sanctions on Austria that limited high-level contacts with the Austrian government. Enthusiasm for the sanctions soon waned, however, among smaller EU nations, and the issue threatened to divide the EU. A face-saving fact-finding commission recommended ending the sanctions, stating that the Austrian government had worked to protect human rights, and the sanctions were ended in September.

In 2003 the EU and ten non-EU European nations (Estonia, Latvia, Lithuania, Poland, the Czech Republic, Slovakia, Hungary, Slovenia, Cyprus, and Malta) signed treaties that resulted in the largest expansion of the EU the following year, increasing the its population by 20% and its land area by 23%. Most of the newer members were significantly poorer than the largely W European older members. The old and new member nations at first failed to agree on a constitution for the organization; the main stumbling block concerned voting, with Spain and Poland reluctant to give up a weighted system of voting scheduled for 2006 that would give them a disproportionate influence in the EU relative to their populations. In Oct., 2004, however, EU nations signed a constitution with a provision requiring a supermajority of nations to pass legislation. The constitution, which needed to be ratified by all members to come into effect, was rejected by voters in France and the Netherlands in 2005, leading EU leaders to pause in their push for its ratification.

Meanwhile, in 2003 the EU embarked, in minor ways, on its first official military missions when EU peacekeeping forces replaced the NATO force in Macedonia and were sent by the United Nations to Congo (Kinshasa); the following year the EU assumed responsibility for overseeing the peacekeepers in Bosnia. EU members also took steps toward developing a common defense strategy independent of NATO, and agreed in 2004 to admit Bulgaria and Romania in 2007. José Manuel Barroso succeeded Prodi as president of the European Commission late in 2004. Accession talks with Turkey were partially suspended in Dec., 2006, over the issue of Turkish relations with Cyprus because Turkey was unwilling to open its ports to Cypriot trade unless the EU eased its trade restrictions on North Cyprus.

The EU opted for incremental reforms over a new constitution in 2007, when member nations signed the Lisbon Treaty. The treaty reorganized the European Council, established an elected president of the European Council and a single EU foreign policy official, and reformed the EU's system of voting, among other changes. (The reforms will be phased in through 2017.) In June, 2008, however, Irish voters—the only national electorate given the opportunity to ratify the treaty—rejected it in a referendum, a potentially fatal setback. A year later, however, EU nations agreed on a number of guarantees to the Irish Republic that were designed to lead to a new Irish referendum on the treaty (several other nations also received various exemptions). Irish voters approved the treaty in a revote in Oct., 2009; ratification was completed the following month; and the treaty came into force in Dec., 2009.

Weaknesses in an EU system in which economic and monetary integration was not bolstered by political unity were revealed by the economic crisis of 2008, when measures such as bank-deposit guarantees adopted by some euro nations forced most EU nations to adopt similar measures in order to avoid bank runs. Eurozone nations were unable to agree on a common approach to the crisis and resulting recession, and subsequent high budget deficits in Greece and some other eurozone countries strained the monetary union and forced eurozone nations to adopt sometimes stringent austerity programs. At the same time, however, many non-euro

European nations, whether members of the EU or not, found their financial systems stressed, at least initially, to a greater degree by the crisis than many euro nations did. In 2010 the effects of the crisis forced EU nations and the IMF to adopt a $950 billion package to aid financially troubled eurozone nations and support the euro; additional measures were adopted and additional funds set aside in 2011 and 2012, and in Oct., 2012, the eurozone's permanent European Statility Mechanism was established

By 2011 Greece, then Ireland, and later Portugal had been forced to accept international rescue packages, and they and some other EU nations were forced to adopt significant austerity budgets that led in many cases to economic recession, increased unemployment, and further budget deficits. In Mar., 2012, all but two EU nations (Britain and the Czech Republic) signed an agreement intended prevent future budget crises, though many criticized the accord for emphasizing budgetary discipline without consideration for its relationship to economic growth. Spain and Cyprus subsequently also sought international financial aid. At the same time, however, there was increasing public resistance to additional austerity measures in many hard-hit EU nations, and in the EU as a whole unemployment increased to record levels. In July, 2013, Croatia joined the EU.

The European Union (EU) is an economic and political union of 27 member states which are located primarily in Europe. Its capital is de facto Brussels. The EU operates through a system of supranational independent institutions and intergovernmental negotiated decisions by the member states. Important institutions of the EU include the European Commission, the Council of the European Union, the European Council, the Court of Justice of the European Union, and the European Central Bank. The European Parliament is elected every five years by EU citizens.

The EU traces its origins from the European Coal and Steel Community (ECSC) and the European Economic Community (EEC), formed by the Inner Six countries in 1951 and 1958 respectively. In the intervening years the community and its successors have grown in size by the accession of new member states and in power by the addition of policy areas to its remit. The Maastricht Treaty established the European Union under its current name in 1993. The latest amendment to the constitutional basis of the EU, the Treaty of Lisbon, came into force in 2009.

The EU has developed a single market through a standardised system of laws which apply in all member states. Within the Schengen Area (which includes 22 EU and 4 non-EU states) passport controls have been abolished. EU policies aim to ensure the free movement of people, goods, services, and capital, enact legislation in justice and home affairs, and maintain common policies on trade, agriculture, fisheries and regional development. A monetary union, the eurozone, was established in 1999 and is composed of 17 member states. Through the Common Foreign and Security Policy the EU has developed a role in external relations and defence. Permanent diplomatic missionshave been established around the world. The EU is represented at the United Nations, the WTO, the G8and the G-20.

With a combined population of over 500 million inhabitants, or 7.3% of the world population, the EU, in 2011, generated the largest nominal world gross domestic product (GDP) of 17.6 trillion US dollars, representing approximately 20% of the global GDP when measured in terms of purchasing power parity. The EU was the recipient of the 2012 Nobel Peace Prize.

Economy of the European Union

The economy of the European Union generates a GDP of over €12.629 trillion (US$17.578 trillion in 2011) according to the International Monetary Fund (IMF), making it the largest economy in the world. The European Union (EU) economy consists of an Internal Market and the EU is represented as a unified entity in the World Trade Organization (WTO).

Currency

The official currency of the European Union is the euro used in all its documents and policies. The Stability and Growth Pact sets out the fiscal criteria to maintain for stability and (economic) convergence. The euro is also the most widely used currency in the EU, which is in use in 17 member states known as the Eurozone.

All other member states, apart from Denmark and the United Kingdom, which have special opt-outs, have committed to changing over to the euro once they have fulfilled the requirements needed to do so. Also, Sweden can effectively opt out by choosing when or whether to join the European Exchange Rate Mechanism, which is the preliminary step towards joining. The remaining states are committed to join the Euro through their Treaties of Accession.

Economies of member states

Economic performance varies from state to state. The Growth and Stability Pact governs fiscal policy with the European Union. It applies to all member states, with specific rules which apply to the eurozone members that stipulate that each state's deficit must not exceed 3% of GDP and its public debt must not exceed 60% of GDP. However, many larger members have consistently run deficits substantially in excess of 3%, and the eurozone as a whole has a debt percentage exceeding 60%.

Economic growth

The EU's share of Gross world product (GWP) is stable at around one fifth. The twelve new member states of the European Union have enjoyed a higher average percentage growth rate than their elder members of the EU. Slovakia has the highest GDP growth in the period 2005-2011 among all countries of the European Union. Notably theBaltic states have achieved massive GDP growth, with Latvia topping 11%, close to China, the world leader at 9% on average for the past 25 years (though these gains have been in great part cancelled by the late-2000's recession).

Reasons for this massive growth include government commitments to stable monetary policy, export-oriented trade policies, low flat-tax rates and the utilisation of relatively cheap labour. For the last year (2011), Estonia had the highest GDP growth from all the states in EU (7,6%). The current map of EU growth is one of huge regional variation, with the larger economies suffering from stagnant growth and the new nations enjoying sustained, robust economic growth.

Although EU27 GDP is on the increase, the percentage of Gross world product is decreasing due to the emergence of economic powers such as China, India and Brazil. In the medium to long term, the EU will be looking forward to increase GDP growth in Italy and the UK in order to stabilise growth in European Union states. This is to ensure sustained economic prosperity.

Trade

The European Union is the largest exporter in the worldand as of 2008 the largest importer of goods and services. Internal trade between the member states is aided by the removal of barriers to trade such as tariffs and border controls. In the eurozone, trade is helped by not having any currency differences to deal with amongst most members.

The European Union Association Agreement does something similar for a much larger range of countries, partly as a so-called soft approach ('a carrot instead of a stick') to influence the politics in those countries. The European Union represents all its members at the World Trade Organization (WTO), and acts on behalf of member states in any disputes. When the EU negotiates trade related agreement outside the WTO framework, the subsequent agreement must be approved by each individual EU member.

Unemployment

The seasonally adjusted unemployment rate in the European Union (EU27) in March 2009 was 8.3% compared to 6.7% in March 2008. The Eurozone (EA16) unemployment figure for January 2009 was 8.2% compared to 7.3% in January 2008. The unemployment rate (EU25) had previously declined in prior years from 8.9% in March 2005 to 8.4% in March 2006 to 7.3% in March 2007.

The rate varies widely by member state. There has been a steep upturn in the unemployment rate since 2008 due to the worldwide credit crunch and following recession. The countries within the EU which were most affected were Spain, Ireland and the Baltic countries with the unemployment rate doubling or in case of the Baltic countries nearly tripling. By comparison in March 2009 the United States had an unemployment rate of 8.6% (2008: 5.1; 2007: 4.4; 2006: 4.7) which was higher than the EU-27's unemployment rate but lower than the EU-16 Eurozone rate of 8.9%. Japan's unemployment rate remained comparatively steady at 4.4% (2008: 3.9; 2007: 4.0; 2006: 4.1).

Industries

The services sector is by far the most important sector in the European Union, making up 69.4% of GDP, compared to the manufacturing industry with 28.4% of GDP and agriculture with only 2.3% of GDP.

Agriculture

The agricultural sector is supported by subsidies from the European Union in the form of the Common Agricultural Policy (CAP). This currently represents 40–50% of the EU's total spending. It guarantees a minimum price for farmers in the EU. This is criticised as a form of protectionism, inhibiting trade, and damaging developing countries; one of the most vocal opponents is the UK, the third largest economy within the bloc, which has repeatedly refused to give up the annual UK rebate unless the CAP undergoes significant reform; France, the biggest benefactor of the CAP and the bloc's second largest economy, is its most vocal proponent.

Tourism

The European Union is a major tourist destination, attracting visitors from outside of the Union and citizens travelling inside it. Internal tourism is made more convenient for the citizens of some EU member states by the Schengen treaty and the Euro. All citizens of the European Union are entitled to travel to any member state without the need of a visa.

France is the world's number one tourist destination for international visitors, followed by Spain, Italy and the United Kingdom at 2nd, 5th and 6th spots respectively. It is worth noting however a significant proportion of international visitors to EU countries are from other member states.

Organizational Structure

The former EC, which formed the core of the EU, originally referred to the group of Western European nations that belonged to each of three treaty organizations—the European Coal and Steel Community (ECSC), the European Economic Community (EEC), and the European Atomic Energy Community (Euratom). In 1967 these organizations were consolidated under a comprehensive governing body composed of representatives from the member nations; further modifications since then have established the institutions of the EU as the European Parliament, the European Council, the Council of the European Union, the European Commission, and the Court of Justice of the European Union, the European Central Bank (see European Monetary System), and the Court of Auditors.

Although the EU has no single seat of government, many of its most important offices are in Brussels, Belgium. The European Commission is headquartered there, as is the European Council and the Council of the European Union; it is also where the various committees of the European Parliament generally meet to prepare for the monthly sessions in Strasbourg, France. The European Central Bank is in Frankfurt, Germany; the Court of Justice and the Court of Auditors are in Luxembourg, Luxembourg.