



# European Union

**Last Updated: July 2022**

The European Union is a group of 27 countries that operate as a cohesive economic and political block.

19 of these countries use **EURO** as their official currency. **8 EU members** (Bulgaria, Croatia, Czech Republic, Denmark, Hungary, Poland, Romania, Sweden) **do not use the euro**.

The EU grew out of a desire to form a single European political entity to end centuries of warfare among European countries that culminated with World War II and decimated much of the continent.

The EU has developed an **internal single market** through a standardised system of laws that apply in all member states in matters, where members have agreed to act as one.

## What are the Objectives of the EU?

- Promote peace, values and the well-being of all citizens of EU.
- Offer freedom, security and justice without internal borders
- Sustainable development based on balanced economic growth and price stability, a highly competitive market economy with full employment and social progress, and environmental protection
- Combat social exclusion and discrimination
- Promote scientific and technological progress
- Enhance economic, social and territorial cohesion and solidarity among EU countries
- Respect its rich cultural and linguistic diversity
- Establish an economic and monetary union whose currency is euro.

## What led to the Formation of the EU?

- After World War II, European integration was seen as a **cure to the excessive nationalism** which had devastated the continent.
- In 1946 at the University of Zurich, Switzerland, **Winston Churchill** went further and advocated the **emergence of a United States of Europe**.
- In 1952, **European Coal and Steel Community (ECSC)** was founded under **Treaty of Paris (1951)** by 6 countries called **Six** (Belgium, France, Germany, Italy, Luxembourg and the Netherlands) to renounce part of their sovereignty by placing their coal and steel production in a common market, under it.
  - **European Court of Justice** (called "Court of Justice of the European Communities" until 2009) was also **established in 1952 under Paris Treaty**.
- **European Atomic Energy Community** (EAEC or Euratom) is an international organisation established by the **Euratom Treaty (1957)** with the original purpose of creating a specialist market for nuclear power in Europe, by developing nuclear energy and distributing it to its member states while selling the surplus to non-member states.
  - It has same members as the European Union and is governed by the European Commission (EC) and Council, operating under the jurisdiction of the European Court of Justice.

- **European Economic Community (EEC)** was created by the **Treaty of Rome (1957)**. The Community's initial aim was to bring about economic integration, including a common market and customs union, among its founding members (Six).
  - It ceased to exist by Lisbon Treaty-2007 and its activities were incorporated in EU.
- **Merger Treaty (1965, Brussels)** in which an agreement was reached to merge the three communities (ECSC, EAEC, and EEC) under a single set of institutions, creating the **European Communities (ECs)**.
  - The Commission and Council of the EEC were to take over the responsibilities of its counterparts (ECSC, EAEC) in other organisations.
- The ECs initially expanded in 1973 when Denmark, Ireland, the United Kingdom became members. Greece joined in 1981, Portugal and Spain following in 1986.
- **Schengen Agreement (1985)** paved the way for the creation of open borders **without passport controls** between most member states. It was effective in 1995.
- **Single European Act (1986)**: enacted by the European Community that committed its member countries to a timetable for their economic merger and the establishment of a single European currency and common foreign and domestic policies.
- **The Maastricht Treaty-1992** (also called the **Treaty on European Union**) was signed on 7 February 1992 by the members of the European Community in Maastricht, Netherlands to further European integration. It received a **great push with the end of the Cold War**.
  - European Communities (ECSC, EAEC, and EEC) incorporated as **European Union**.
  - **European citizenship** was created, allowing citizens to reside in and move freely between Member States.
  - A common foreign and security policy was established.
  - Closer cooperation between police and the judiciary in criminal matters was agreed.
  - It paved the way for the creation of a single European currency - **the euro**. It was the culmination of several decades of debate on increasing economic cooperation in Europe.
  - It established the **European Central Bank (ECB)**.
  - **It enabled people** to run for local office and for **European Parliament elections** in the EU country they lived in.
- **A monetary union** was established in 1999 and came into full force in 2002 and is composed of 19 EU member states which use the euro currency. These are Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia, and Spain.
- In 2002, **Treaty of Paris (1951) expired & ECSC ceased to exist** and its activities fully absorbed by the European Community (EEC).
- **The Treaty of Lisbon 2007**:
  - European Community (now composed only of EEC, EAEC, as ECSC already ceased in 2002) was ceased and its activities incorporated in EU.
  - EAEC is only remaining community organization legally distinct from the European Union (EU), but has the same membership, and is governed by many of the EU's institutions.
- **Euro Crisis**: The EU and the **European Central Bank (ECB)** have struggled with high sovereign debt and collapsing growth in Portugal, Ireland, Greece and Spain since the global financial market collapse of 2008. Greece and Ireland received financial bailouts from the community in 2009, which were accompanied by fiscal austerity. Portugal followed in 2011, along with a second Greek bailout.
  - Multiple rounds of interest rate cuts and economic stimulus failed to resolve the problem.
  - Northern countries such as Germany, the United Kingdom and the Netherlands increasingly resent the financial drain from the south.
- In 2012, the EU received the **Nobel Peace Prize** for having "contributed to the advancement of peace and reconciliation, democracy, and human rights in Europe.
- **Brexit**: In 2016, a referendum (called Brexit) was held by U.K. government, and the nation voted to leave the EU. Now the process is under UK Parliament for formal withdrawal from EU.

## What is EU's Governance Structure?

- **European Council:**

- It is a collective body that defines the European Union's overall political direction and priorities.
- It comprises of the **heads of state or government of the EU member states**, along with the **President of the European Council and the President of the European Commission**.
- The **High Representative of the Union for Foreign Affairs and Security Policy** also takes part in its meetings.
- Established as an informal summit in 1975, the European Council was formalised as an institution in 2009 upon the entry into force of the Treaty of Lisbon.
- The decisions of its summits are **adopted by consensus**.
- **European Parliament:** It is the only parliamentary institution of the European Union (EU) that is **directly elected by EU citizens** aged 18 years or older. Together with the **Council of the European Union** (also known as the 'Council'), it exercises the **legislative function** of the EU.
  - European Parliament does not possess as much legislative power as its member countries' parliaments do.
- **Council of the European Union:** It is part of the essentially bicameral EU legislature (the other legislative body being the European Parliament) and **represents the executive governments (Minister) of the EU's member states**.
  - In the Council, government ministers from each EU country meet to discuss, amend and adopt laws, and coordinate policies. The ministers have the authority to commit their governments to the actions agreed on in the meetings.
- **European Commission (EC):** It is an **executive body of the European Union**, responsible for proposing legislation, implementing decisions, upholding the EU treaties and managing the day-to-day business of the EU.
  - The Commission operates as a cabinet government, with 27 members of the Commission. There is one member per member state. **These members are proposed by member countries** and European Parliament gives final approval on them.
  - One of the 27 members is the **Commission President** proposed by the European Council and elected by the European Parliament.
  - The Commission is divided into departments known as **Directorates-General (DGs)** that can be likened to departments or ministries is **headed by a director-general who is responsible to a commissioner**.
  - **High Representative (HR) of the Union for Foreign Affairs and Security Policy** is appointed by the European Council by voting and The President of the EC must be in agreement with the decision. HR is charged with shaping and carrying out the EU's foreign, security and defence policies.
- **European Court of Auditors (ECA):** It investigates the proper management of finances within both the EU entities and EU funding provided to its member states.
  - It can refer unresolved issues to the European Court of Justice to arbitrate on any alleged irregularities.
  - ECA members are appointed by the Council, after consulting the Parliament, for renewable 6-year terms.
- **The Court of Justice of the European Union (CJEU):** It interprets EU law to make sure it is applied in the same way in all EU countries, and settles legal disputes between national governments and EU institutions.
  - It can also be approached by individuals, companies or organisations to take action against an EU institution, if they feel their rights are infringed under EU system.
  - Each **judge** and **advocate** general is **appointed jointly by national governments** (member country).
  - It is located in Luxembourg.
- **The European Central Bank (ECB):** It is the central bank for the euro and administers monetary policy within the Euro zone, which comprises 19 member states of the European Union.

- Governing Council – It is the main decision-making body of ECB. It consists of the Executive Board plus the **governors of the national central banks** from euro zone countries.
- Executive Board – It handles the day-to-day running of the ECB. It consists of the ECB President and Vice-President and 4 other members appointed by national governments of euro zone countries.
- **Sets the interest rates** at which it lends to commercial banks in the euro zone, thus controlling money supply and inflation.
- Authorises production of euro banknotes by euro zone countries.
- Ensures the safety and soundness of the European banking system.
- It is located in Frankfurt (Germany).
- **The European system of financial supervision (ESFS):** It was introduced in 2010. It consists of:
  - the European Systemic Risk Board (ESRB)
  - 3 European supervisory authorities (ESAs)
    - the European Banking Authority (EBA)
    - the European Securities and Markets Authority (ESMA)
    - the European Insurance and Occupational Pensions Authority (EIOPA)

## What are the Functions of EU?

- EU's law and regulation is meant to create a cohesive economic entity of its countries, so that **goods can flow freely across the borders** of its member nations, without tariffs, with the ease of one currency, and the creation of one enlarged labour pool, which creates a **more efficient distribution and use of labour**.
- There is a pooling of financial resources, so that member nations can be "bailed out" or lent money for investment.
- Union's expectations in areas such as **human rights and the environment** have **political implications** for member countries. Union can exact a heavy political cost such as severe cutbacks and an austerity budget on its members as a condition of giving aid.
- This is a **great experiment**, really, in cooperation amongst nations, who wish to be **economically unified, ceding as little political and national power as possible**.
- Trade
  - Free trade among its members was one of the EU's founding principles. This is possible thanks to the single market. Beyond its borders, the **EU is also committed to liberalising world trade**.
  - The European Union is the largest trade block in the world. It is the world's biggest exporter of manufactured goods and services, and the biggest import market for over 100 countries.
- Humanitarian aid
  - The EU is committed to helping victims of man-made and natural disasters worldwide and supports over 120 million people each year.
  - EU and its constituent countries is the world's leading donor of humanitarian aid.
- Diplomacy and security
  - The EU plays an important role in diplomacy and works to foster stability, security and prosperity, democracy, fundamental freedoms and the rule of law at international level.

## What is EU's Indo Pacific Strategy?

- The European Union (EU) in a bid to push for a closer relationship and stronger presence in the [Indo-Pacific](#), released its [Strategy for Cooperation in the Indo-Pacific](#) in October 2021. The key features of the strategy include:
  - **Sustainable Supply Chain:** The primary objective of this engagement with Indo-Pacific partners is to build more resilient and sustainable global value chains.
  - **Partnership With Like-Minded Countries:** The EU strategy currently appears to be pointed more towards building on established partnerships and developing new ones with like-minded countries in the Indo-Pacific to ensure its role and growing presence in the Indo-



Pacific region.

- **Willingness to Work With Quad Members:** There is a willingness to work with Quad partner countries, especially on climate change, technology and vaccines.
  - Given China's expansionist tendencies in the Western Pacific and its growing footprints in the Indian Ocean, the EU is willing to work with the Quad countries in the Indo-Pacific region.
- Also, in order to compete with China's **Belt and Road Initiative (BRI)**, the EU launched the **"Global Gateway" Scheme**.

## What are the Challenges Associated with EU & What Reforms can be Brought?

- It is no longer self-evident that all old member states will stay in the Union. **The Treaty of Lisbon** gave the **members the right to leave the EU**. The financial crisis has hit Greece so hard that many people have predicted for a long time that the country will exit from the Union.
- Layoffs, redundancies and migration of jobs to countries where labour is cheap affect the daily lives of European citizens. The EU is expected to find solutions to economic problems and employment.
- There is also demand for **standard labour agreements** on terms of employment and working conditions that would apply across Europe and even worldwide. As a member of the World Trade Organisation, the European Union is in a position to influence developments worldwide.
- EU is a global leader in the development of **Key Enabling Technologies (KETs)**. However, EU's record in translating this knowledge advantage into marketable products and services doesn't match this. KETs-related manufacturing is decreasing in the EU and patents are increasingly being exploited outside the EU.
- Europe is experiencing a **renaissance of national sovereignty** supported by a nationalistic turn of public opinion and represented by parties on both ends of the political spectrum. Popular disaffection toward EU membership is fuelled by the contemporaneous occurrence of two shocks, **the economic and the migration crises**.
- USA, by **withdrawing** from the Paris **climate change deal**, by pulling out of the Joint Comprehensive Plan of Action (JCPOA) on **Iran's nuclear programme**, and by attacking the **integrity of the international trading system** through **the unilateral imposition of tariffs**, has called into question Europeans' formerly unshakeable faith in diplomacy as a way to resolve disagreements and to protect Europe.
- European leaders now fear that the **transatlantic security guarantee** will centre not on alliances and common interests but purchases of American technology and materiel.
- Like the United States, the EU has been forced to reconsider its relationship with a more **assertive Russia** with implications for European security and stability. The EU has sought to support Ukraine's political transition, **condemned Russia's annexation of Crimea** in March 2014, and strongly urged Russia to stop backing separatist forces in eastern Ukraine.
  - Democratic regression in Ukraine combined with a hardening attitude in Moscow imposes constraints on the Ukrainian government's freedom of maneuver in pursuing its European Union membership.
- **Brexit:** EU has imposed too many rules on business and charged billions of pounds a year in membership fees for **little in return**.
  - The EU added eight eastern European countries in 2004, **triggering a wave of immigration** that strained public services. In England and Wales, the share of foreign-born residents had swelled to 13.4 percent of the population by 2011, roughly double the level in 1991.
  - **Brexit supporters** wanted Britain to take back full control of its borders and reduce the number of people coming here to live and/or work.
  - They argued that the **EU is morphing into a super-state** that increasingly impinges on national sovereignty. **Britain has global clout without the bloc**, they said, and can negotiate better trade treaties on its own.
  - Withdrawal from the EU is governed by Article 50 of the Treaty on European Union.
  - A deal between UK & EU that gives it **control over immigration** and **also preferential access to the EU's tariff-free** single market of 500 million people (UK), the economic backbone of the world's largest trading bloc is rejected by Germany & other EU leaders.

## How Cordial are EU's Relations with India?

- The EU works closely with India to promote peace, create jobs, boost economic growth and enhance sustainable development across the country.
  - As India graduated from low to medium income country (OECD 2014), the EU-India cooperation also evolved from a **traditional financial assistance** type **towards a partnership** with a focus on common priorities.
  - At the **2017 EU-India Summit**, leaders reiterated their intention to strengthen cooperation on the implementation of the **2030 Agenda for Sustainable Development** and agreed to explore the continuation of the **EU-India Development Dialogue**.
  - The EU was India's largest trading partner in goods 2019-20, ahead of China and the US, with total trade close to USD 90 billion.
  - INDIA-EU Bilateral Trade and Investment Agreement (BTIA): It is a Free Trade Agreement between India and EU, which was initiated in 2007.
- Recently, India and the European Union **[concluded the first round of negotiations for India-EU Trade and Investment Agreements](#)** in New Delhi.
    - The second round of negotiations is scheduled to take place in September 2022 in Brussels.
    - With the signing of the BTIA , India and the EU expect to promote bilateral trade by removing barriers to trade in goods and services and investment across all sectors of the economy.

## Conclusion

Evolution of EU has roots in looking for an integration of divided Europe because of excessive nationalism over a long period of time which also witnessed two world wars. It has played an important role in improving economic conditions and raising living standard of people in weaker members of group.

PDF Refernece URL: <https://www.drishtiiias.com/printpdf/european-union>