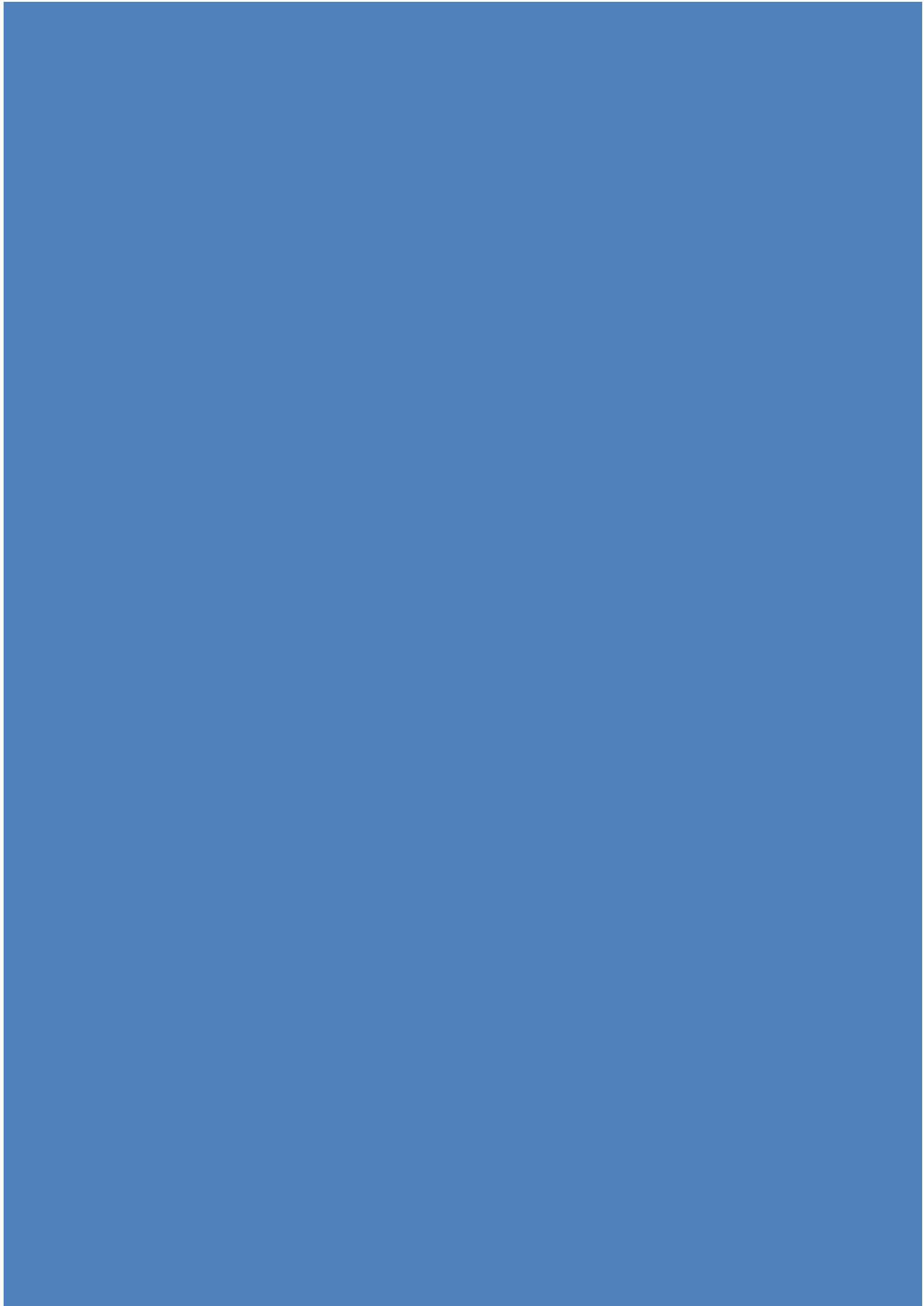




# Information and documents for the application procedure 2019

**Bachelor programme  
European Economy and  
Business Management**

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## Introduction

Dear applicant!

Welcome to the application procedure of the  
**Bachelor programme European Economy and Business Management  
(short: EWUF)!**

Students of our bachelor program European Economy and Business Management complete an education focused on general business administration and European integration. Upon completion you will be ready to carry out a wide set of functions within an international company. You will have acquired substantial competences regarding the economic interrelations of the European Union.



Prof.<sup>in</sup> (FH) Dr.<sup>in</sup> E.  
Springler

With our application procedure we therefore want to allude the main areas of the European Union and the main prerequisites of the bachelor programme European Economy and Business Administration.

When studying the information in this brochure you will be perfectly prepared for our application procedure, which consists of a multiple choice exam and a personal interview. On the next page general information will be given. Furthermore you will find the important preparation details and documents for the multiple choice exam. The discussion material for the personal interview will be provided on our website in February.

We wish you good luck for the application procedure 2019!

Best regards,



Prof.<sup>in</sup> (FH) Dr.<sup>in</sup> Elisabeth Springler  
Programme director EWUF

Mag.<sup>a</sup> Marion Haberfellner  
Coordinator EWUF





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## General information regarding the application procedure

The application procedure for the *Bachelor Programme European Economy and Business Management* consists of a **multiple choice exam** and a personal **interview**.

The **multiple choice exam** will cover three parts: *European Union*, *Mathematics* and *English*. The preparation documents for the part *European Union*, as well as the main topics for the part *Mathematics* are presented in this brochure. For the *English* part no focus is given, as the level B2 is required. The multiple choice exam will be held electronically at the University of Applied Sciences BFI Vienna. The date for this exam will be given to you upon application. Detailed information regarding test and timing of each part will be given right before your exam.

The multiple choice exam has a duration of 60 minutes in total and you can accumulate a maximum of 60 points. The points are distributed as follows:

- European Union: 30 questions (30 points); 40 minutes maximum working time.
- English: 20 questions (20 points); 12 minutes maximum working time.
- Mathematics: 10 questions (10 points); 8 minutes maximum working time.

Right after your multiple choice exam you will have a personal **interview**, with one of our professors and lecturers of the study programme. The interview is based on the articles that will be provided on our website in February. Select one of the articles presented and prepare the questions in the beginning of the article you have chosen. During the interview no additional material is allowed and you are requested to summarize the article and answer / discuss the questions presented. The interview will take approximately 15 minutes!



## Material to prepare for the multiple choice exam

### 1.1. Topics for the mathematical part

To allow you to focus on specific areas in mathematics in preparation for the multiple choice exam, we announce the following topics as highly relevant for the examination:

- Sets of numbers
- Operations with Algebraic Expressions
- Linear equations with one variable
- Percentage calculation
- System of linear equations with two unknowns

You can accumulate a maximum of **10 points from the mathematical part of the multiple choice exam!**



## 1.2. Literature for the part *European Union* of multiple choice exam

On the following pages you find the relevant literature to prepare for the part *European Union* of the multiple choice exam. **30 questions will be asked in this part** (equals 30 points)!

The literature for preparation comprises the following documents of the European Union:

- Europe 2020
- How the European Union works
- The founding fathers of the EU
- The EU Explained: Enlargement
- The EU Explained: Trade
- Poverty in the European Union

This literature can also be downloaded from the website of the European Union (Publications Office):

<https://publications.europa.eu/en/web/general-publications/publications>





THE EUROPEAN  
UNION  
EXPLAINED

Growing to a  
sustainable  
and job-rich  
future



# Europe 2020: Europe's growth strategy

Europe's contribution must be a big step for an ever closer, ever stronger Union of stability and growth.



# THE EUROPEAN UNION EXPLAINED

*This publication is a part of a series that explains  
what the EU does in different policy areas,  
why the EU is involved and what the results are.*

*You can find the publications online:*

[http://europa.eu/pol/index\\_en.htm](http://europa.eu/pol/index_en.htm)

<http://europa.eu/!bY34KD>

How the EU works  
Europe in 12 lessons  
Europe 2020: Europe's growth strategy ✕  
The founding fathers of the EU

Agriculture  
Banking and finance  
Borders and security  
Budget  
Climate action  
Competition  
Consumers  
Culture and audiovisual  
Customs  
Digital agenda  
Economic and monetary union and the euro  
Education, training, youth and sport  
Employment and social affairs  
Energy  
Enlargement  
Enterprise  
Environment  
Fight against fraud  
Food safety  
Foreign affairs and security policy  
Humanitarian aid and civil protection  
Internal market  
International cooperation and development  
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Maritime affairs and fisheries  
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Research and innovation  
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### The European Union explained: Europe 2020: Europe's growth strategy

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Directorate-General for Communication  
Citizens information  
1049 Brussels  
BELGIUM

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# Why we need the Europe 2020 growth strategy

## Reforms for increased competitiveness

Much like most other regions across the world, Europe is going through a period of transformation. The global economic crisis has wiped out years of economic and social progress and exposed structural weaknesses in its economy. Meanwhile, various long-term challenges such as globalisation, pressure on natural resources and an ageing population are intensifying. If we are to adapt to this changing reality, Europe can no longer rely on 'business as usual'.

The structural weaknesses in Europe's economy exposed by the crisis can only be addressed by moving ahead with structural reforms: reforms that are based on national efforts, but build on European assets such as the single market, the common trade policy and other European Union-level policies. If we want to sustain the model of the European social market economy in the current challenging climate, then Europe will also need to be more competitive.

In order to tackle these issues, in 2010 the EU and its Member States launched a strategy for sustainable growth for the coming decade: the Europe 2020 strategy. The strategy deals both with short-term challenges linked to the crisis and with the need for structural reforms through growth-enhancing measures needed to make Europe's economy fit for the future.

*EU policies aim to get 75 % of Europe's working-age population into jobs by 2020.*



## Objectives and flagship initiatives

The EU has set five ambitious objectives — on employment, innovation, education, social inclusion and climate/energy — to be reached by 2020. In concrete terms these are:

1. ensuring 75 % employment of 20–64-year-olds;
2. getting 3 % of the EU's GDP invested in research and development;
3. limiting greenhouse gas emissions by 20 % or even 30 %, providing 20 % of our energy needs from renewables and increasing our energy efficiency by 20 % (all compared to 1990 levels);
4. reducing school dropout rates to below 10 %, with at least 40 % of 30–34-year-olds having completed tertiary education;
5. ensuring 20 million fewer people are at risk of poverty or social exclusion (compared to 1990 levels).

Each EU country has adopted its own national targets in each of these areas, and EU leaders have agreed a number of concrete actions at EU and national levels.

They have also identified the most important areas of action which they believe can be new engines to boost growth and jobs. These areas are addressed through seven 'flagship initiatives'.

- 'Innovation Union': aims to improve conditions and access to finance for research and innovation, so that innovative ideas can ultimately be turned into products and services and thereby create growth and jobs.

- ‘Youth on the move’: aims to enhance the performance of education systems and to facilitate the entry of young people into the labour market. This is done, among other things, through EU-funded study, learning and training programmes, as well as platforms that help young jobseekers find employment across the EU.
- ‘A digital agenda for Europe’: aims to speed up the roll-out of high-speed Internet and uptake of information and communication technologies (ICT).
- ‘Resource-efficient Europe’: aims to help decouple economic growth from the use of resources. It supports the shift towards a low-carbon economy, an increased use of renewable energy sources, the development of green technologies and a modernised transport sector, and promotes energy efficiency.
- ‘An industrial policy for the globalisation era’: aims to improve the business environment notably for small- to medium-sized enterprises (SMEs), for example by helping them to access credit and by cutting red tape. It also supports the development of a strong and sustainable industrial base able to innovate and compete globally.
- ‘An agenda for new skills and jobs’: aims to modernise labour markets and empower people by developing their skills and by improving flexibility and security in the working environment. It also aims to help workers seek employment across the EU more easily in order to better match labour supply and demand.
- ‘European platform against poverty’: aims to ensure social and territorial cohesion by helping the poor and socially excluded to get access to the labour market and become active members of society.

Many of the EU's other policies and activities are also being harnessed to support the Europe 2020 strategy, for example; the single market, the EU budget (which is strategically used to support the priority areas of the Europe 2020 strategy) and the EU's trade policy (which, for example, promotes stronger trade relations which can provide European enterprises with access to government procurement and research programmes in third countries).



*High-speed Internet should be available throughout Europe.*

# How the EU goes about it

## Coordination and financial support

The crisis has shown us how interlinked our economies are. A housing bubble in one country can impact on neighbouring countries and indeed on all of the Union. This increased economic interdependence demands a coordinated response, including with social partners and civil society. If we act together we can come out of the crisis stronger. In a globalised world, no country can effectively address the challenges it faces by acting alone. This is particularly true for Europe, where tackling such challenges is most effective at EU level.

Promoting a return to growth and competitiveness of European economies has been the central focus of the European Commission's work since the onset of the crisis. In order to achieve this, public finances have to be put on a surer footing and a more stable and responsible financial sector must be at the service of the real economy. In addition, stronger economic governance and discipline are needed and Member States must continue their efforts to deliver fundamental structural reforms to boost competitiveness. If this is to work it all needs to be done simultaneously.

### Strong coordination of national economic policies

The 'European semester' is the time of year when Member States coordinate their economic policies and work on the implementation of the Europe 2020 strategy. The European semester ensures that EU countries publicly inform about their macroeconomic, structural and employment policy plans, so that they can learn from each other and detect problems in advance.

The purpose of the European semester is to strengthen coordination between Member States' economic policies while they are still in preparation, in order to detect inconsistencies and emerging imbalances. It is a systematic and thorough exercise of screening the European economy.

The Commission starts the European semester every year when it presents a report called the 'Annual growth survey' to the European Parliament and the Council. This report is the basis for discussions by EU leaders — the Heads of State or Government of EU Member States — who meet at the European Council in March (called 'the spring Council') to provide overall guidance for the Europe 2020 strategy.

On the basis of this guidance, each EU Member State has to draw up two programmes: a national reform programme and a stability or convergence programme. The former deals with how much progress they have made regarding the Europe 2020 benchmarks and what steps they will take in the following year to address remaining weaknesses. The latter deals with their multiannual budgetary plans. These two documents are then sent to the European Commission for assessment in April.

On this basis, the Commission issues country-specific recommendations, which are then endorsed by the European Council in June. These recommendations cover a broad range of issues including the state of public finances, the ability of the banking sector to sustain the economy, pension reforms, growth and competitiveness challenges, job creation and education measures, reflecting the priorities set out in the 'Annual Growth Survey'.

While the national reform programmes and the stability or convergence programmes are also prepared by the Member States on the basis of consultations with national stakeholders, the country-specific recommendations are prepared by the European Commission for each Member State individually. These targeted and concrete recommendations on what countries should achieve in the next 12 to 18 months are based on the analysis of the programmes provided by the Member States and enriched by inputs coming from bilateral meetings between experts from the Commission and the Member States.



For euro-area Member States, a new step has been added to the process since 2013: in the autumn, they have to submit their draft budgetary plans to the Commission. The Commission examines whether these budgetary plans are coherent with national reform programmes and with stability or convergence plans presented previously by the Member States and, most importantly, in line with recommendations addressed to the given Member State. The Commission then issues an independent opinion on the draft budgetary plans, which will inform national parliaments when voting on the budget law — in full sovereignty.

## Avoiding deficits and increasing fiscal discipline

The financial crisis has revealed a number of weaknesses in the EU's governance of economic and monetary union. The cornerstone of the EU's response is the new set of rules on enhanced economic governance which entered into force in 2011. Some complementary rules are applied to the euro-area countries in particular.

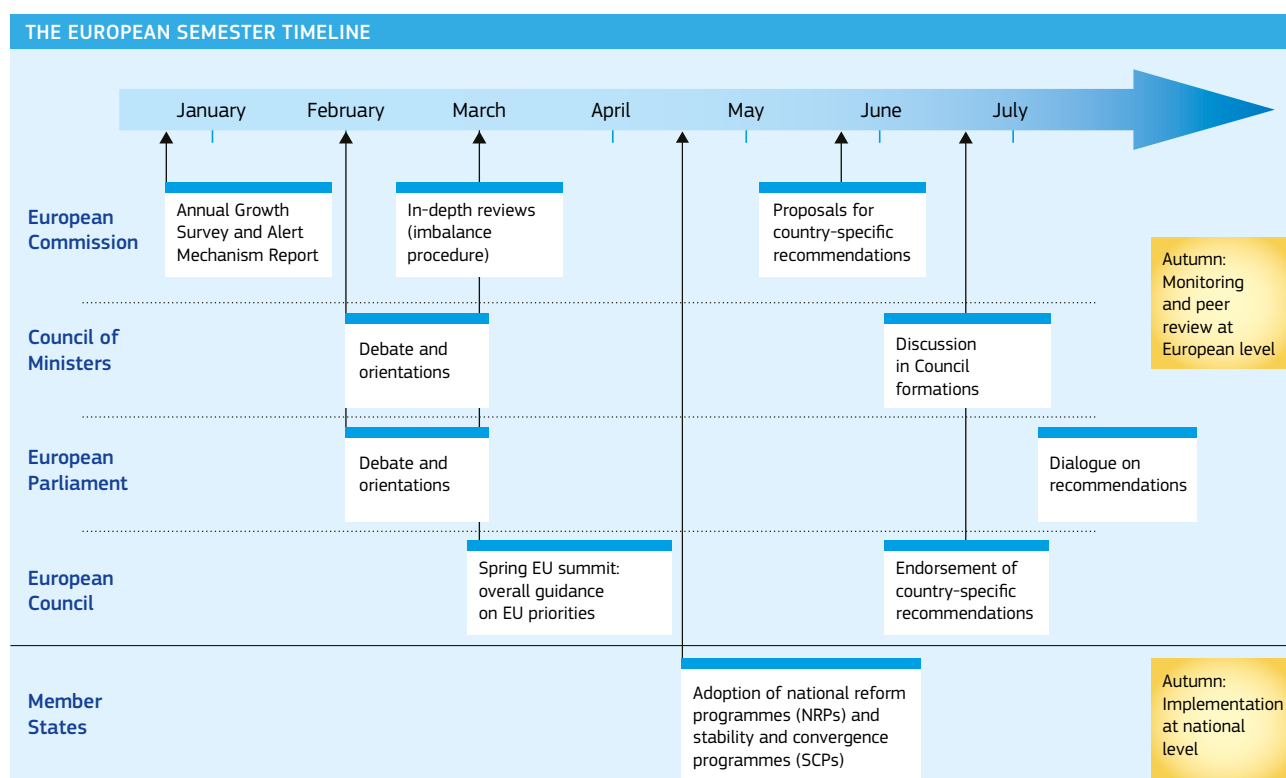
These stricter rules include sanctions for Member States who do not respect their commitments to bring their budgets back into a sustainable situation. In the case of an excessive deficit, financial sanctions — which only apply to euro-area countries — will be imposed in a gradual manner and may eventually reach 0.5 % of gross domestic product (GDP).

In addition, 25 EU Member States (17 euro-area countries and eight others) agreed on a new intergovernmental treaty, known as 'the Fiscal Compact', to increase fiscal discipline and convergence. This is a clear political statement that the euro-area countries will take any necessary measures to support the euro.

## Watching out for macroeconomic imbalances

As part of this new set of rules, a surveillance and enforcement mechanism has been established to identify and correct serious gaps in competitiveness: this is called the 'Macroeconomic Imbalance Procedure (MIP)'. It aims to identify imbalances in Member States' economies much earlier than before. It monitors national economies in detail and alerts the EU institutions to potential problems ahead.

The MIP uses a scoreboard that tracks changes in 11 economic indicators, such as export market shares, labour costs, private sector debt and house prices. Where imbalances are detected — for example, wage rises that are not in line with productivity increases, or rapidly rising house prices — recommendations are made to the Member State in question, and a clear roadmap with milestones to 'rebalance' the economy can be required. Ultimately, financial sanctions can be applied to a euro-area country if no corrective action is forthcoming.



## Financial stability

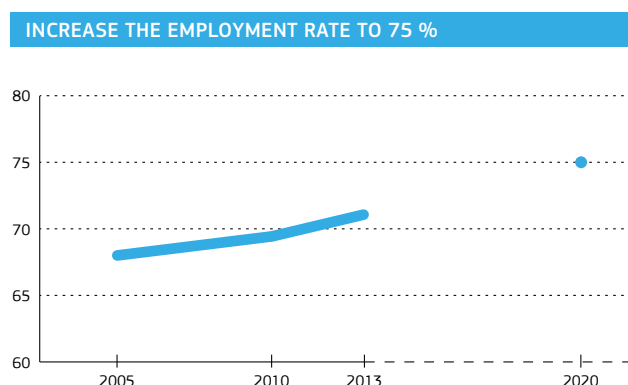
The crisis has raised questions regarding confidence in the euro area, which have received a determined response. Firewalls and firepower have been strengthened to help any struggling euro-area countries. The European Stability Mechanism (ESM), with €700 billion, will have more capital than any other financial organisation in the world and will be able to make up to €500 billion in loans. The ESM became operational in September 2012. It replaces two former temporary mechanisms, the European Financial Stability Facility (EFSF) and the European Financial Stabilisation Mechanism (EFSM).

The liquidity and lending capacity of banks has been reinforced in the short term, while significantly strengthening regulation and supervision of the EU's financial sector so as to avoid similar problems in the future.

## Growth and job creation

All measures mentioned above serve the ultimate purpose of creating an environment conducive to growth and job creation in the EU, because it is the only way to continue financing our way of life. Since the beginning of the crisis, the Commission has consistently called for growth-enhancing measures, which are at the heart of the Europe 2020 strategy. This growth must however be based on solid ground; this is the reason why the Commission is acting to promote smart, sustainable and inclusive growth.

The European Council agreed on the 'Compact for Growth and Jobs' which will, among other things, inject more capital into the European economy (through greater lending capacity from the European Investment Bank (EIB)), and deepen the European single market.



Share of 20-64-year-olds in work

## Financing Europe 2020

All of the Union's actions are supported by its budget, which is now more focused than ever on economic growth. This is also the case for the EU's multiannual budget for 2014-20. In particular, European Social and Investment Funds, which are deployed in the Member States, come in support of reforms and job creation.

The EU budget is geared towards investment in all the Member States on common challenges, such as boosting growth, creating jobs across Europe and increasing its influence in the world. The EU budget does not seek to fund what can already be covered by national budgets, but focuses on where European funding brings real added value. It funds what would not be funded or what would be more expensive to fund from national budgets.

## Broad involvement

The European Parliament plays an important role, including in mobilising national parliaments to play their part. With the new rules on economic governance, the European Parliament can establish an economic dialogue with the Council and the Commission.

Essentially, this means that the Parliament can scrutinise and request answers from the two institutions on their proposals and decisions. This renders the process more transparent and the Council and Commission more accountable.

All sections of society need to be involved in the Europe 2020 strategy. This must run through the core of society, including businesses, trade unions, non-governmental organisations (NGOs) and individual citizens. To help achieve this, the European Economic and Social Committee has set up a Steering Committee on Europe 2020 with broad networks of civil society organisations all around Europe. In the same vein, the Committee of the Regions set up a Europe 2020 monitoring platform involving regional and local authorities. Both committees submit opinions that contribute to the discussion during the spring European Council. In fact, a large part of the strategy is actually implemented at local and regional levels of EU countries. This includes local and regional authorities, social partners and civil society.

## What the EU does

### Targeted initiatives

Reaching the Europe 2020 targets can enhance the potential for economic growth in EU countries. The purpose of the targets is to generate momentum, with each EU Member State doing all it can to make progress in key areas.

Europe has worked best when it has worked together, and there are a number of achievements Europe can point to as examples of common endeavour. Airbus was formed in the 1970s between four European countries, and can now boast a workforce of over 50 000 employees as one of the leading aircraft manufacturers in the world.

Galileo is Europe's satellite navigation system and can provide better accuracy than the United States' Global Positioning System (GPS) or Russia's Glonass systems. It is set to enter service in 2019 once all of the satellites have been launched.

The EIB recently helped to finance the biggest offshore wind farms in the world. The Thanet and Walney wind farms in the United Kingdom can produce over 600 MW, which can power around 500 000 homes there, increasing the EU's renewable energy potential.

It is these and other projects which have been made possible through closer European cooperation in all sectors, and further such projects can become reality under the Europe 2020 flagship initiatives.

### Flagship achievements

The implementation of the Europe 2020 flagship initiatives is almost completed. Overall, progress has been satisfactory. Within each flagship a number of key actions have already been completed. Some examples are given below.

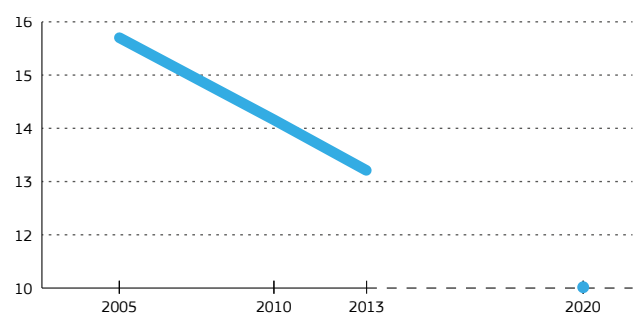
### Europe 2020 for young people

Every year, 6 million young Europeans leave school with at best a lower secondary education. This currently represents 14 % of 18–24-year-olds, which in turn fuels high levels of youth unemployment.

This is why the European Commission is trying to boost graduate numbers, improve teaching quality and maximise what higher education can do to help the EU economy emerge stronger from the crisis. Its strategy identifies priority areas where EU countries need to do more to achieve shared education objectives, and sets out how the EU can support their modernisation policies. EU-level initiatives include a multidimensional university ranking which will help inform students about which courses are best for them.

The Erasmus student exchange programme has, since its launch in 1987, co-financed 3 million exchanges. A new programme — 'Erasmus for all' — has been proposed by the Commission. It will allow up to 5 million people to receive EU grants to study, train or volunteer abroad between 2014 and 2020, nearly twice as many as is currently the case. In addition, there will be an 'Erasmus for Masters' loan guarantee scheme for students taking a full master's degree course in another EU country.

#### REDUCE THE NUMBER OF SCHOOL DROPOUTS TO UNDER 10 %



Share of 18–34-year-olds with no more than lower secondary education and not in education and training





*It is good for the economy when more people travel to study or work in other EU countries.*

Several specific initiatives that match young people to job vacancies have also been developed, while awareness-raising campaigns aim to encourage demand among SMEs to employ young people and facilitate contact between them. In addition to this, the Commission proposed that Member States and the EU make better use of the European Social Fund (ESF) to tackle youth unemployment. This will be done primarily by supporting the transition from school to work and supporting the labour-market mobility of young people.

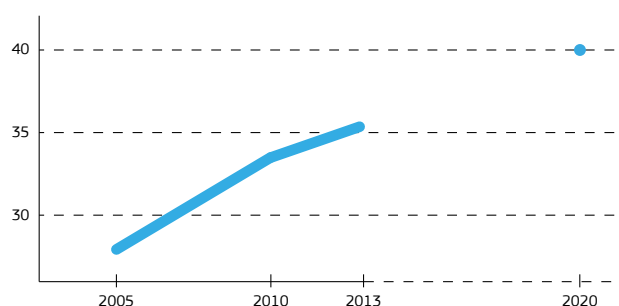
### In practice: Your first EURES job

*The 'Your first EURES job' programme aims to help people fill job vacancies throughout the EU. It is based on support from national employment services — information, job search, recruitment and funding — both for young jobseekers and businesses interested in recruiting from outside their home country. It helps jobseekers through job matching and job placement support and funding towards the costs of an interview trip and/or moving abroad to take up a new job. Employers on the other hand receive recruitment support, while SMEs can get financial support to cover part of the cost of training newly recruited workers and helping them to settle in.*

## Europe 2020 and combating poverty and social exclusion

With more than 80 million people in the EU at risk of poverty — including 20 million children and 8 % of the working population — the European Platform against Poverty and Social Exclusion set out actions to reach the EU target of reducing poverty and social exclusion by at least 20 million by 2020. Although combating poverty and social exclusion is mainly the responsibility of national governments, the EU can play a coordinating role by identifying best practices and promoting mutual learning, setting up EU-wide rules and making funding available. Key actions to achieve this are improved access to work; social security; education; and essential services such as healthcare and housing. Other key actions include better use of EU funds to support social inclusion and combat discrimination; social innovation to find new 'smart' solutions; and new partnerships between the public and the private sectors.

### ENSURE THAT AT LEAST 40 % OF 30–34-YEAR-OLDS HAVE A HIGHER EDUCATION CERTIFICATE



Share of 30–34-year-olds who have successfully completed university study or equivalent

## Europe 2020 and innovation

The flagship initiative 'Innovation Union' aims to forge even better links between research and innovation and job creation, which is vital if Europe is to recover from the current economic crisis. Each euro invested in EU research leads to an increase in industry added value of between €7 and €14, while spending 3 % of EU GDP on research and development by 2020 could create 3.7 million jobs and increase annual GDP by close to €800 billion by 2025.

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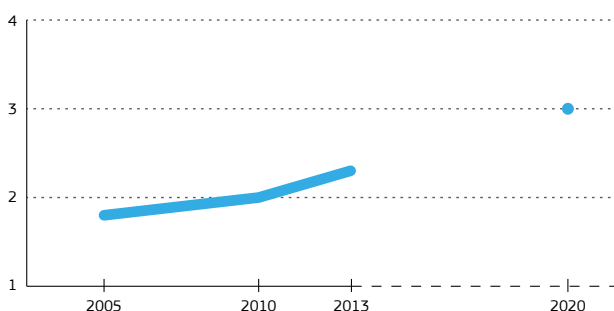


*EU funding improves conditions for research and innovation.*

An EU patent was agreed in 2012, which will save companies and inventors up to 80 % of the cost of a patent. Applicants for a patent will be able to get one single European patent instead of having to apply for one in each EU country. This will apply to the 25 EU Member States that agreed to the proposal under the enhanced cooperation procedure. Previously, patent protection had to be sought in every EU country and could cost up to €36 000. Following the agreement on the patent, this could drop to as low as €680 in the long run.

The European Commission and the European Investment Bank Group launched a new guarantee facility to help innovative SMEs' access finance from banks. It is expected to unlock a further €6 billion of loans by the end of 2013, including up to €1.2 billion for SMEs and up to €300 million for research infrastructure.

#### INVEST 3 % OF GDP IN RESEARCH AND DEVELOPMENT



### In practice: innovative solutions

*As a pilot project, which will kick-start a future series of European innovation partnerships, 'Active and healthy ageing' was launched in 2012. Such partnerships aim to mobilise actors across the innovation sector around an overarching target (in this case healthy ageing) in order to speed up innovative solutions to societal challenges. Other innovation partnerships have now been launched including the 'Water-efficiency' partnership and the 'Smart cities' partnership.*

### A digital Europe

The digital agenda addresses such vital aspects of the modern economy as access to high-speed Internet and digital content, cyber-security, more efficient electronic government services and new health services that make citizens' lives easier. It also includes making sure that everyone has the skills to benefit from the technological revolution. The 'Future Internet public-private partnership' (FI-PPP) is an EU research and innovation programme that aims to advance Europe's competitiveness in future Internet technologies and systems supporting smart services and applications. The partnership will also help businesses and governments to develop new Internet solutions based on complex online data to smarten up infrastructure and business processes.

*Healthcare in Europe can become more efficient with digital ways of working — for example when patients have full access to data about themselves and can speak to doctors at a distance.*



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## In practice: safer Internet

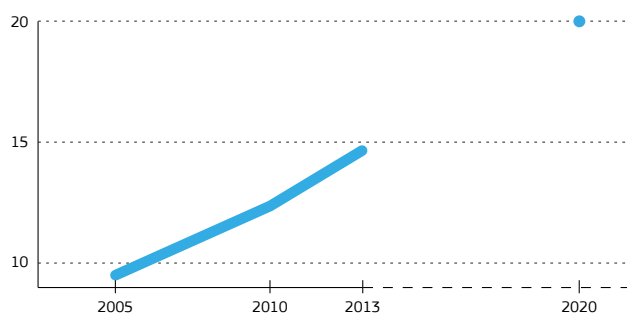
*Another objective under the Digital Europe flagship initiative is to make the Internet safer for children. This has now been taken up by top technology and media companies that agreed on a coalition to make the Internet a safer place for children.*

The European Commission presented a proposal to overhaul the outdated rules on the taxation of energy products in the EU. The new draft rules aim to restructure the way energy products are taxed to remove current imbalances and take into account both their CO<sub>2</sub> emissions and energy content. The new rules also aim to promote energy efficiency and consumption of more environmentally friendly products, and avoid distortions of competition in the single market.

## Supporting resource efficiency

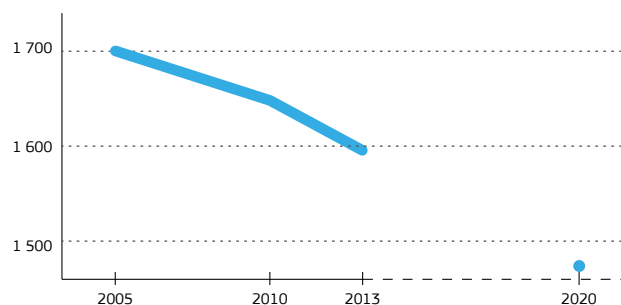
The Europe 2020 flagship initiative for a resource-efficient Europe stresses the need for an urgent and significant transition towards using our natural resources efficiently. This would apply to consumers and producers in all relevant areas such as energy, transport, climate, environment, agriculture, fisheries and regional policy.

### INCREASE THE SHARE OF RENEWABLE ENERGY TO 20 %



Share of renewable energy in gross final energy consumption

### IMPROVE ENERGY EFFICIENCY BY 20 %

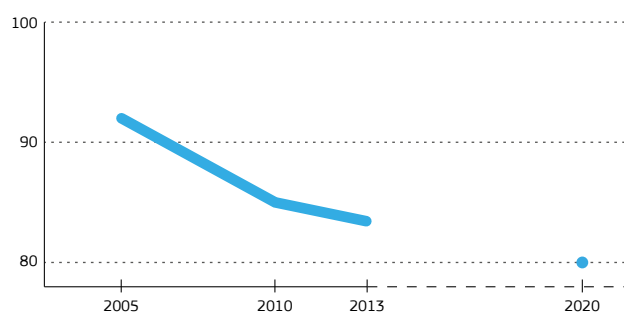


Primary energy consumption in million tonnes of oil equivalent

## Industrial policy

Critical to Europe's competitiveness is the faster development of common industry standards that will bring cost savings and benefits to businesses and consumers alike. In order to achieve this, the Commission proposed a series of legislative and non-legislative measures to develop more standards in less time.

### REDUCE GREENHOUSE GAS EMISSIONS BY 20 % COMPARED TO 1990



Index where emissions in 1990 = 100

*Twenty per cent of Europe's energy should come from renewable sources by 2020.*



## Outlook

### Job creation and inclusive growth

The monitoring of the Europe 2020 strategy takes place within the European Semester. This includes monitoring the overall macroeconomic situation, progress towards the five headline targets on an annual basis and progress on the seven flagship initiatives.

Considerable efforts have already been made across the EU and reforms are on-going in several countries. However, while significant headway has been made in terms of fiscal consolidation, growth-boosting reforms are still lagging behind in areas such as tax reform, pension reform, labour market reform and opening up the services and retail sectors.

When fully implemented, the Europe 2020 strategy will see a Europe better equipped to provide smart, sustainable and inclusive growth: a Europe combining job creation and social inclusion, where people can gain

the skills they need to flourish; a Europe which can benefit from global opportunities. The Europe 2020 strategy will also create an environment for a resource efficient, greener and more competitive economy; a Europe built on the foundations of sustainable growth.

On 5 March 2014, the Commission adopted a Communication “Taking stock of the Europe 2020 strategy for smart, sustainable and inclusive growth”. The European Council of 20-21 March 2014 held a first discussion on the implementation of the Europe 2020 strategy. The Commission launched a public consultation, which ran from 5 May 2014 to 31 October 2014, inviting all interested parties to contribute their views. Following the consultation, the Commission will make proposals for the further development of the strategy in early 2015. The review of the strategy will be discussed at the forthcoming Spring European Council of March 2015.

## Further reading

- **The European Commission’s website with all information about Europe 2020:**  
[http://ec.europa.eu/europe2020/index\\_en.htm](http://ec.europa.eu/europe2020/index_en.htm)



THE EUROPEAN  
UNION  
EXPLAINED

Your guide  
to the  
EU institutions

# How the European Union works



European Union



# THE EUROPEAN UNION EXPLAINED

*This publication is a part of a series that explains  
what the EU does in different policy areas,  
why the EU is involved and what the results are.*

*You can find the publications online:*

[http://europa.eu/pol/index\\_en.htm](http://europa.eu/pol/index_en.htm)  
<http://europa.eu/bY34KD>

## How the EU works ✖

Europe in 12 lessons

Europe 2020: Europe's growth strategy

The founding fathers of the EU

Agriculture

Banking and finance

Borders and security

Budget

Climate action

Competition

Consumers

Culture and audiovisual

Customs

Digital agenda

Economic and monetary union and the euro

Education, training, youth and sport

Employment and social affairs

Energy

Enlargement

Enterprise

Environment

Fight against fraud

Food safety

Foreign affairs and security policy

Humanitarian aid and civil protection

Internal market

International cooperation and development

Justice, fundamental rights and equality

Maritime affairs and fisheries

Migration and asylum

Public health

Regional policy

Research and innovation

Taxation

Trade

Transport

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## The European Union explained:

### How the EU works

European Commission

Directorate-General for Communication

Citizens information

1049 Brussels

BELGIUM

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THE EUROPEAN  
UNION EXPLAINED

# How the European Union works

Your guide  
to the  
EU institutions

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# Introducing the European Union

## How it works, who does what

### What this publication is about

This publication is a guide on how the European Union (EU) works. 'How the EU works' means how decisions are taken at EU level and who takes those decisions. At the heart of this decision-making process are the EU institutions — such as the Parliament, the Council and the European Commission — which you may have heard of, and there are others. To show how the EU works, this publication first explains how EU legislation is made. It then gives further insight into each of the EU institutions, as well as the agencies and bodies supporting them.

### The European Union in brief

At the core of the EU are the Member States — the 28 states that belong to the Union — and their citizens. The unique feature of the EU is that, although these are all sovereign, independent states, they have pooled some of their 'sovereignty' in order to gain strength and the benefits of size. Pooling sovereignty means, in practice, that the Member States delegate some of their decision-making powers to the shared institutions they have created, so that decisions on specific matters of joint interest can be made democratically at European level. The EU thus sits between the fully federal system found in the United States and the loose, intergovernmental cooperation system seen in the United Nations.

The EU has achieved much since it was created in 1950. It has built a single market for goods and services that spans 28 Member States with over 500 million citizens free to move and settle where they wish. It created the single currency — the euro — which is now a major world currency and which makes the single market more efficient. It is also the largest supplier of development and humanitarian aid programmes in the world. These are just a few of the achievements so far. Looking ahead, the EU is working to get Europe out of the economic crisis. It is at the forefront of the fight against climate change and its consequences; it helps neighbouring countries and continues ongoing negotiations on enlargements; and it is building a common foreign policy which will do much to extend

European values around the world. The success of these ambitions depends on the ability to take effective and timely decisions and to implement them well.

### The EU treaties

The European Union is based on the rule of law. This means that every action taken by the EU is founded on treaties that have been approved voluntarily and democratically by all EU countries. The treaties are negotiated and agreed by all the EU Member States and then ratified by their parliaments or by referendum.

The treaties lay down the objectives of the European Union, the rules for EU institutions, how decisions are made and the relationship between the EU and its Member States. They have been amended each time new Member States have joined. From time to time, they have also been amended to reform the European Union's institutions and to give it new areas of responsibility.



© ImageGlobe

On 9 May 1950, French Foreign Minister Robert Schuman first publicly proposed the ideas that led to the European Union. So 9 May is celebrated as the EU's birthday.

The last amending treaty — the Lisbon Treaty — was signed in Lisbon on 13 December 2007, and came into force on 1 December 2009. Earlier treaties are now incorporated into the current consolidated version, which comprises the Treaty on European Union and the Treaty on the Functioning of the European Union.

The Treaty on Stability, Coordination and Governance (TSCG) in the Economic and Monetary Union is an intergovernmental treaty which was signed by all EU Member States except the Czech Republic and the United Kingdom in 2012 and entered into force on 1 January 2013. It is not an EU treaty but an intergovernmental treaty, and the intention is to bring it into EU law. It obliges the countries to have firm rules to guarantee balanced public budgets and it strengthens the governance of the euro area.



© ImageGlobe

The work of the EU is based on the treaties agreed by all the member countries — the latest main update was signed in Lisbon in 2007.

## A history of the EU treaties

*When French Foreign Minister Robert Schuman proposed integrating western Europe's coal and steel industries in 1950, his ideas were set out in the Treaty of Paris the following year, and the precursor to the EU — the European Coal and Steel Community — was born. Since then, the EU has regularly updated and added to the treaties to ensure effective policy and decision-making.*

- ▶ *The Treaty of Paris, establishing the European Coal and Steel Community, was signed in Paris on 18 April 1951 and entered into force in 1952. It expired in 2002.*
- ▶ *The Treaties of Rome, establishing the European Economic Community (EEC) and the European Atomic Energy Community (Euratom), were signed in Rome on 25 March 1957 and came into force in 1958.*
- ▶ *The Single European Act (SEA) was signed in February 1986 and came into force in 1987. It amended the EEC Treaty and paved the way for completing the single market.*
- ▶ *The Treaty on European Union (TEU) — the Maastricht Treaty — was signed in Maastricht on 7 February 1992 and came into force in 1993. It established the European Union, gave the Parliament more say in decision-making and added new policy areas of cooperation.*
- ▶ *The Treaty of Amsterdam was signed on 2 October 1997 and came into force in 1999. It amended previous treaties.*
- ▶ *The Treaty of Nice was signed on 26 February 2001 and entered into force in 2003. It streamlined the EU institutional system so that it could continue to work effectively after the new wave of Member States joined in 2004.*
- ▶ *The Treaty of Lisbon was signed on 13 December 2007 and came into force in 2009. It simplified working methods and voting rules, created a President of the European Council and introduced new structures with a view to making the EU a stronger actor on the global stage.*

## Who takes the decisions?

Decision-making at EU level involves various European institutions, in particular:

- ▶ the **European Parliament**, which represents the EU's citizens and is directly elected by them;
- ▶ the **European Council**, which consists of the Heads of State or Government of the EU Member States;
- ▶ the **Council**, which represents the governments of the EU Member States;
- ▶ the **European Commission**, which represents the interests of the EU as a whole.

The European Council defines the general political direction and priorities of the EU but it does not exercise legislative functions. Generally, it is the European Commission that proposes new laws and it is the European Parliament and Council that adopt them. The Member States and the Commission then implement them.

## What types of legislation are there?

There are several types of legal acts which are applied in different ways.

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

- ▶ A **directive** is a law that binds the Member States, or a group of Member States, to achieve a particular objective. Usually, directives must be transposed into national law to become effective. Significantly, a directive specifies the result to be achieved: it is up to the Member States individually to decide how this is done.
- ▶ A **decision** can be addressed to Member States, groups of people, or even individuals. It is binding in its entirety. Decisions are used, for example, to rule on proposed mergers between companies.
- ▶ **Recommendations** and **opinions** have no binding force.

## How is legislation passed?

Every European law is based on a specific treaty article, referred to as the 'legal basis' of the legislation. This determines which legislative procedure must be followed. The treaty sets out the decision-making process, including Commission proposals, successive readings by the Council and Parliament, and the opinions of the advisory bodies. It also lays down when unanimity is required, and when a qualified majority is sufficient for the Council to adopt legislation.

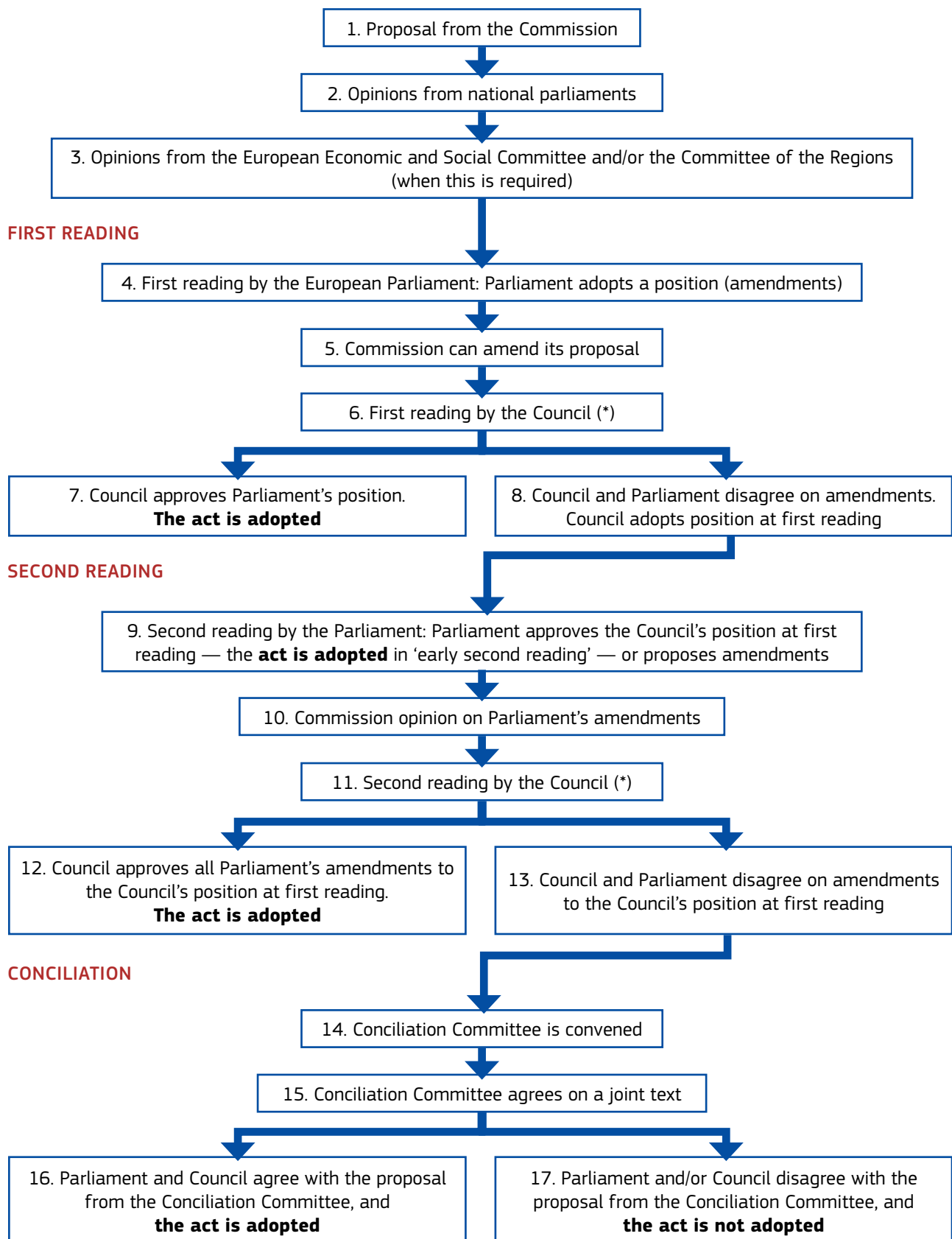
The great majority of EU legislation is adopted using the **ordinary legislative procedure**. In this procedure, the Parliament and the Council share legislative power.

The procedure begins with the Commission. When considering launching a proposal for action, the Commission often invites views on the topic from governments, business, civil society organisations and



*The freedom for all citizens to travel, live and work in all the 28 EU countries is one of the main achievements of the European Union.*

## ORDINARY LEGISLATIVE PROCEDURE



(\*) Council adopts its position by a qualified majority (the treaties provide for unanimity in a few exceptional areas). However, if the Council intends to deviate from the Commission's proposal/opinion it adopts its position by unanimity.



individuals. The opinions collected feed into a Commission proposal that is presented to the Council and the Parliament. The proposal may have been made at the invitation of the Council, the European Council, the Parliament or European citizens, or it may have been made on the Commission's own initiative.

The Council and the Parliament each read and discuss the proposal. If no agreement is reached at the second reading, the proposal is put before a 'conciliation committee' comprising equal numbers of Council and Parliament representatives. Commission representatives also attend the committee meetings and contribute to the discussions. Once the committee has reached an agreement, the agreed text is then sent to the Parliament and the Council for a third reading, so that it can finally be adopted as law. In most cases, the Parliament votes on proposals by simple majority and the Council by qualified majority voting, whereby at least half of the total number of EU Member States, representing about two thirds of the population, must vote in favour. In some cases, unanimous voting is required in the Council.

## Special procedures

Special legislative procedures are available depending on the subject of the proposal. In the **consultation procedure**, the Council is required to consult the Parliament on a proposal from the Commission, but is not required to accept the Parliament's advice. This procedure is only applicable in a few areas, such as internal market exemptions and competition law. In the **consent procedure**, the Parliament may accept or reject a proposal, but may not propose amendments. This procedure can be used when the proposal concerns the approval of an international treaty that has been negotiated. In addition, there are limited cases where the Council and the Commission, or the Commission alone, can pass legislation.

## Who is consulted, who can object?

In addition to the Commission–Council–Parliament triangle, there are a number of advisory bodies that must be consulted when proposed legislation involves their area of interest. Even if their advice is not taken, this contributes to the democratic oversight of EU legislation by ensuring that it is subject to the widest scrutiny.

These bodies are:

- ▶ the **European Economic and Social Committee**, which represents civil society groups such as employers, trades unions and social interest groups;

- ▶ the **Committee of the Regions**, which ensures that the voice of local and regional government is heard.

In addition, other institutions and bodies may be consulted when a proposal falls within their area of interest or expertise. For example, the European Central Bank would expect to be consulted on proposals concerning economic or financial matters.

## National oversight

National parliaments receive draft legislative acts at the same time as the European Parliament and the Council. They can give their opinion to ensure that decisions are taken at the most appropriate level. EU actions are subject to the principle of **subsidiarity** — which means that, except in the areas where it has

## Citizens' participation

*By means of a European citizens' initiative, 1 million EU citizens from at least one quarter of the EU Member States may invite the Commission to bring forward a legislative proposal on a particular issue. The Commission will carefully examine all initiatives that fall within the framework of its powers and that have been supported by 1 million citizens. An audition of the initiatives is done in the Parliament. Such initiatives may therefore influence the work of the EU institutions, as well as the public debate.*



*Citizens can now propose new laws, by means of the European Citizens' Initiative.*

exclusive powers, the Union only acts where action will be more effective at EU level than at national level. National parliaments therefore monitor the correct application of this principle in EU decision-making.

## What decisions are taken

The treaties list the policy areas in which the EU can take decisions. In some policy areas, the EU has **exclusive competence**, which means that decisions are taken at EU level by the Member States meeting in the Council and the European Parliament. These policy areas cover trade, customs, competition rules, monetary policy for the euro area, and the conservation of fish.

In other policy areas, the decision-making competences are shared between the Union and the Member States. This means that if legislation is passed at EU level, then these laws have priority. However, if no legislation is adopted at EU level, then the individual Member States may legislate at national level. Shared competence applies in many policy areas, such as the internal market, agriculture, the environment, consumer protection and transport.

In all other policy areas the decisions remain with the Member States. Thus, if a policy area is not cited in a treaty, the Commission cannot propose a law in that area. However, in some fields, such as the space sector, education, culture and tourism, the Union can support Member States' efforts. And in others, such as overseas aid and scientific research, the EU can carry out parallel activities, such as humanitarian aid programmes.

## Economic coordination

All EU Member States are part of the economic and monetary union (EMU), meaning that they coordinate their economic policymaking and treat economic decisions as a matter of common concern. Within the EMU, no institution alone is responsible for overall economic policy. These responsibilities are divided between the Member States and the EU institutions.

Monetary policy — which deals with price stability and interest rates — is managed independently by the European Central Bank (ECB) in the euro area, i.e. in those Member States which use the euro as their currency. With Lithuania joining in January 2015, the euro area has 19 countries.

Fiscal policy — which concerns decisions about taxation, spending and borrowing — is the responsibility of the 28 Member State governments. So are the policies about labour and welfare. However, as fiscal decisions taken by one euro area Member State can have an impact throughout the euro area, these decisions must conform to rules set at EU level. Therefore, the coordination of sound public finances and structural policies is necessary for the EMU to function effectively and to ensure stability and growth. In particular, the economic crisis that began in 2008 highlighted the need to strengthen economic governance in the EU and in the euro area, by means of inter alia closer policy coordination, monitoring and supervision.

The Council monitors Member States' public finances and economic policies and can make recommendations to individual EU Member States based on proposals from the Commission. It may recommend adjustment measures and sanction euro area states that do not take corrective measures to reduce excessive deficit and debt levels.

The governance of the euro area and major economic policy reforms are also discussed in the euro summits, where Heads of State or Government of euro area members meet.

## The EU and foreign relations

Relations with countries outside of the EU are under the responsibility of the High Representative of the Union for Foreign Affairs and Security Policy, who is appointed by the European Council, but also holds the post of European Commission Vice-President. At the level of Heads of State or Government, the Union is represented by the President of the European Council.

The European External Action Service (EEAS) serves as a foreign ministry and diplomatic service for the Union under the authority of the High Representative. It is composed of expert staff transferred from the Council, the Member States and the European Commission.

The Council develops and takes decisions in the field of the EU's foreign and security policy on the basis of guidelines set by the European Council. The Commission, on the other hand, is responsible for trade and funding for non-EU countries, such as humanitarian or development aid. The Commission also represents the Union in all areas of EU competence outside foreign and security policy.

# The European Parliament

## The voice of the people

**Role:** Directly elected legislative arm of the EU

**Members:** 751 Members of the European Parliament

**Location:** Strasbourg, Brussels and Luxembourg

► <http://www.europarl.eu>

Members of the European Parliament (MEPs) are directly elected by EU citizens to represent their interests. Elections are held every 5 years and all EU citizens over 18 years old (16 in Austria) — some 380 million — are entitled to vote. The Parliament has 751 MEPs from all 28 Member States.

The official seat of the European Parliament is in Strasbourg (France), although the institution has three places of work: Strasbourg, Brussels (Belgium) and Luxembourg. The main meetings of the whole Parliament, known as ‘plenary sessions’, take place in Strasbourg 12 times per year. Additional plenary sessions are held in Brussels. Committee meetings are also held in Brussels.

### Composition of the European Parliament

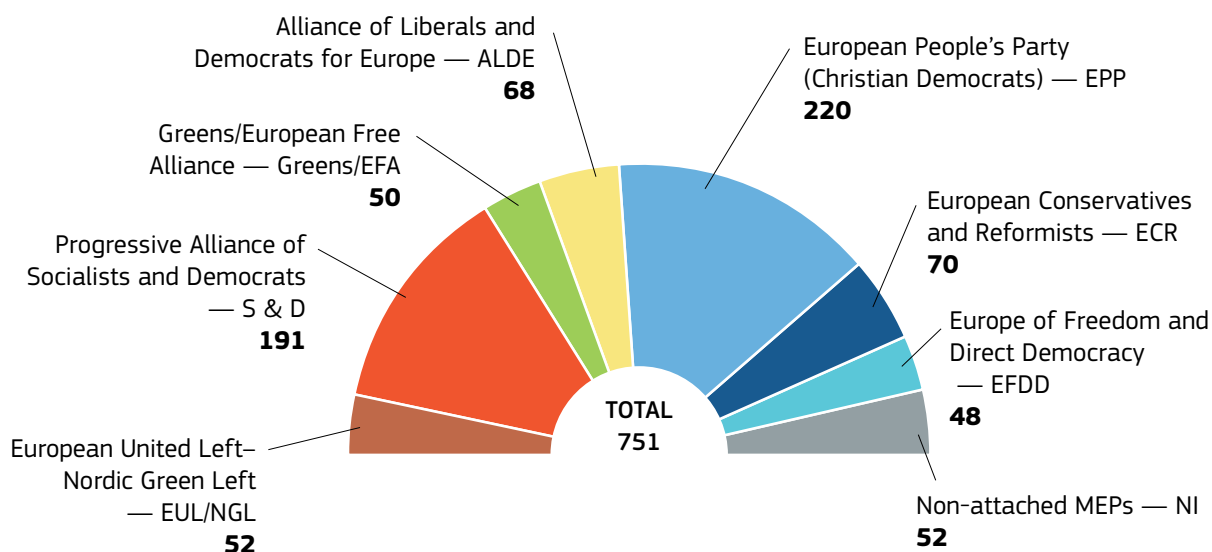
The seats in the European Parliament are allocated among the Member States on the basis of their share of the EU population.

Most MEPs are associated with a national political party in their home country. In the European Parliament the national parties group into EU-wide political groupings and most MEPs belong to one of these.

NUMBER OF MEPS PER MEMBER STATE IN 2014

Member State	Number of MEPs
Austria	18
Belgium	21
Bulgaria	17
Croatia	11
Cyprus	6
Czech Republic	21
Denmark	13
Estonia	6
Finland	13
France	74
Germany	96
Greece	21
Hungary	21
Ireland	11
Italy	73
Latvia	8
Lithuania	11
Luxembourg	6
Malta	6
Netherlands	26
Poland	51
Portugal	21
Romania	32
Slovakia	13
Slovenia	8
Spain	54
Sweden	20
United Kingdom	73
<b>TOTAL</b>	<b>751</b>

## NUMBER OF MEPS IN EACH POLITICAL GROUP (OCTOBER 2014)



## What the European Parliament does

The Parliament has three main roles:

1. It shares with the Council the power to legislate — to pass laws. The fact that it is a directly elected body helps guarantee the democratic legitimacy of European law.
2. It exercises democratic supervision over all EU institutions, and in particular the Commission. It has the power to approve or reject the nomination of the President of the Commission and Commissioners, and the right to censure the Commission as a whole.
3. It shares authority with the Council over the EU budget and can therefore influence EU spending. At the end of the budget procedure, it adopts or rejects the budget in its entirety.

These three roles are described in greater detail below.

### 1. THE POWER TO LEGISLATE

The most common procedure for adopting EU legislation is called the 'ordinary legislative procedure' — also known as the 'co-decision procedure'. This places the European Parliament and the Council on an equal footing, and the laws passed using this procedure are joint acts of the Council and the Parliament. It applies to the majority of EU legislation, covering a wide range of fields such as consumer rights, environmental protection and transport. Under the ordinary legislative procedure the Commission makes a proposal which must be adopted both by the Parliament and the Council. The Parliament's assent is required for all

international agreements in fields covered by the ordinary legislative procedure.

The Parliament must be consulted on a range of other proposals, and its approval is required for important political or institutional decisions, such as social security and protection acts, tax-related provisions in the area of energy and harmonisation of turnover taxes and indirect taxation. The Parliament also provides the impetus for new legislation by examining the Commission's annual work programme, considering what new laws would be appropriate and asking the Commission to put forward proposals.

### 2. THE POWER OF SUPERVISION

The Parliament exercises democratic supervision over the other European institutions. It does so in several ways. Firstly, when a new Commission is to be appointed, the Parliament holds auditions of all the prospective new members and the President of the Commission (nominated by the Member States). They cannot be appointed without the Parliament's approval.

Furthermore, the Commission is politically answerable to the Parliament, which can pass a 'motion of censure' calling for its mass resignation. More generally, the Parliament exercises control by regularly examining reports sent to it by the Commission and asking written and oral questions.

The Commissioners attend plenary sessions of the Parliament and meetings of the parliamentary committees. Similarly, the Parliament holds a regular dialogue with the President of the European Central Bank on monetary policy.





*Martin Schulz was re-elected President of the European Parliament in 2014.*

© EU

The Parliament also monitors the work of the Council: MEPs regularly ask the Council written and oral questions, and the Council Presidency attends the plenary sessions and takes part in important debates. For some policy areas, which include common foreign and security policy, the Council alone is responsible for decision-making. But the Parliament nonetheless works closely with the Council in these areas.

The Parliament can also exercise democratic control by examining petitions from citizens and setting up special committees of inquiry.

Finally, the Parliament provides input to every EU summit (the European Council meetings). At the opening of each summit, the President of the Parliament is invited to express the Parliament's views and concerns about topical issues and the items on the European Council's agenda.

### 3. THE POWER OF THE PURSE

The EU's annual budget is decided jointly by the Parliament and the Council of the European Union. The Parliament debates it in two successive readings, and it does not come into force until it has been signed by the President of the Parliament.

Its Committee on Budgetary Control monitors how the budget is spent, and each year the Parliament decides whether to approve the Commission's handling of the budget for the previous financial year. This approval process is technically known as 'granting a discharge'.

### How the Parliament works

The Parliament elects its own President for a 2½-year term. The President represents the Parliament to the other EU institutions as well as to the outside world, and is assisted by 14 Vice-Presidents. The President of the European Parliament, together with the President of the Council, signs all legislative acts once they are adopted.

The Parliament's work is divided into two main stages:

- ▶ Preparing for the plenary session: this is done by the MEPs in the 20 parliamentary committees that specialise in particular areas of EU activity, for example the ECON Committee for Economic and Monetary Affairs or the INTA Committee for International Trade. The issues for debate are also discussed by the political groups.
- ▶ The plenary session itself: plenary sessions, attended by all MEPs, are normally held in Strasbourg (1 week per month) and sometimes additional sessions are held in Brussels. At plenary sessions, the Parliament examines proposed legislation and votes on amendments before coming to a decision on the text as a whole. Other items on the agenda may include Council or Commission 'communications' or questions about what is going on in the EU or in the wider world.

As a rule the Parliament can only take decisions when at least one-third of the MEPs are present for a vote. It normally takes decisions by a majority of votes cast. In special cases, a decision requires that a majority of all the members vote in favour, for example when the Parliament elects the Commission President or votes in the second reading of an ordinary legislative procedure.

# The European Council

## Setting the strategy

**Role:** Defines political direction and priorities

**Members:** Heads of State or Government from each Member State, the President of the European Council and the President of the European Commission

**Location:** Brussels

► <http://www.european-council.europa.eu>

The European Council brings together the EU's top political leaders, i.e. Prime Ministers and Presidents along with its President and the President of the Commission. They meet at least four times a year to give the EU as a whole general political direction and priorities. The High Representative of the Union for Foreign Affairs and Security Policy also takes part in the work of the European Council.

## What the European Council does

As a summit meeting of the Heads of State or Government of all the EU Member States, the European Council represents the highest level of political cooperation between the Member States. At their meetings, the leaders decide by consensus on the overall direction and priorities of the Union, and provide the necessary impetus for its development.

The European Council does not adopt legislation. At the end of each meeting it issues 'conclusions', which reflect the main messages resulting from the discussions and take stock of the decisions taken, also as regards their follow-up. The conclusions identify major issues to be dealt with by the Council, i.e. the meetings of ministers. They may also invite the European Commission to come forward with proposals addressing a particular challenge or opportunity facing the Union.

European Council meetings as a rule take place at least twice every 6 months. Additional (extraordinary or informal) meetings may be called to address urgent issues in need of decisions at the highest level, for example in economic affairs or foreign policy.

## President of the European Council

The work of the European Council is coordinated by its President, who is responsible for convening and chairing European Council meetings and driving forward its work.

The European Council President also represents the Union to the outside world. Together with the High Representative of the Union for Foreign Affairs and Security Policy, he or she represents Union interests in foreign affairs and security matters.

The President is elected by the European Council for a once-renewable term of 2½ years. The Presidency of the European Council is a full-time job; the President may not simultaneously hold a national office.

## How the European Council takes its decisions

The European Council takes most of its decisions by consensus. In a number of cases, however, qualified majority applies, such as the election of its President, and the appointment of the Commission and of the High Representative of the Union for Foreign Affairs and Security Policy.

When the European Council decides by vote, only the Heads of State or Government may cast a vote.

## Secretariat

The European Council is assisted by the General Secretariat of the Council.

## Euro summit

Outside of the European Council, the Heads of State or Government of those states whose currency is the euro also meet at least twice a year, together with the President of the European Commission. The President of the European Central Bank is also invited to these euro summit meetings. The President of the European Parliament may also be invited.

The meetings are an opportunity to discuss the governance of the euro area, as well as major economic policy reforms. The euro summit was formally established by the Treaty on Stability, Coordination and Governance (TSCG) in the Economic and Monetary Union. The President of the euro summit is appointed by the Heads of State or Government of euro area members. The appointment takes place at the same time as that of the President of the European Council, and has the same duration. The two positions can be held by the same person.

In some cases, the leaders of the states which have ratified the TSCG but do not use the euro as their currency also take part in euro summit discussions. When these countries are not eligible to participate, the



© EU

*Donald Tusk chairs the EU summits as President of the European Council as of 1 December 2014.*

President of the euro summit keeps them and the other EU Member States closely informed of the preparation and outcome of the summits.

## A confusion of Councils: which is which?

*It is easy to become confused about which European body is which — especially when very different bodies have very similar names, such as the following three ‘Councils’.*

### ► The European Council

*This means the Heads of State or Government (i.e. Presidents and/or Prime Ministers) of all the EU Member States, together with its President and the President of the European Commission. It is the highest-level policymaking body in the European Union, which is why its meetings are often called ‘summits’.*

### ► The Council

*Also known as the Council of Ministers, this institution consists of government ministers from all the EU Member States. The Council meets regularly to take detailed decisions and to pass European laws.*

### ► The Council of Europe

*This is not an EU institution at all. It is an intergovernmental organisation which aims to protect human rights, democracy and the rule of law. It was set up in 1949 and one of its early achievements was to draw up the European Convention on Human Rights. To enable citizens to exercise their rights under that Convention it set up the European Court of Human Rights. The Council of Europe now has 47 Member States, including all EU Member States, and its headquarters are in Strasbourg, France.*

# The Council

## The voice of the Member States

**Role:** Deciding on policies and adopting legislation

**Members:** One minister from each Member State

**Location:** Brussels and Luxembourg

► <http://www.consilium.europa.eu>

In the Council, ministers of EU Member States meet to discuss EU matters, take decisions and pass laws. The ministers who attend these meetings have the authority to commit their government to the actions agreed in the Council meetings.

### What the Council does

The Council is an essential EU decision-maker. Its work is carried out in Council meetings that are attended by one minister from each of the EU's national governments. The purpose of these gatherings is to: discuss, agree, amend and, finally, adopt legislation; coordinate the Member States' policies; or define the EU's foreign policy.

*The EU countries have agreed on a 'Europe 2020' strategy on how to get out of the economic crisis with smart, sustainable and inclusive growth. Council ministers take many decisions in order to implement this strategy.*



© Imago/Xinhua/Reporters

Which ministers attend which Council meeting depends on the subjects on the agenda — this is known as the 'configuration' of the Council. If, for example, the Council is to discuss environmental issues, the meeting will be attended by the environment minister from each EU Member State and is known as the Environment Council. The same is true for the Economic and Financial Affairs Council and the Competitiveness Council, and so on.

### There are 10 different Council configurations:

*Chaired by the High Representative of the Union for Foreign Affairs and Security Policy:*

► Foreign Affairs

*Chaired by the Member State holding the Presidency of the Council:*

- General Affairs
- Economic and Financial Affairs
- Justice and Home Affairs
- Employment, Social Policy, Health and Consumer Affairs
- Competitiveness (Internal Market, Industry, Research and Space)
- Transport, Telecommunications and Energy
- Agriculture and Fisheries
- Environment
- Education, Youth, Culture and Sport

## COUNCIL PRESIDENCIES

Year	January–June	July–December
2014	Greece	Italy
2015	Latvia	Luxembourg
2016	Netherlands	Slovakia
2017	Malta	United Kingdom
2018	Estonia	Bulgaria
2019	Austria	Romania
2020	Finland	

The Presidency of the Council rotates between the Member States every 6 months. It is not the same as the President of the European Council. The responsibility of the government holding the Presidency is to organise and chair the different Council meetings. By way of exception, the Foreign Affairs Council is chaired by the High Representative of the Union for Foreign Affairs and Security Policy, who carries out foreign policy on behalf of the Council.

In the interest of continuity of Council business, the 6-monthly Presidencies work together closely in groups of three. These three-Presidency teams ('trios') draw up a joint programme of Council work over an 18-month period.

Each minister in the Council is empowered to commit his or her government. Moreover, each minister in the Council is answerable to the elected national authorities. This ensures the democratic legitimacy of the Council's decisions.

The Council has five key responsibilities:

1. to pass European laws — in most fields, it legislates jointly with the European Parliament;
2. to coordinate the Member States' policies, for example, in the economic field;
3. to develop the EU's common foreign and security policy, based on guidelines set by the European Council;
4. to conclude international agreements between the EU and one or more states or international organisations;
5. to adopt the EU's budget, jointly with the European Parliament.

The Council's work is described in greater detail below.

## 1. LEGISLATION

Much EU legislation is adopted jointly by the Council and the Parliament. As a general rule, the Council only acts on a proposal from the Commission, and the Commission normally has responsibility for ensuring that EU legislation, once adopted, is correctly applied.

## 2. COORDINATING THE POLICIES OF MEMBER STATES (AN EXAMPLE: ECONOMIC POLICY)

All EU Member States participate in economic and monetary union (EMU) even though not all belong to the euro area. Under EMU, EU economic policy is based on close coordination of national economic policies. This coordination is carried out by the economics and finance ministers who collectively form the Economic and Financial Affairs (Ecofin) Council.

## 3. COMMON FOREIGN AND SECURITY POLICY (CFSP)

The definition and implementation of the EU's foreign and security policy is the exclusive competence of the European Council and the Council acting unanimously. It is put into effect by the High Representative of the Union for Foreign Affairs and Security Policy together with the Member States, meeting in the Foreign Affairs Council.

## 4. CONCLUDING INTERNATIONAL AGREEMENTS

Each year, the Council concludes (i.e. officially signs) a number of agreements between the European Union and non-EU countries, as well as with international organisations. These agreements may cover broad areas such as trade, cooperation and development, or they may deal with specific subjects such as textiles, fisheries, science and technology, transport, etc. Such agreements are subject to the assent of the European Parliament in areas where it has co-decision powers.

## 5. APPROVING THE EU BUDGET

The EU's annual budget is decided jointly by the Council and the European Parliament. If the two institutions do not agree then conciliation procedures are followed until a budget is approved.

## How the Council works

All Council discussions and votes on legislative acts take place in public. Such meetings can be watched live via the Council's website.

Overall consistency in the work of the different Council configurations is ensured by the General Affairs Council, which monitors the effective follow-up of European Council meetings. It is supported by the Permanent Representatives Committee ('Coreper' — from the French: 'Comité des Représentants Permanents').



Coreper is composed of the Member States governments' Permanent Representatives to the European Union. In Brussels, each EU Member State has a team ('Permanent Representation') that represents it and defends its national interests at EU level. The Head of each Representation is, in effect, his or her country's ambassador to the EU. These ambassadors meet weekly within the Coreper. They are assisted by a number of working groups made up of officials from the national administrations.

### How does the Council vote?

Decisions in the Council are taken by vote. In most cases a decision requires a qualified majority. In some cases the treaties require a different procedure, for example a unanimous vote in the field of taxation. In order for a proposal to be decided by qualified majority, it must obtain a double majority of both Member States and population. The votes in favour must be at least:

- ▶ 55 % of the Member States, i.e. 16 of the 28 countries;
- ▶ Member States that represent 65 % of the EU's population. This means roughly 329 million out of the population of some 506 million.

In addition, to block a decision from being taken there must be at least four countries voting against, representing more than 35 % of the population.

These rules mean that all decisions taken by the Council have broad support across Europe, but also that small minorities cannot block decisions from being taken. Before November 2014, a different system was used, whereby each country had a certain number of votes.

#### POPULATION USED FOR VOTES IN THE COUNCIL (2014)

Member State	Population (× 1 000)	Percentage of the total population of the Union
Germany	80 523.7	15.93
France	65 633.2	12.98
United Kingdom	63 730.1	12.61
Italy	59 685.2	11.81
Spain	46 704.3	9.24
Poland	38 533.3	7.62
Romania	20 057.5	3.97
Netherlands	16 779.6	3.32
Belgium	11 161.6	2.21
Greece	11 062.5	2.19
Czech Republic	10 516.1	2.08
Portugal	10 487.3	2.07
Hungary	9 908.8	1.96
Sweden	9 555.9	1.89
Austria	8 451.9	1.67
Bulgaria	7 284.6	1.44
Denmark	5 602.6	1.11
Finland	5 426.7	1.07
Slovakia	5 410.8	1.07
Ireland	4 591.1	0.91
Croatia	4 262.1	0.84
Lithuania	2 971.9	0.59
Slovenia	2 058.8	0.41
Latvia	2 023.8	0.40
Estonia	1 324.8	0.26
Cyprus	865.9	0.17
Luxembourg	537.0	0.11
Malta	421.4	0.08
<b>Total</b>	<b>505 572.5</b>	<b>100</b>
Threshold for qualified majority	328 622.1	65 %

## General Secretariat of the Council

The General Secretariat of the Council assists both the European Council and its President, and the Council and its rotating Presidencies. It is headed by a Secretary-General appointed by the Council.

## The Eurogroup

All Member States participate in Economic and Monetary Union (EMU), meaning they coordinate their economic policymaking and treat economic decisions as a matter of common concern to all. However, not all Member States have joined the euro area and adopted the single currency — the euro. Some have chosen not to join at present, while others are still preparing their economies to meet the criteria for euro area membership. Euro area Member States need to cooperate closely, and are also subject to the single monetary policy run by the European Central Bank.

Therefore, the euro area Member States require a forum to discuss and decide on policies for the euro area. This cannot be the Economic and Financial Affairs Council (Ecofin) as this comprises all Member States.

The solution is the Eurogroup, which consists of the ministers of economy and finance of the euro area members.

The Eurogroup acts to promote economic growth and financial stability in the euro area by coordinating economic policies. As only Ecofin can formally take decisions on economic matters, the Eurogroup meets informally on the day before Ecofin meetings, roughly once a month. The next day, the agreements reached in the informal Eurogroup gathering are formally decided upon in the Ecofin meeting by the Eurogroup members.



© Associated Press/Reporters

*New EU rules on economic and financial governance help to clean up and strengthen the banking sector.*

## What is 'enhanced cooperation'?

*If some Member States want to cooperate more closely in policy areas that are not the exclusive competence of the EU but they are unable to get the agreement of all the other Member States, then the 'enhanced cooperation' mechanism allows them to work together. It permits at least nine Member States to use the EU institutions to achieve closer cooperation. However, there are conditions: this cooperation must further the objectives of the Union and it must be open to all other Member States if they wish to join.*

*The procedure is being used by a number of countries for divorce law, enabling them to find a common solution for couples from different EU countries wishing to divorce within the EU. It is also in place for a unitary patenting system that involves most — but not all — EU Member States.*

Only Ecofin ministers representing euro area members vote on Eurogroup matters. The European Commission and the President of the European Central Bank also attend Eurogroup meetings.

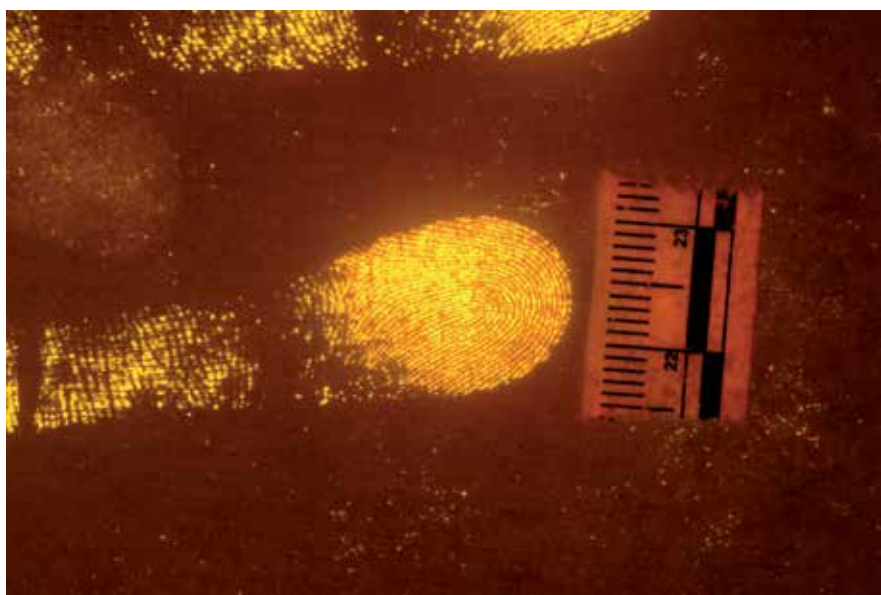
The members of the Eurogroup elect a President for a term of 2½ years. The General Secretariat of the Council provides administrative support for Eurogroup meetings.

## The common foreign and security policy

The European Union is progressively developing a common foreign and security policy (CFSP) which is subject to different procedures when compared to other policy areas. The CFSP is defined and implemented by the European Council and the Council working together. The Union's wider international objectives are to advance democracy, the rule of law, human rights and freedom, and respect for human dignity and the principles of equality and solidarity. To achieve these objectives the EU develops relations and partnerships with other countries and organisations around the world.

Responsibilities for the CFSP are as follows:

- ▶ The European Council, chaired by the President, defines the common foreign and security policy taking into account the strategic interests of the Union, including matters with defence implications.



*The EU countries' law enforcers must work together to fight international crime.*

- ▶ The Council, in particular the Foreign Affairs Council, then takes the decisions needed to define and implement the CFSP following the European Council guidelines. The High Representative of the Union for Foreign Affairs and Security Policy chairs the meeting of the Foreign Affairs Council.
- ▶ The High Representative, together with the Member States, then puts the CFSP into effect, ensuring its implementation is consistent and effective. To do this, he or she can call on national and Union resources.

The **European External Action Service (EEAS)** serves as a foreign ministry and diplomatic service for the Union. The High Representative is head of the service, which is composed of expert staff transferred from the Council, the Member States and the European Commission. The EU has delegations in the majority of countries around the world and they are part of the EEAS. They work closely on CFSP matters alongside national embassies of EU Member States.

Matters of importance to the CFSP can be raised with the Council by any Member State or the High Representative acting alone or with the Commission. Given the often urgent nature of some CFSP issues, there are mechanisms in place to ensure decisions can be taken quickly. Generally speaking, decisions in this area are taken unanimously.

As well as driving forward the CFSP, the High Representative also represents the Union's foreign and security policy worldwide, conducting political dialogue

with non-EU countries and partners and expressing the EU's position in international organisations and meetings. At the level of Heads of State or Government, the Union is represented by the President of the European Council.

One aspect of the CFSP is security and defence questions, where the EU is developing a common security and defence policy (CSDP). This policy is designed to enable EU Member States to undertake crisis management operations. These are humanitarian and peace-making or peacekeeping missions, which can either be of a military or civilian nature. The Member States voluntarily make some of their forces available to the EU for such operations. This is always coordinated with NATO, whose command structures are sometimes used for practical tasks in EU missions. A number of permanent EU bodies coordinate this work.

- ▶ The **Political and Security Committee (PSC)** monitors the international situation and examines the EU's options for response during a crisis situation abroad.
- ▶ The **European Union Military Committee (EUMC)** consists of the chiefs of defence from all EU countries and directs EU military activities and provides advice on military matters.
- ▶ The **European Union Military Staff (EUMS)** is composed of military experts who work at a permanent military headquarters in Brussels and assist the EUMC.



# The European Commission

## Promoting the common interest

**Role:** Executive arm of the EU that proposes laws, polices agreements and promotes the Union

**Members:** A college of Commissioners, one from each Member State

**Location:** Brussels

► <http://ec.europa.eu>

The Commission is the politically independent institution that represents and upholds the interests of the EU as a whole. In many areas it is the driving force within the EU's institutional system: it proposes legislation, policies and programmes of action and is responsible for implementing the decisions of the European Parliament and the Council. It also represents the Union to the outside world with the exception of the common foreign and security policy.

### What is the Commission?

The term 'Commission' is used in two senses. Firstly, it refers to the 'Members of the Commission' — i.e. the team of men and women appointed by the Member States and the Parliament to run the institution and take its decisions. Secondly, the term 'Commission' refers to the institution itself and to its staff.

Informally, the Members of the Commission are known as 'Commissioners'. They have all held political positions and many have been government ministers, but as members of the Commission they are committed to acting in the interests of the Union as a whole and not taking instructions from national governments.

The Commission remains politically answerable to the Parliament, which has the power to dismiss it by adopting a motion of censure. The Commission attends all the sessions of the Parliament, where it must clarify and justify its policies. It also replies regularly to written and oral questions posed by Members of Parliament.



*Jean-Claude Juncker heads the EU executive body as President of the European Commission.*

© EU

The day-to-day work of the Commission is done by its administrative officials, experts, translators, interpreters and secretarial staff. Commission officials — like the staff of other EU bodies — are recruited via the European Personnel Selection Office (EPSO) (<http://europa.eu/epso>). They are citizens from every EU Member State, selected by means of open competitive examinations. There are approximately 33 000 people working for the Commission. That may sound a lot, but in fact it is fewer than the number of staff employed by most medium-sized city councils in Europe.

## Appointing the Commission

*A new Commission is appointed every 5 years, within 6 months of the elections to the European Parliament. The procedure is as follows.*

- ▶ *The Member State governments propose a new Commission President, who must be elected by the European Parliament.*
- ▶ *The proposed Commission President, in discussion with the Member State governments, chooses the other members of the Commission.*
- ▶ *The new Parliament then interviews all proposed members and gives its opinion on the entire 'College'. If approved, the new Commission can officially start its work.*

*The Commission has several Vice-Presidents, one of whom is also the High Representative of the Union for Foreign Affairs and Security Policy and thus has a foot in both the Council and the Commission camps.*

## What the Commission does

The European Commission has four main roles:

1. to propose legislation to the Parliament and the Council;
2. to manage and implement EU policies and the budget;
3. to enforce European law (jointly with the Court of Justice);
4. to represent the Union around the world.

### 1. PROPOSING NEW LEGISLATION

Under the EU Treaty, the Commission has the **'right of initiative'**. In other words, the Commission alone is responsible for drawing up proposals for new European legislation, which it presents to the Parliament and the Council. These proposals must aim to defend the interests of the Union and its citizens, not those of specific countries or industries.

Before making any proposals, the Commission must be aware of new situations and problems developing in Europe and must consider whether EU legislation is the best way to deal with them. That is why the Commission is in constant touch with a wide range of interest groups and with two advisory bodies — the European Economic and Social Committee (made up of employers' and trade union representatives) and the Committee of the Regions (made up of representatives of local and regional authorities). It also seeks the opinions of national parliaments, governments and the public at large.

The Commission will propose action at EU level only if it considers that a problem cannot be solved more efficiently by national, regional or local action. This principle of dealing with things at the lowest possible level is called the 'subsidiarity principle'.

If, however, the Commission concludes that EU legislation is needed, then it drafts a proposal that it believes will deal with the problem effectively and satisfy the widest possible range of interests. In order to get the technical details correct, the Commission consults the experts who make up its various committees and expert groups.



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*Innovation and research is one of the ways to achieve new jobs and growth in Europe.*

## Building the European research area

*Through its Directorate-General for Research and Innovation, the Commission develops EU policies in the field of research and technological development and contributes to the international competitiveness of European industry. The EU research programme Horizon 2020 injects tens of billions of euro into multidisciplinary cooperative scientific research across the EU.*

## 2. IMPLEMENTING EU POLICIES AND THE BUDGET

As the European Union's executive body, the Commission is responsible for managing and implementing the EU budget and the policies and programmes adopted by the Parliament and the Council. Most of the actual work and spending is done by national and local authorities but the Commission is responsible for supervising it.

The Commission handles the budget under the watchful eye of the European Court of Auditors. Both institutions aim to ensure good financial management. Only if it is satisfied with the Court of Auditors' annual report does the European Parliament grant the Commission discharge for implementing the budget.

## 3. ENFORCING EUROPEAN LAW

The Commission acts as '**guardian of the treaties**'. This means that, together with the Court of Justice, it is responsible for making sure EU law is properly applied in all the Member States. If it finds that any EU Member State is not applying a Union law, and therefore not meeting its legal obligations, the Commission takes steps to put the situation right.

First, it launches a legal process called the 'infringement procedure'. This involves sending the government an official letter explaining why the Commission considers this Member State is infringing EU law, and setting it a deadline for sending the Commission a detailed reply. If this procedure fails to correct matters, the Commission then refers the issue to the Court of Justice, which has the power to impose penalties. The Court's judgments are binding on the Member States and the EU institutions.



© EU

*Federica Mogherini is the EU's foreign policy chief and coordinates the EU's actions towards the rest of the world.*

## 4. REPRESENTING THE EU ON THE INTERNATIONAL STAGE

The **High Representative of the Union for Foreign Affairs and Security Policy** is a Vice-President of the Commission and has responsibility for external affairs. In matters concerning foreign affairs and security, the High Representative works with the Council. However, in other areas of external action the Commission plays the leading role — in particular in the areas of trade policy and humanitarian aid. In these areas, the European Commission acts as an important spokesperson for the European Union on the international stage. It enables the 28 Member States to speak with one voice in international forums such as the World Trade Organisation.

## Reaching out to those in need

*The Humanitarian Aid and Civil Protection department of the European Commission (ECHO) was established in 1992. Humanitarian action now occupies a key position in the European Union's external activities — indeed, the EU is the world's main player in this field.*

*Some 125 million people are helped each year through EU humanitarian aid funding. This aid is delivered via 200 partners such as aid charities and UN agencies. Assistance is based on the humanitarian principles of non-discrimination and impartiality.*

## How the Commission works

It is up to the Commission President to decide which Commissioner will be responsible for which policy area, and to reshuffle these responsibilities (if necessary) during the Commission's term of office. The President is also entitled to demand a Commissioner's resignation. The team of 28 Commissioners (also known as 'the College') meets once a week, usually on Wednesdays in Brussels. Each item on the agenda is presented by the Commissioner responsible for that policy area, and the College takes a collective decision on it.

The Commission's staff is organised into departments, known as directorates-general (DGs) and services (such as the Legal Service). Each DG is responsible for a particular policy area — for example, DG Trade and DG Competition — and is headed by a director-general who is answerable to one of the Commissioners.

It is the DGs that actually devise and draft the Commission's legislative proposals, but these proposals only become official when 'adopted' by the College at its weekly meeting. The procedure is roughly as follows.

Suppose, for example, that the Commission sees a need for EU legislation to prevent pollution of Europe's rivers. The Directorate-General for the Environment will draw up a proposal, based on extensive consultations with all interested parties, such as European industry and farmers, with environment ministries in the Member States and with environmental organisations. Many proposals are also open to public consultation, enabling individuals to provide views in a personal capacity, or on behalf of an organisation.

The proposed legislation will then be discussed with all relevant Commission departments and amended if necessary. It will then be checked by the Legal Service.

Once the proposal is complete, the Secretary-General will put it on the agenda for a forthcoming Commission meeting. At this meeting, the Environment Commissioner will explain to his or her colleagues why this legislation is being proposed, and they will then discuss it. If there is agreement, the College will adopt the proposal and the document will be sent to the Council and the European Parliament for their consideration.

However, if there is disagreement among the Commissioners, the President may ask them to vote on it. If the majority are in favour, the proposal will be adopted. Thereafter it will have the support of all the Commission members.

### Eurostat: collecting Europe's data

*Eurostat is the statistical office of the European Union and part of the Commission. Its task is to provide the EU with statistics at European level that enable comparisons to be made between countries and regions. This is a key task. Democratic societies do not function properly without a solid basis of reliable and objective statistics.*

*Eurostat statistics can answer many questions: Is unemployment up or down? Are there more CO<sub>2</sub> emissions compared to 10 years ago? How many women go out to work? How is your country's economy performing compared to that of other EU Member States?*

<http://epp.eurostat.ec.europa.eu>

# The national parliaments

## Enforcing subsidiarity

**Role:** To participate alongside the European institutions in the work of the Union

**Members:** Members of national parliaments

**Location:** All EU Member States

The EU institutions are encouraging the national parliaments to become more involved in the activities of the European Union. Since 2006, the Commission has been transmitting to national parliaments all new legislative proposals, and has replied to their opinions. With the Lisbon Treaty from 2009, the rights and duties of national parliaments within the EU are clearly set. National parliaments can express their views on draft legislative acts as well as on other matters which may be of particular interest to them.

EU actions are subject to the principle of **subsidiarity**. This means that the Union only acts where action will be more effective at EU level than at national level. Where the treaties have given exclusive powers to the EU, this is considered to be the case, but otherwise it is a judgement that is made for each new law. Correct application of this principle in EU decision-making is monitored by national parliaments.

To enable parliaments to carry out subsidiarity checks, the Commission sends draft legislation to national parliaments at the same time as it forwards it to the Union legislator (i.e. the European Parliament and the Council).

Any national parliament may then give a **reasoned opinion** if it considers that the proposal in question does not comply with the principle of subsidiarity. Depending on the number of reasoned opinions issued by national parliaments, the Commission may have to re-examine its proposal and decide whether to maintain, adjust or withdraw it. This is referred to as the yellow and orange card procedure. In the case of the ordinary legislative procedure, if a majority of national parliaments give a reasoned opinion, and provided that the Commission decides to maintain its proposal, it will have to explain its reasons, and it will be for the European Parliament and the Council to decide whether or not to continue the legislative procedure.

National parliaments are also directly involved with the implementation of EU legislation. EU directives are addressed to the Member States. They must make them part of national law, which is mostly decided by national parliaments. The directives lay down certain end results that must be achieved in every Member State by a specified date. National authorities have to adapt their laws to meet these goals, but are free to decide how to do so. Directives are used to bring different national laws into line with each other, and are particularly common in matters affecting the operation of the single market (e.g. product safety standards).



# The Court of Justice

## Upholding EU law

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<b>Role:</b>	To give legal judgments on cases brought before it
<b>Court of Justice:</b>	One Judge from each EU country; nine Advocates General
<b>General Court:</b>	One Judge from each EU country
<b>Civil Service Tribunal:</b>	Seven Judges
<b>Location:</b>	Luxembourg
► <a href="http://curia.europa.eu">http://curia.europa.eu</a>	

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The Court of Justice of the European Union (the Court) ensures that EU legislation is interpreted and applied in the same way in each Member State — in other words, that it is always identical for all parties and in all circumstances. To this end, the Court checks the legality of the actions of the EU institutions, ensures the Member States comply with their obligations and interprets EU law at the request of national courts.

The Court has the power to settle legal disputes between Member States, EU institutions, businesses and individuals. To cope with the many thousands of cases it receives, it is divided into two main bodies: the Court of Justice, which deals with requests for preliminary rulings from national courts, certain actions for annulment and appeals, and the General Court, which rules on all actions for annulment brought by private individuals and companies and some such actions brought by Member States.

A specialised tribunal, the Civil Service Tribunal, also adjudicates in disputes between the EU and its civil servants.

### What the Court does

The Court gives rulings on cases brought before it. The four most common types of case are listed below.

#### 1. THE PRELIMINARY RULING

The courts in each EU Member State are responsible for ensuring that EU law is properly applied in that country. If a national court is in any doubt about the interpretation or validity of an EU law it may, and sometimes must, ask the Court of Justice for advice. This advice is given in the form of a binding 'preliminary ruling'. This ruling is an important channel for citizens, through their national courts, to establish how far EU laws affect them.



*Air hostesses have benefited several times from rulings on equal pay and equal rights from the Court of Justice of the European Union.*

## 2. INFRINGEMENT PROCEEDINGS

The Commission, or (in some rare cases) a Member State, can initiate these proceedings if it has reason to believe that a certain Member State is failing to fulfil its obligations under EU law. The Court investigates the allegations and gives its judgment. If found to be at fault, the accused Member State must set things right without delay to avoid the fines the Court can apply.

## 3. PROCEEDINGS FOR ANNULMENT

If any of the Member States, the Council, the Commission or (under certain conditions) the Parliament, believes that a particular EU law is illegal they may ask the Court to annul it. These 'proceedings for annulment' can also be used by private individuals who want the Court to annul a particular law because it directly and adversely affects them as individuals.

## 4. PROCEEDINGS FOR FAILURE TO ACT

The treaty requires the European Parliament, the Council and the Commission to make certain decisions under certain circumstances. If they fail to do so, the Member States, other EU institutions and (under certain conditions) individuals or companies can lodge a complaint with the Court so as to have this violation officially recorded.

## How the Court works

The **Court of Justice** is composed of 28 Judges, one from each Member State, so that all the EU national legal systems are represented. The Court is assisted by nine 'Advocates General' who present reasoned opinions on the cases brought before the Court. They must do so publicly and impartially. The Judges and Advocates General are either former members of the highest national courts or highly competent lawyers who can be relied on to show impartiality. They are appointed by joint agreement of the Member State governments. Each is appointed for a term of 6 years. The Judges of the Court select a President who serves for 3 years. The Court of Justice can sit as a full Court, a Grand Chamber of 13 Judges or Chambers of five or three Judges, depending on the complexity and importance of the case. Nearly 60 % of cases are heard by Chambers of five Judges and around 25 % by Chambers of three Judges.

The **General Court** is also composed of 28 Judges, appointed by the Member States for 6-year terms. The Judges of the General Court also elect a President among themselves for a 3-year term. This Court sits in Chambers of three or five Judges (sometimes a single Judge) to hold hearings. Around 80 % of General Court cases are heard by three Judges. A Grand Chamber of 13 Judges, or a full Chamber of 28, may meet if the complexity or importance of the case justifies this.

All cases are submitted to the Registry at the Court and a specific Judge and Advocate General are assigned. After submission, there are two steps: first, a written stage and then an oral stage. In the first stage, all the parties involved submit written statements and the Judge assigned to the case draws up a report summarising these statements and the legal background to the case. This report is discussed at the Court's General Meeting which decides the judicial formation that will hear the case and whether oral arguments are necessary. Then comes the second stage — the public hearing — where the lawyers put their case before the Judges and the Advocate General, who can question them. After the oral hearing, the Advocate General assigned to the case draws up his or her opinion. In the light of this opinion, the Judge draws up a draft ruling which is submitted to the other Judges for examination. The Judges then deliberate and deliver their judgment. Judgments of the Court are decided by a majority and pronounced at a public hearing. In most instances the text is available in all official languages of the EU on the same day. Dissenting opinions are not expressed.

Not all cases follow this standard procedure. When the urgency of a case so dictates, simplified and expedited procedures exist which allow the Court to rule within approximately 3 months.

# The European Central Bank

## Ensuring price stability

**Role:** To manage the euro and euro area monetary policy

**Members:** Euro area national central banks

**Location:** Frankfurt am Main, Germany

► <http://www.ecb.int>

*Mario Draghi has been President of the European Central Bank since 2011.*



© ImageGlobe

The purpose of the European Central Bank (ECB) is to maintain monetary stability in the euro area by ensuring low and stable consumer price inflation. Stable prices and low price inflation are considered vital for sustained economic growth as they encourage enterprises to invest and create more jobs — thus raising living standards for Europeans. The ECB is an independent institution and takes its decisions without seeking or taking instructions from governments or other EU institutions.

### What the ECB does

The ECB was set up in 1998, when the euro was introduced, to manage monetary policy in the euro area. The primary objective of the ECB is to maintain price stability. This is defined as a consumer price inflation rate of less than, but close to, 2 % per annum. The ECB also acts to support employment and sustainable economic growth in the Union.

### How does the ECB manage price stability?

*The ECB sets the interest rates for lending to commercial banks, which influences the price and the amount of money in the economy — and thus the inflation rate. For example, when money is in plentiful supply, the consumer price inflation rate may rise, making goods and services more expensive. In response, the ECB can raise the cost of borrowing by increasing the interest rate on its loans to commercial banks — which reduces the supply of money and leads to downward pressure on prices. Likewise, when there is a need to stimulate economic activity, the ECB can reduce the interest rate it charges, to encourage borrowing and investment.*



To carry out its lending operations, the ECB holds and manages the official foreign reserves of the euro area members. Other tasks include conducting foreign exchange operations, promoting efficient payment systems in support of the single market, approving the production of euro banknotes by the euro area members and collating relevant statistical data from the national central banks. The President of the ECB represents it at relevant high-level EU and international meetings.

## How the ECB works

The European Central Bank is an institution of economic and monetary union (EMU) to which all EU Member States belong. Joining the euro area and adopting the single currency — the euro — is the final phase of EMU. Not all EU Member States belong to the euro area: some are still preparing their economies to join, and others have opt-outs. The ECB stands at the core of the European System of Central Banks, which brings together the ECB and the national central banks of all EU Member States. The organisation of the ECB reflects this situation in its three main groupings.

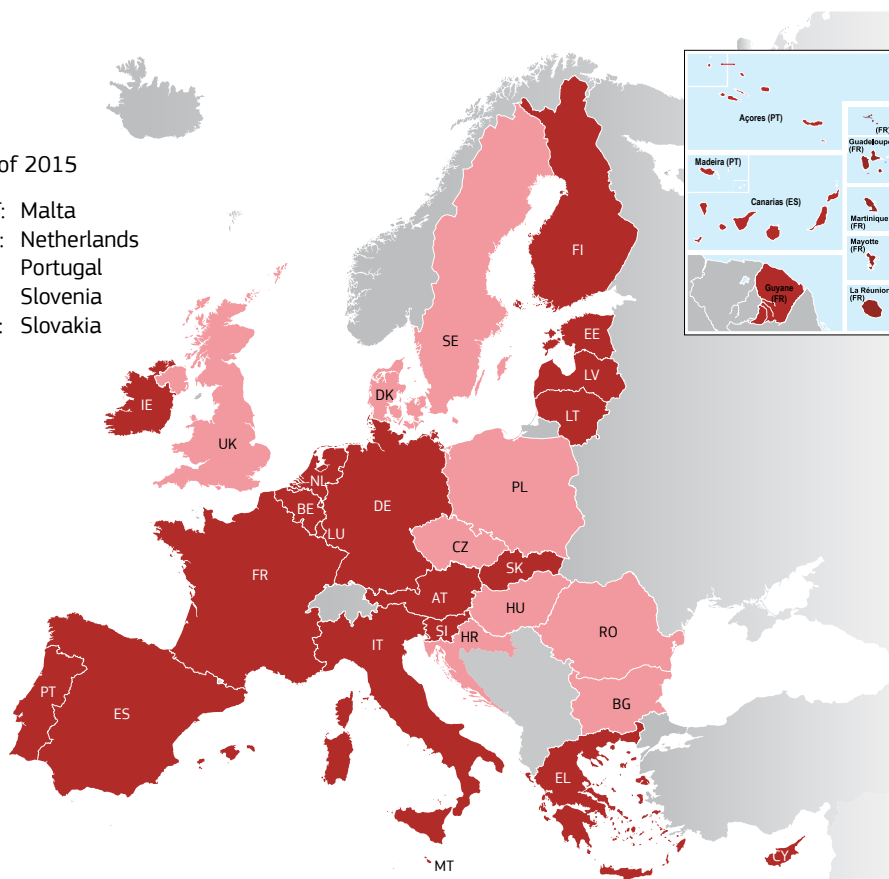
- ▶ The General Council of the European System of Central Banks comprises the governors of the 28 national central banks, together with the ECB President and Vice-President.
- ▶ The Executive Board of the ECB consists of the President, the Vice-President and four other members — all appointed by the European Council, acting by a qualified majority, for 8-year terms of office. The Executive Board is responsible for implementing monetary policy, the bank's day-to-day operations and preparing Governing Council meetings as well as exercising certain powers delegated to it by the Governing Council.
- ▶ The Governing Council of the ECB comprises the six members of the ECB Executive Board and the Governors of the national central banks of the 19 euro area members: together they form the Eurosystem. The Governing Council is the main decision-taking body of the ECB and meets twice a month. As a rule, at its first meeting each month, the Governing Council assesses economic and monetary developments and takes its monthly monetary policy decisions. At its second meeting, the Council mainly discusses issues related to other tasks and responsibilities of the ECB.

### EU Member States using the euro as of 2015

AT: Austria	FI: Finland	MT: Malta
BE: Belgium	FR: France	NL: Netherlands
CY: Cyprus	IE: Ireland	PT: Portugal
DE: Germany	IT: Italy	SI: Slovenia
EE: Estonia	LT: Lithuania	SK: Slovakia
EL: Greece	LV: Latvia	
ES: Spain	LU: Luxembourg	

### EU Member States not using the euro

BG: Bulgaria	PL: Poland
CZ: Czech Republic	RO: Romania
DK: Denmark	SE: Sweden
HR: Croatia	UK: United Kingdom
HU: Hungary	



## Economic governance: Who does what?

*Economic and monetary union (EMU) is a core element of European integration and all EU Member States are part of it. Fiscal policy (tax and spending) remains in the hands of individual national governments, as do policies about labour and welfare. However, the coordination of sound public finances and structural policies is vital for EMU to function effectively. The responsibilities are shared between the Member States and EU institutions as follows.*

- ▶ **The European Council** sets the main policy orientations.
- ▶ **The Council** coordinates EU economic policymaking and takes decisions which can bind individual EU Member States.
- ▶ **The EU Member States** set their national budgets within agreed limits for deficit and debt, and determine their own structural policies involving labour, pensions, welfare and markets.
- ▶ **The euro area Member States** coordinate policies of common interest for the euro area at the level of Heads of State or Government in the euro summit and at the level of finance ministers in the Eurogroup.
- ▶ **The European Central Bank** sets monetary policy for the euro area, with price stability as the prime objective.
- ▶ **The European Commission** monitors what the EU Member States are doing and issues policy recommendations.
- ▶ **The European Parliament** shares the job of formulating legislation with the Council and exercises democratic oversight of the economic governance process.
- ▶ **The European Stability Mechanism** is the financial body owned by the euro area countries to provide assistance to euro countries experiencing, or threatened by, severe financial difficulties. In the years 2011–13, this so-called 'fire-wall' helped five euro countries to overcome the worldwide economic crisis.

## Supervision of banks

In response to the economic crisis, the ECB now also oversees that banks operate in a safe and reliable way. The weakness of some large banks and the differences in rules and controls among countries were major factors leading to the crisis. New EU banking rules set stricter conditions for banks, in particular the amount of reserves they must have. Under the 'Single Supervisory Mechanism' the ECB directly supervises the largest credit institutions, while the national supervisory authorities monitor the smaller ones, under a common system. The mechanism covers all euro area countries. Other EU countries can choose to participate.

# The European Court of Auditors

## Helping to improve EU financial management

**Role:** To check that EU funds are collected and used correctly, and help improve EU financial management

**Members:** One from each EU Member State

**Location:** Luxembourg

► <http://eca.europa.eu>

The European Court of Auditors (ECA) is the independent external audit institution of the European Union. It checks that the Union's income has been received correctly, that its expenditure has been incurred in a legal and regular manner, and that financial management has been sound. It performs its tasks independently from the other EU institutions and governments. In doing so, it contributes to improving the management of European Union funds in the interests of its citizens.

### What the European Court of Auditors does

The European Court of Auditors' main role is to check that the EU budget is correctly implemented — in other words, that EU income and expenditure is legal and regular, and financial management is sound. This work helps to ensure that the EU is managed efficiently and effectively. To carry out its tasks, the ECA undertakes detailed audits of EU income or expenditure at all levels of the administration of EU funds. It carries out on-the-

spot checks at the organisations managing the funds, or the beneficiaries receiving them, both in the EU Member States and in other countries. Its findings are published in annual and specific reports, which draw the attention of the Commission and the Member States to errors and weaknesses found, and make recommendations for improvement.

Another key function is for the European Court of Auditors to help the budgetary authority (the European Parliament and the Council) by providing them with an annual report on the implementation of the EU budget for the previous financial year. The ECA's findings and conclusions in this report play an important role in the Parliament's discharge decision on the Commission's handling of the budget.

The European Court of Auditors also gives its opinion on new or revised EU regulations with financial impact at the request by the other EU institutions. The ECA can also issue position papers on other issues on its own initiative.



*Ear tags on cows help EU auditors keep track of where EU money has been spent.*

## How the European Court of Auditors works

The European Court of Auditors operates as a collegiate body of 28 Members, one from each EU Member State. The Members are appointed by the Council, after consultation with the European Parliament, for a renewable term of 6 years. They are chosen for their competence and independence, and work full-time for the ECA. They elect one of their number as President for a term of 3 years.

To be effective, the Court of Auditors — like any other supreme audit institution — must remain independent of the institutions and bodies it audits. The ECA is free to: select its audit topics, the specific scope and approach to be followed; decide how and when to present the results of its selected audits; and choose the publicity to be given to its reports and opinions. These are important elements of independence.

The European Court of Auditors is divided into chambers, which prepare the reports and opinions for adoption by the ECA. The chambers are supported by qualified staff originating from all Member States. The auditors frequently audit in the other EU institutions, the Member States and other beneficiary countries. The ECA also cooperates closely with supreme audit institutions in the Member States. Indeed, although the ECA's work largely concerns the EU budget — for which the Commission retains overall responsibility — in practice, management of over 80 % of expenditure is shared with national authorities.

The European Court of Auditors has no judicial powers but through its work brings irregularities, weaknesses and cases of suspected fraud to the attention of the EU bodies responsible for taking action, including the European Anti-Fraud Office (OLAF). Since its creation in 1977, the ECA has made a significant impact on the financial management of the EU budget through its objective reports and opinions. In doing so, it has fulfilled its role of independent guardian of the financial interests of the citizens of the Union.

# The European Economic and Social Committee

## The voice of civil society

**Role:** To represent organised civil society

**Members:** 353 from all EU Member States

**Location:** Brussels

► <http://www.eesc.europa.eu>

The European Economic and Social Committee (EESC) is an advisory body of the European Union. It is a unique forum for consultation, dialogue and consensus between representatives from all the different sectors of 'organised civil society', including employers, trade unions and groups such as professional and community associations, youth organisations, women's groups, consumers, environmental campaigners and many more. The members of the EESC are not bound by any mandatory instructions and work in the Union's general interest. The EESC thus acts as a bridge between the EU institutions and EU citizens, promoting a more participatory, more inclusive and therefore more democratic society in the European Union.

### What the EESC does

The EESC has three key tasks:

- to advise the European Parliament, the Council and the European Commission;
- to make sure the views of civil society organisations are heard in Brussels and to increase their awareness of the impact of EU legislation on the lives of EU citizens;
- to support and strengthen organised civil society both inside and outside the EU.

The Committee shall be consulted by the European Parliament, by the Council or by the Commission in many fields foreseen by the treaties. In addition to the range of compulsory consultation, the Committee may issue opinions on its own initiative in cases in which it considers that such action is important to

defend the interests of civil society. It also produces exploratory opinions, requested by EU lawmakers when they want an overview of civil society's views, and publishes information reports on topical issues. The EESC delivers around 170 opinions on a yearly basis, of which roughly 15 % are issued on its own initiative.

### How the EESC works

The EESC is made up of 353 members from 28 EU Member States. The members come from all social and professional backgrounds and have a vast range of knowledge and experience. They are appointed by the Council for a term of 5 years on a proposal by Member States but they work independently for the EESC in the interests of all EU citizens. Members are not based full-time in Brussels: most continue to do their own jobs in their home countries, which means they can stay in touch with people 'back home'.

The members of the Committee are organised internally into three groups: 'employers', 'workers' and 'various interests'. The aim is to build consensus between these groups so that EESC opinions truly reflect the economic and social interests of EU citizens. The EESC elects its President and two Vice-Presidents for a term of 2½ years. EESC members meet nine times a year in plenary sessions in Brussels where opinions are approved by simple majority voting. Preparation for these plenary sessions is done by six thematic sections headed by Committee members and supported by the Committee's Brussels-based Secretariat-General. The thematic sections and committees are:

- the section for economic and monetary union and economic and social cohesion (ECO);



*The planning of energy supplies is of concern to all Europeans — as well as to civil society organisations in the European Economic and Social Committee.*

- ▶ the section for the single market, production and consumption (INT);
- ▶ the section for agriculture, rural development and the environment (NAT);
- ▶ the section for external relations (REX);
- ▶ the section for employment, social affairs and citizenship (SOC);
- ▶ the section for transport, energy, infrastructure and the information society (TEN);
- ▶ the Consultative Commission on Industrial Change (CCMI).

The EESC tracks the progress of long-term EU strategies through the so-called observatories and a steering committee that monitor their implementation and impact at grass-roots level. They deal with sustainable development, the labour market, the single market and the 'Europe 2020' growth strategy respectively.

### **Relations with economic and social councils**

The EESC maintains regular links with regional and national economic and social councils throughout the European Union. These links mainly involve exchanges of information and joint discussions every year on specific issues.



# The Committee of the Regions

## The voice of local government

**Role:** To represent Europe's cities and regions

**Members:** 353 from all EU Member States

**Location:** Brussels

► <http://www.cor.europa.eu>

The Committee of the Regions (CoR) is an advisory body composed of representatives of Europe's regional and local authorities. It gives the regions of Europe a say in EU policymaking and checks that regional and local identities, competences and needs are respected. The Council and the Commission must consult the CoR on matters that concern local and regional government, such as regional policy, the environment, education and transport.

### What the Committee of the Regions does

As around three quarters of EU legislation is implemented at local or regional levels, it makes sense for local and regional representatives to have a say in the development of new EU laws. By involving the elected local representatives, who are perhaps closest to Europe's citizens and their concerns, the CoR is a force for a more democratic and accountable EU.

The Commission and the European Parliament are obliged to consult the CoR on legislative proposals in policy areas that directly affect local and regional authorities — for example, civil protection, climate change and energy. Once the CoR receives a legislative proposal, the members discuss it in plenary session, adopt it by a majority vote and issue an opinion. Importantly, the Commission and the Parliament are not obliged to follow the advice of the CoR, but they are obliged to consult it. If the appropriate mandatory consultation in the legislative process has been ignored, the CoR has the right to bring actions before the Court of Justice. The CoR can also, on its own initiative, offer opinions on topical issues.

### How the CoR works

The Committee members are elected municipal or regional politicians, representing the entire range of local and regional government activities in the EU. They may be regional presidents, regional parliamentarians, town councillors or mayors of large cities. They all have to hold a political office in their home country. EU governments nominate them, but they work with complete political independence. The Council appoints them for 5 years, and they may be reappointed. The CoR appoints a President from among its members, for a term of 2½ half years.

CoR members live and work in their home regions. They meet in Brussels five times a year in plenary sessions, during which policy is defined and opinions are adopted. Six specialist commissions, made up of CoR members and covering different policy areas, prepare the plenary sessions:

- Commission for Territorial Cohesion Policy (COTER);
- Commission for Economic and Social Policy (ECOS);
- Commission for Sustainable Development (DEVE);
- Commission for Education, Youth, Culture and Research (EDUC);
- Commission for Environment, Climate Change and Energy (ENVE);
- Commission for Citizenship, Governance, Institutional and External Affairs (CIVEX);
- Commission for Natural Resources (NAT).

CoR members are also grouped into national delegations, one for each Member State. Interregional groups also exist to promote cross-border cooperation. In addition, there are four political groupings.

# The European Ombudsman

## Investigating your complaints

**Role:** To investigate maladministration

**Location:** Strasbourg

► <http://www.ombudsman.europa.eu>

The European Ombudsman investigates complaints about cases of poor or failed administration (maladministration) by the EU institutions. The Ombudsman receives and investigates complaints from EU citizens, residents, businesses and institutions.

### What the Ombudsman does

The Ombudsman is elected by the European Parliament for a renewable term of 5 years. By receiving and investigating complaints, the Ombudsman helps to uncover maladministration in the European institutions and other EU bodies — in other words, cases where an EU institution fails to do something it should have done, or does it in the wrong way, or does something that ought not to be done. Examples of maladministration include:

- unfairness;
- discrimination;
- abuse of power;
- lack or refusal of information;
- unnecessary delay;
- incorrect procedures.

Any citizen or resident of an EU Member State can make a complaint to the Ombudsman, as can any association or business. The Ombudsman only deals with EU institutions and bodies, not with complaints against national, regional or local government authorities or institutions. He operates completely independently and impartially and does not request or accept instructions from any government or organisation.

Often, the Ombudsman may simply need to inform the institution concerned about a complaint in order for it to resolve the problem. If the case is not resolved satisfactorily during the course of his inquiries, the Ombudsman will try, if possible, to find an amicable solution which puts right the case of maladministration and satisfies the complainant. If this fails, the Ombudsman can make recommendations to solve the case. If the institution concerned does not accept his recommendations, he can make a special report to the European Parliament.

The Ombudsman's website has a practical guide on how to lodge a complaint.



©EU

*In her role as Ombudsman, Emily O'Reilly examines complaints of poor and failed administration in the EU system.*



# The European Data Protection Supervisor

## Protecting your privacy

**Role:** To protect citizens' personal data processed by the EU institutions and bodies

**Location:** Brussels

► <http://www.edps.europa.eu>

In the course of their work, the European institutions may store and process personal information on EU citizens and residents in electronic, written or visual format. The European Data Protection Supervisor (EDPS) is charged with protecting this personal data and people's privacy, and with promoting good practice in this field among the EU institutions and bodies.

### What the European Data Protection Supervisor does

Strict European regulations govern EU institutions' use of citizens' personal data — such as names, addresses, health data or employment history — and protection of this information is a fundamental right. Each EU institution has a data protection officer who ensures that certain obligations are respected — for example, that data can only be processed for specific and legitimate reasons. Furthermore, the person whose data is being processed has certain enforceable rights, such as the right to correct the data. The job of the EDPS is to supervise the data protection activities and systems of the EU institutions and to ensure they comply with best practice. The EDPS also deals with complaints and conducts inquiries. Other tasks include:

- monitoring the EU administration's processing of personal data;
- advising on policies and legislation that affect privacy;
- cooperating with similar authorities in the Member States to ensure consistent data protection.

### How the EDPS works

For everyday operations, the EDPS comprises two entities. Supervision and Enforcement evaluates data protection compliance by the EU institutions and bodies. Policy and Consultation **advises** the EU legislator on data protection issues in a range of policy areas and in proposals for **new legislation**. The EDPS also monitors **new technologies** that may have an impact on data protection.

Anyone who considers that his or her rights have been infringed when an EU institution or body has processed data relating to him or her can complain to the European Data Protection Supervisor. The complaint must be lodged using a complaint submission form available on the EDPS website.

# The European Investment Bank

## Investing in the future

- Role:** To make long-term finance available for investments in EU-related projects
- Shareholders:** The EU Member States
- Board of Directors:** One from each Member State plus the European Commission
- Location:** Luxembourg
- <http://www.eib.org>

The European Investment Bank (EIB) is the Bank of the European Union. It is owned by the Member States and its mission is to lend money for investments that support the Union's objectives — for example, in the fields of energy and transport networks, environmental sustainability and innovation. The EIB's focus is on increasing Europe's jobs and growth potential, supporting climate action and supporting the EU's policies beyond its borders.

### What the EIB does

The EIB is the largest multilateral borrower and lender, providing finance and expertise for sound and sustainable investment projects, mostly in the EU. France's Viaduc de Millau and TGV lines, flood protection in Venice, wind farms in the United Kingdom, Scandinavia's Oresund bridge, the Athens metro and the clean-up of the Baltic Sea are but a few of the thousands of projects financed by the EIB over the years.

The EIB does not use money from the EU budget. Instead, it finances itself by issuing bonds on world financial markets. In 2013, the EIB lent €79 billion for 400 large projects in over 60 countries — €69 billion in the EU Member States and €10 billion outside the EU with a focus on the pre-accession countries, Europe's southern and eastern neighbours, Africa, the Caribbean and the Pacific, and Latin America and Asia.

The EIB is AAA rated. The EIB usually lends up to 50 % of the project costs. Acting as a catalyst, it leverages co-funding from other sources. For loans above €25 million, the EIB lends directly to public and private sector bodies, such as governments and enterprises. For smaller loans, the EIB makes credit lines available to commercial banks and other financial institutions that on-lend the EIB funds to small and medium-sized enterprises or smaller projects undertaken by public sector borrowers.

Within the EU, the priorities for the EIB's lending activities are:

- innovation and skills,
- access to finance for smaller businesses,
- climate action,
- trans-European networks for transport, energy and IT.

© ImageGlobe



*The construction of new railway lines is among the type of projects that may benefit from loans from the European Investment Bank.*

## How the EIB works

The EIB is an autonomous institution that makes its own borrowing and lending decisions on the merits of each project and the opportunities offered by the financial markets. The Bank cooperates with the other EU institutions, especially the European Commission, the European Parliament and the Council of Ministers.

The EIB's decisions are taken by the following bodies.

- ▶ The Board of Governors consists of ministers (normally the finance ministers) from all the Member States. It defines the Bank's general lending policy.
- ▶ The Board of Directors, chaired by the President of the Bank, comprises 29 members, 28 appointed by the Member States and one by the European Commission. It approves lending and borrowing operations.
- ▶ The Management Committee is the Bank's full-time executive body. It handles the EIB's day-to-day business.

## The European Investment Fund

*The EIB is the majority shareholder in the European Investment Fund (EIF), which finances investment in SMEs, which comprise 99 % of EU companies and employ over 100 million Europeans. SMEs often find it difficult to get the funding they need to invest and grow. This is especially true for start-ups and small companies with innovative products or services — exactly those entrepreneurial SMEs that the EU wants to encourage. The EIF meets these needs through venture capital and risk finance instruments — amounting to several billion euro annually — partly offered in partnership with the European Commission, commercial banks and other lenders.*

*<http://www.eif.org>*

## The EU agencies

There are a number of specialised European Union agencies which offer information or advice to the EU institutions, the Member States and citizens. Each of these agencies has a specific technical, scientific or managerial task. EU agencies can be grouped into several categories.

### Decentralised agencies

Agencies are bodies governed by European public law, but they are distinct from the EU institutions (Parliament, Council, Commission, etc.) and have their own legal personality. They have offices in different cities all over Europe, which is why they are often referred to as 'decentralised'. They may deal with tasks of a legal and scientific nature. Examples are the Plant Variety Office, in Angers in France, which establishes rights to new plant varieties, or the European Monitoring Centre for Drugs and Drug Addiction, in Lisbon in Portugal, which analyses and disseminates information on drugs and drug addiction.

Three supervisory bodies help to enforce rules for financial institutions and thereby preserve the stability of Europe's financial system. They are the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Regulator.

Other agencies help the EU Member States to cooperate in the fight against organised international crime. An example is Europol, based in The Hague in the Netherlands, which provides a platform for law enforcement officers from the EU countries to work together. They help each other to identify and track the most dangerous criminal and terrorist networks in Europe.

Three agencies carry out very specific tasks within the framework of the European Union's common foreign and security policy. The European Union Satellite Centre, in Torrejón de Ardoz in Spain, is such an agency; it uses information from earth-observation satellites in support of EU decision-making in foreign and security matters.

### Euratom agencies and bodies

These bodies work within the framework of the European Atomic Energy Community Treaty (Euratom) to coordinate research in the EU Member States on the peaceful use of nuclear energy and to ensure that the supply of atomic energy is both sufficient and secure.

### Executive agencies

Executive agencies ensure practical management of EU programmes, for example treatment of applications for grants from the EU budget. They are set up for a fixed



*The safety of our food needs to be controlled all over Europe — coordinating this work is a typical task for an EU agency.*

period of time and they have to be located in the same place as the European Commission: Brussels or Luxembourg. One example is the European Research Council, which funds basic research by groups of EU scientists.

Agency for the Cooperation of Energy Regulators (ACER)

Body of European Regulators for Electronic Communications (BEREC)

Community Plant Variety Office (CPVO)

Consumers, Health and Food Executive Agency (Chafea)

Education, Audiovisual and Culture Executive Agency (EACEA)

Euratom Supply Agency (ESA)

Eurojust

European Agency for Safety and Health at Work (EU-OSHA)

European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union (Frontex)

European Agency for the Operational Management of Large-scale IT Systems in the Area of Freedom, Security and Justice (eu-LISA)

European Asylum Support Office (EASO)

European Aviation Safety Agency (EASA)

European Banking Authority (EBA)

European Centre for Disease Prevention and Control (ECDC)

European Centre for the Development of Vocational Training (Cedefop)

European Chemicals Agency (ECHA)

European Defence Agency (EDA)

European Environment Agency (EEA)

European Fisheries Control Agency (EFCA)

European Food Safety Authority (EFSA)

European Foundation for the Improvement of Living and Working Conditions (Eurofound)

European GNSS Agency (GSA)

European Institute for Gender Equality (EIGE)

European Institute of Innovation and Technology (EIT)

European Insurance and Occupational Pensions Authority (EIOPA)

European Maritime Safety Agency (EMSA)

European Medicines Agency (EMA)

European Monitoring Centre for Drugs and Drug Addiction (EMCDDA)

European Police College (CEPOL)

European Police Office (Europol)

European Railway Agency (ERA)

European Research Council Executive Agency (ERCEA)

European Securities and Markets Authority (ESMA)

European Training Foundation (ETF)

European Union Agency for Fundamental Rights (FRA)

European Union Agency for Network and Information Security (ENISA)

European Union Institute for Security Studies (EUISS)

European Union Satellite Centre (EUSC)

Executive Agency for Small and Medium-sized enterprises (EASME)

Innovation and Networks Executive Agency (INEA)

Fusion for Energy Joint Undertaking

Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM)

Research Executive Agency (REA)

Single Resolution Board (SRB)

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

All EU agencies can be found via:

► [http://europa.eu/agencies/index\\_en.htm](http://europa.eu/agencies/index_en.htm)

# Getting in touch with the EU



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Information in all the official languages of the European Union is available on the Europa website: **[www.europa.eu](http://www.europa.eu)**



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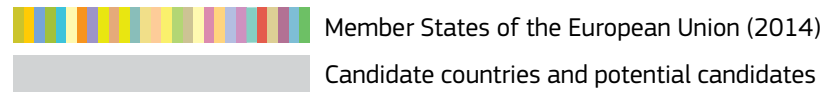
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E-mail: [epedinburgh@europarl.europa.eu](mailto:epedinburgh@europarl.europa.eu)

There are European Commission and Parliament representations and offices in all the countries of the European Union. The European Union also has delegations in other parts of the world.



# The European Union





The European Union (EU) is unique. It is not a federal state like the United States of America because its Member States remain independent sovereign nations. Nor is it a purely intergovernmental organisation like the United Nations because the Member States do pool some of their sovereignty — and thus gain much greater collective strength and influence than they could have acting individually.

They pool their sovereignty by taking joint decisions through shared institutions such as the European Parliament, which is elected by the EU citizens, and the European Council and the Council, which both represent national governments. They decide on the basis of proposals from the European Commission, which represent the interests of the EU as a whole. But what does each of these institutions do? How do they work together? Who is responsible for what?

This booklet sets out the answers. It also gives a brief overview of the agencies and other bodies that are involved in the European Union's work. The aim is to provide you with a helpful guide to EU decision-making.



THE EUROPEAN  
UNION  
EXPLAINED



European  
Commission

# The founding fathers of the EU





# THE EUROPEAN UNION EXPLAINED

*This publication is a part of a series that explains  
what the EU does in different policy areas,  
why the EU is involved and what the results are.  
You can see online which ones are available  
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## **The European Union explained: The founding fathers of the EU**

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## The founding fathers of the EU

Over half a century ago a number of visionary leaders inspired the creation of the European Union we live in today. Without their energy and motivation we would not be living in the sphere of peace and stability that we take for granted. From resistance fighters to lawyers, the founding

fathers were a diverse group of people who held the same ideals: a peaceful, united and prosperous Europe. This collection tells the story behind 11 of the EU's founding fathers. Many others have worked tirelessly towards and inspired the European project.



Konrad  
Adenauer



Joseph  
Bech



Johan Willem  
Beyen



Winston  
Churchill



Alcide De  
Gasperi



Walter  
Hallstein



Sicco  
Mansholt



Jean  
Monnet



Robert  
Schuman



Paul-Henri  
Spaak



Altiero  
Spinelli





# Konrad Adenauer: a pragmatic democrat and tireless unifier



Konrad Adenauer 1876 – 1967

*The first Chancellor of the Federal Republic of Germany, who stood at the head of the newly-formed state from 1949-63, changed the face of post-war German and European history more than any other individual.*

*Like many politicians of his generation, Adenauer had already realised following the First World War that lasting peace could only be achieved through a united Europe. His experiences during the Third Reich (he was removed from office as the Mayor of Cologne by the Nazis) served to confirm this opinion.*

*In the six years from 1949-55 Adenauer realised far-reaching foreign policy goals to bind Germany's future with the western alliance: membership of the Council of Europe (1951), foundation of the European Coal and Steel Community (1952), and Germany's entry into NATO (1955).*

*A cornerstone of Adenauer's foreign policy was reconciliation with France. Together with French President Charles de Gaulle a historic turning point was achieved: in 1963 the one-time arch-enemies Germany and France signed a treaty of friendship, which became one of the milestones on the road to European integration.*

## German politics

Born in Catholic Cologne on 5 January 1876 Konrad Adenauer's family was of humble background, but also one of order and discipline instilled by his father. His marriage in 1904 to the daughter of an influential Cologne family brought him into contact with local politicians, leading him to become active in politics as well. Taking full advantage of his political talent, as a member of the catholic 'Zentrum' party his career took flight and he became Mayor of Cologne in 1917. This post included involvement in large projects such as the building of the first ever highway in Germany between Cologne and Bonn, and he became known as a determined and decisive personality. Steering clear from the extreme political convictions that attracted so many of his generation, Adenauer was committed to instilling diligence, order, Christian morals and values into his fellow citizens.

From the late 1920s the Nazi Party began a slander campaign against Adenauer. He was accused of having anti-German sentiments, wasting public funds and of being sympathetic towards the Zionist movement. When in 1933, after the Nazis had taken power, Adenauer refused to decorate the city with swastikas for a visit by Hitler, he was dismissed from office and his bank accounts frozen. He was now jobless, homeless and without income, dependent on the benevolence of his friends and the church. Although he lay low for the duration of the war, he was nevertheless arrested on several occasions. After the failed assassination attempt on Hitler in 1944, Adenauer was imprisoned in the notorious Gestapo prison in Cologne Brauweiler.



After the war, Adenauer was reinstated as Mayor of Cologne by the Americans but removed shortly afterwards by the British, when Cologne was transferred into the British zone of occupation. This gave Adenauer the time to devote himself to the setting up of the Christian Democratic Union (CDU) which he hoped would unify Protestant and Catholic Germans in one party. In 1949, he became the first Chancellor of the Federal Republic of Germany (West Germany). Initially, it was thought that Adenauer would be Chancellor for only a short time, as he was already 73 years old by this time. However, despite this belief, Adenauer (nicknamed 'Der Alte', or 'The Elder') went on to hold this position for the next 14 years, making him not only the youngest ever mayor of Cologne, but also the oldest chancellor Germany has ever seen. Under his leadership, West Germany became a stable democracy and achieved a lasting reconciliation with its neighbouring countries. He managed to regain some sovereignty for West Germany, by integrating the country with the emerging Euro-Atlantic community (NATO and the Organisation for European Economic Cooperation).



*Adenauer shaking hands with French President Charles de Gaulle in 1961.*

## Contribution to European integration

Adenauer's experiences during the Second World War made him a political realist. His views on Germany's role in Europe were strongly influenced by the two world wars and the century-long animosity between Germany and France. He therefore focused his attention on promoting the idea of pan-European cooperation.

Adenauer was a great proponent of the European Coal and Steel Community, which was launched with the Schuman Declaration on 9 May 1950, and also the later treaty for the European Economic Community in March 1957.

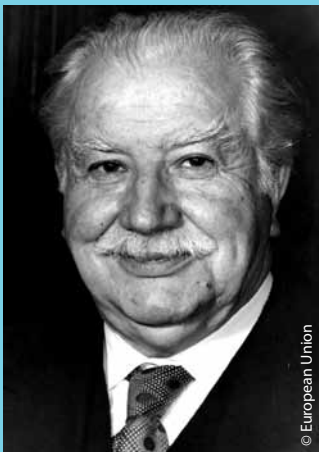
Adenauer's opinions on Europe were based on the idea that European unity was essential for lasting peace and stability. For this reason he worked tirelessly for the reconciliation of Germany with its former enemies, especially France. Later, in 1963, The Élysée Treaty, also known as the Treaty of Friendship, set the seal on this reconciliation. With it, Germany and France established a firm foundation for relations that ended centuries of rivalry between them.

As a result of his political talents, his determination, pragmatism and clear vision for the role of Germany in a united Europe, Adenauer ensured that Germany became, and remains to this day, a free and democratic society. This is now not only taken for granted, but also deeply integrated into modern German society.

Konrad Adenauer is one of the most remarkable figures in European history. European unity was to him not only about peace, but also a way of reintegrating post-Nazi Germany into international life. Europe as we know it today would not have been possible without the confidence he inspired in other European states by means of his consistent foreign policy. His achievements are still recognised by his fellow-Germans as, in 2003, they voted him 'The greatest German of all time'.



# Joseph Bech: how a small country can play a crucial role in European integration



Joseph Bech 1887- 1975

*Joseph Bech was the Luxembourgish politician that helped set up the European Coal and Steel Community in the early 1950s and a leading architect behind European integration in the later 1950s.*

*It was a joint memorandum from the Benelux countries that led to the convening of the Messina Conference in June 1955, paving the way for the European Economic Community.*

*Bech's experience of living in Luxembourg during the two World Wars made him understand how powerless such a small state could be, isolated between two powerful neighbours. This led him to realise the importance of internationalism and cooperation between states if a stable and prosperous Europe were to be achieved. He helped to set up the Benelux union*

*between Belgium, the Netherlands and Luxembourg, an experience which proved to be of great benefit when the European institutions were developed. The process of forming this union between the three small states has since been considered a prototype for the European Union itself.*

## Early life and rise through politics

Joseph Bech was born on 17 February 1887 in Diekirch, Luxembourg. He studied law in Fribourg in Switzerland and in Paris, France. After graduation in 1914, he set up a law practice and, that same year, was elected to the Luxembourgian Chamber of Deputies for the newly-founded Christian Party.

In 1921 Bech became Minister of Internal Affairs and Education. In 1926 he became Prime Minister and Minister of External Affairs and Agriculture. It was during his period as Prime Minister between 1926 and 1936 that the global financial crisis struck. Bech understood the vital importance that exports play in a country's economy. As Luxembourg's main trading partner was Germany, the country was very dependent on its neighbour. As a result Bech tried to limit Luxembourg's economic dependence on Germany as much as possible. It was in this attempt to expand markets for the Luxembourgish steel industry that he negotiated for the first time for closer economic cooperation and a customs

union with Belgium, and later with the Netherlands. These were essential efforts that contributed to the forming of the Benelux union during the Second World War.

## The Second World War

When Nazi Germany invaded Luxembourg on 10 May 1940, Bech was forced into exile with a number of other ministers and the Head of State, Grand Duchess Charlotte, forming a government-in-exile in London. It was in his capacity as Minister of Foreign Affairs that he signed the Benelux Treaty in 1944. His experience in creating an economic union promoting the free movement of workers, capital, services, and goods in the region, would later prove useful in setting up the European Economic Community.

Throughout his career Bech remained marked by the memory of the First World War and the crisis that followed wherein Luxembourg was in danger of being swallowed up by its neighbours. This feeling of powerlessness led to his support for strong internationalism.

He therefore represented Luxembourg in all multilateral negotiations during and after the Second World War, and encouraged his compatriots to accept the accession of the Grand Duchy in the international organisations that were created: Benelux in 1944, The United Nations in 1946 and NATO in 1949.

## The European Coal and Steel Community

On May 9 1950, Bech was the Foreign Minister of Luxembourg. Aware of the need for his country to bring its neighbours together through economic and political agreements, it was with enthusiasm that he welcomed the proposal put forward on that date by his French counterpart, Robert Schuman, to create a European Coal and Steel Community. He knew that this would give Luxembourg the opportunities it needed and give the country a place and a voice in Europe. A further boost to Luxembourg's standing in Europe was given when he managed to achieve that the headquarters of the High Authority of the Coal and Steel Community be located in Luxembourg.

As a next step, Bech supported the plans for a European Defence Community. They were rejected by France in 1954, but that was far from the end of European integration.

## The Messina Conference

From 1 to 3 June 1955, Joseph Bech chaired the Messina Conference which later led to the Treaty of Rome, forming the European Economic Community. The focus of this Conference was a memorandum submitted by the three Benelux countries, including Joseph Bech as the representative of Luxembourg. The memorandum combined French and Dutch plans offering both to undertake new activities in the fields of

transport and energy, especially nuclear, and a general Common Market, with focus on the need for a common authority with real powers. On the basis of experience with the Benelux and the Coal and Steel Community, the three Foreign Ministers proposed a plan, that further developed on an idea put forward by Dutch Minister Beyen, which recommended economic cooperation as the way to achieve European unification. This 'Spaak Report', named after Belgian Minister Spaak, Chairman of the Committee that had drafted it, became the basis for the Intergovernmental Conference which drafted the treaties on a common market and atomic energy cooperation, and which were signed in Rome on 25 March 1957.

In 1959, after having held this post since 1929, Bech gave up the portfolio of Foreign Affairs. From 1959 to 1964, he chaired the House of Representatives before leaving the political scene at the age of 77. He died 11 years later, in 1975. For his role in the unification of Europe, we now consider him one of the founding fathers of the European Union. He provided an excellent example of how a small country such as Luxembourg can play a crucial role on the international stage.



*Bech with a cine-camera, enjoying a moment of relaxation at the Messina Conference in 1955.*

# Johan Willem Beyen: a plan for a common market



Johan Willem Beyen 1897- 1976

*The international banker, businessman and politician Johan Willem Beyen was a Dutch politician who, with his 'Beyen Plan', breathed new life into the process of European integration in the mid-1950s.*

*Beyen is one of the lesser-known members of the group of Founding Fathers of the EU. Amongst the people who knew him he was admired for his charm, international orientation and social ease.*

*In the Netherlands, as Minister of Foreign Affairs, Beyen gave an important input to the European unification process. He was able to convince reluctant forces in the Netherlands, as well as in Europe, to accept European integration. His 'Beyen Plan' was a proposal for a customs union and far-reaching economic cooperation within a common European market.*

*The essence of this was actually decided in the Rome Treaties in 1957 and has been at the core of the European Union ever since.*

## Early life

Johan Willem (Wim) Beyen was born on 2 May 1897 in Utrecht in the Netherlands. As the son of a wealthy family he had a carefree childhood, enjoying an international upbringing with a focus on literature and music. He began his career in national and international finance after graduating in law at the University of Utrecht in 1918. His first post was at the Dutch Ministry of Finance, but in 1924 he moved into the corporate and banking world. He eventually became President of the Bank for International Settlements and Director of the British–Dutch consumer goods company Unilever.

## Second World War

During the Second World War Beyen worked in exile in London, while his home country was occupied by Nazi Germany. In 1944

he played an important role at the Bretton Woods Conference where foundations were laid for a post-war international financial structure. From 1946 he represented the Netherlands on the board of the World Bank and from 1948 played the same role at the International Monetary Fund.

## Minister of Foreign Affairs

Beyen was Dutch Minister of Foreign Affairs during the years of reconstruction following the Second World War. During the war Beyen had become convinced that full regional economic cooperation was necessary to prevent a recurrence of the kind of financial crisis seen in the 1930s. Leaders throughout post-war Europe started to realise that the horrors of war and economic crises could only be overcome by international cooperation.

Whilst some initiatives focused on pursuing this cooperation on a global scale, Beyen believed that more could be achieved by regional cooperation. The first steps towards economic cooperation were taken in 1948 with the Marshall Plan – the huge American aid package to Europe which required the European countries to coordinate economic matters in the OECD. Following the Schuman Declaration of 9 May 1950, the European Coal and Steel Community was created in 1952 with the aim of ultimately making wars in Europe impossible.



*Beyen at the Messina Conference, where he introduced his plan for economic cooperation in Europe.*

## The Beyen Plan

Beyen however saw the possibility of even greater cooperation between European nations. He realised that political integration at that time would have been hard to achieve and managed to persuade his national and international colleagues that further progress could be made with further economic cooperation, believing that political unification would follow. With this in mind, he drew up the Beyen Plan. With his experience in international finance and banking he knew that issues like trade barriers

and unemployment were not easily resolved at national level and required a more international approach. Even though there was reluctance and even some downright opposition within the Dutch government, he managed to put the plan forward both during the negotiations on the European Defence Community and the discussions on the European Political Community in the early 1950s.

## A common market

He initially received little support, especially as the French government at the time was not interested in further economic integration. However, when the planned European Defence Community failed because the French parliament decided not to ratify the treaty, this changed. As there was to be neither the planned defence community nor a political community, an impasse arose. This brought the Beyen plan back into the limelight. The plan revolved around the concept that full economic cooperation was necessary, not just in the field of coal and steel but as a whole. The solution was therefore a common market for everything, along the lines of the cooperation between Belgium, the Netherlands and Luxembourg created in the 'Benelux' agreement in 1944. The Benelux countries, under the guidance of Belgian Minister Paul-Henri Spaak, coupled Beyen's ideas to a French plan for a Community for Atomic Energy and provided Beyen with the opportunity to outline his plans during the Messina Conference in 1955. He explained that political unity was not conceivable without a common market with some common responsibility for economic and social policy and a supranational authority. This resonated with the opinions of the other Conference participants. It led to six countries signing the Treaties of Rome in March 1957 and creating the European Economic Community and Euratom.

Beyen's role has often been overlooked in later years, but his work contributed to the European integration process in the 1950s and earns him a place amongst the prominent figures we now call the Founding Fathers of the European Union. He will long be remembered as the individual who gave fresh impetus to the European project when it was most needed.

# Winston Churchill: calling for a United States of Europe



Winston Churchill 1874 - 1965

*Winston Churchill, a former army officer, war reporter and British Prime Minister (1940-45 and 1951-55), was one of the first to call for the creation of a 'United States of Europe'. Following the Second World War, he was convinced that only a united Europe could guarantee peace. His aim was to eliminate the European ills of nationalism and war-mongering once and for all.*

*He formulated his conclusions drawn from the lessons of history in his famous 'Speech to the academic youth' held at the University of Zurich in 1946: "There is a remedy which ... would in a few years make all Europe ... free and ... happy.*

*It is to re-create the European family, or as much of it as we can, and to provide it with a structure under which it can dwell in peace, in safety and in freedom.*

*We must build a kind of United States of Europe."*

*Thus the driving force behind the anti-Hitler coalition became an active campaigner for Europe's cause.*

*Winston Churchill also made a name for himself as a painter and writer: in 1953 he was awarded the Nobel Prize for Literature.*

## Early life

Winston Churchill was born on 30 November 1874 into the aristocratic Spencer-Churchill family of the noble Dukes of Marlborough, but his mother was born in America. After enjoying a privileged childhood, Churchill began his education in 1888 at Harrow, a top London boys' school. He did not prove to be an outstanding student and school was not therefore something he enjoyed.

On finishing school in 1893, it took him three attempts to pass the entry exam for Sandhurst, the Royal Military Academy. But after graduation he began a military career that, over the next five years, saw him fight battles on three continents, win four medals and an Order of Merit, write five books and win a seat in Parliament, all before his 26th birthday.

## Political career

While serving in the British army, Churchill was also a newspaper correspondent. Whilst reporting on the Boer War in South Africa, he made headlines when he escaped from a prisoner of war camp there, returning to England in 1900 to embark on a political career. He was elected to Parliament and served in different Cabinets as Home Secretary and First Lord of the Admiralty (Minister responsible for the navy). In 1915 he was forced to resign after the failure of a particular military campaign. He decided to join the army again and led the men of the 6th Battalion Royal Scots Fusiliers in the trenches of France. When in 1917 a new government was formed he became Minister of Munitions. In the years leading up to 1929, Churchill held all of the most important ministerial posts except that of Foreign Minister.



In 1929, he became estranged from his party, the Conservatives. This is the start of a period in Churchill's life known as the 'Wilderness Years'. He continued writing and became a very productive and well published author of articles and books. Churchill was among the very first few people to recognise the growing threat of Hitler long before the outset of the Second World War and the first to voice his concerns.



*Churchill gives the 'V' for victory sign during a speech at the European Congress in The Hague in 1948.*

## Second World War

In 1939, Churchill's predictions became reality as the Second World War broke out. In 1940, he became Prime Minister and led Great Britain through the difficult war years, offering hope and determination to the British people with his inspirational speeches. His staunch refusal to consider defeat or to bargain with the Nazis inspired British resistance, especially at the start of the war when Britain stood alone in its active opposition to Hitler. Nevertheless, he lost the elections after the end of the war. He did not, however, lose his ability to interpret correctly how future events would play out, as proven by his famous speech in Fulton, Missouri about the threat from the Soviet Communists, in which he coined the well-known expression about the 'Iron Curtain'.

## A 'United States of Europe'

In 1946 Churchill delivered another famous speech, at the University of Zurich, in which he advocated a 'United States of Europe', urging Europeans to turn their backs on the horrors of the past and look to the future. He declared that Europe could not afford to drag forward the hatred and revenge which sprung from the injuries of the past, and that the first step to recreate the 'European family' of justice, mercy and freedom was "to build a kind of United States of Europe. In this way only will hundreds of millions of toilers be able to regain the simple joys and hopes which make life worth living".

## Council of Europe

With this plea for a United States of Europe, Churchill was one of the first to advocate European integration to prevent the atrocities of two world wars from ever happening again, calling for the creation of a Council of Europe as a first step. In 1948, in The Hague, 800 delegates from all European countries met, with Churchill as honorary president, at a grand Congress of Europe.

This led to the creation of the Council of Europe on 5 May 1949, the first meeting of which was attended by Churchill himself. His call to action can be seen as propelling further integration as later agreed upon during the Messina Conference in 1955, which led to the Treaty of Rome two years later. It was also Churchill who would first moot the idea of a 'European army' designed to protect the continent and provide European diplomacy with some muscle. Furthermore, the European Court of Human Rights was created in 1959 — a decade after Churchill first championed the idea.

Providing the inspiration to the people of Europe as the binding factor in the allied fight against Nazism and fascism, Winston Churchill consequently became a driving force behind European integration and an active fighter for its cause.

# Alcide De Gasperi: an inspired mediator for democracy and freedom in Europe



Alcide De Gasperi 1881 - 1954

*From 1945 to 1953, in his roles as Italian Prime Minister and Foreign Affairs Minister, Alcide De Gasperi forged the path of the country's destiny in the post-war years.*

*He was born in the region of Trentino-Alto Adige (South Tyrol) which, until 1918, belonged to Austria. Along with other exceptional statesmen of his time, he campaigned actively for European unity. His experiences of fascism and war — he was imprisoned between 1927 and 1929 before finding asylum in the Vatican — led to his conviction that only the union of Europe could prevent their recurrence.*

*Time and time again he promoted initiatives aimed at the fusion of Western Europe, working on the realisation of the Marshall Plan and creating close economic ties with other European countries, in particular France. Furthermore, he supported the Schuman Plan for the foundation of the European Coal and Steel Community, and helped develop the idea of the common European defence policy.*

## Early life

Alcide De Gasperi was born on 3 April 1881. His father was a policeman with limited means. He grew up in the Trento region which, at that time, was one of the Italian-speaking areas within the large multinational and multicultural grouping of nations and peoples of the Austro-Hungarian Empire. As there were no Italian universities that he could attend with a study grant, he went to Vienna in 1900 to study Philology. There he became active in the Catholic student movement. It was during these student years that he was able to hone the mediating skills that would later become so essential during his politically active years. He was, for example, able to understand that finding solutions to problems was more important than holding grudges and believed that substance was important, not form. When he graduated in 1905, he returned to Trentino where he became a reporter for the newspaper *La Voce Cattolica*. At this time he also became politically active in the

*Unione Politica Popolare del Trentino* and was elected in 1911 to represent Trentino in the Austrian House of Representatives. He used this position to campaign for the improvement of rights for the Italian minority.

## First World War experiences and the 'Idee Ricostruttive'

Although De Gasperi remained politically neutral during the First World War, he did however sympathise with the Vatican's efforts to end the war. When the First World War ended in 1918, De Gasperi's home region became a part of Italy. One year later, he co-founded the Italian People's Party (*Partito Popolare Italiano* – PPI) and became one of their parliamentarians in 1921. As the fascist powers in the Italian government under



Mussolini's leadership grew in strength, openly using violence and intimidation against the PPI, the party was outlawed and dissolved in 1926. De Gasperi himself was arrested in 1927 and sentenced to four years in prison. With the help of the Vatican he was freed after 18 months. He was given asylum within the walls of the Vatican, where he worked for 14 years as a librarian. During the Second World War he wrote the 'Idee ricostruttive' (Ideas for reconstruction) which would form the manifesto of the Christian Democratic Party, secretly founded in 1943. After the collapse of fascism, De Gasperi stood at the helm of the party and served as Prime Minister from 1945 to 1953 in eight consecutive governments. To this day, this record of political longevity in the history of Italian democracy remains unsurpassed.

## Role in European integration

During this so-called 'De Gasperi era' Italy was rebuilt by establishing a republican Constitution, consolidating internal democracy and taking the first steps towards economic reconstruction. De Gasperi was an enthusiastic proponent of international cooperation. As the man responsible for most of Italy's post-war reconstruction, he was convinced that Italy needed to restore its role on the international stage. To this end he worked to set up the Council of Europe, persuaded Italy to be part of the American Marshall Plan and to join NATO. His strong cooperation with the United States took place at the same time as Italy had one of the largest communist parties in Western Europe.

## Democracy, agreement and freedom

De Gasperi believed that the Second World War taught all Europeans the following lesson: "the future will not be built through force, nor the desire to conquer, but by the patient application of the democratic method, the constructive spirit of agreement, and by respect for freedom". This is what he said when he accepted the Charlemagne prize for his pro-European commitment in 1952. This vision explains his swift response to Robert Schuman's call on 9 May 1950 for an integrated Europe, which led to the foundation of the European Coal and Steel Community

(ECSC) a year later. He became the first President of the ECSC Parliamentary Assembly in 1954. And although the project ultimately failed, De Gasperi was a defendant and proponent of the common European defence policy.

## European Economic Community

During these first steps towards European integration De Gasperi's role has been described as that of a mediator between Germany and France, which had been divided by almost a century of war. During the final years of his life he was also an inspiring force behind the creation of the European Economic Community. Although he would not live to see this come to fruition - he died in August 1954 - his role was widely acknowledged when the treaties of Rome were signed in 1957.

His background, his wartime experiences, living under fascism and being part of a minority made Alcide De Gasperi very much aware that European unity was necessary to heal the wounds of two world wars and to help prevent the atrocities of the past from ever happening again. He was motivated by a clear vision of a Union of Europe that would not replace individual states, but would allow for them to complement each other.



*De Gasperi shaking hands with German Chancellor Konrad Adenauer in 1953 in Rome.*

# Walter Hallstein: a diplomatic force propelling swift European integration



Walter Hallstein 1901 - 1982

*Walter Hallstein was the first President of the European Commission from 1958 to 1967, a committed European and a decisive proponent of European integration.*

*As President of the European Commission, Hallstein worked towards a rapid realisation of the Common Market. His energetic enthusiasm and powers of persuasion furthered the cause of integration even beyond the period of his presidency. During his mandate, the integration advanced significantly.*

*The one-time Secretary of State in the German Foreign Ministry originally attained international recognition through the 'Hallstein Doctrine' of the 1950s, which shaped German foreign policy for years to come, and had at its core the linking of the young democracy with western Europe.*

## Early life and wartime experiences

Walter Hallstein was born on 17 November 1901, the son of a Protestant building control officer in the south-western German city of Mainz. After graduating from the local grammar school, he studied Law and Political Science in Bonn, Berlin and Munich. In 1925 he graduated and started work as an assistant to a Professor at the University of Berlin. In 1927 he became an examiner at the University of Rostock in northern Germany, qualifying as a lecturer there in 1929. One year later he was appointed as Chair of Private and Company law, a position he would hold for the next ten years, becoming an expert in his field, a respected scholar and an internationally renowned university lecturer. He then became a Professor at the University of Frankfurt from where he was drafted into the German armed forces in 1942, despite his hostility towards Nazism. After the Allied invasion of 1944 Hallstein was taken to a prisoner of war camp in the United States where he set up a camp university of sorts to educate his fellow prisoners on the law and their rights.

After the war he was appointed Vice-Chancellor at the University of Frankfurt and in 1948 was invited by Georgetown University to

be a guest lecturer there. As one of the first German scholars to be invited to an American university, his experiences in America strengthened his conviction that Germany should join the international initiatives aimed at strengthening the bond amongst democracies after the Second World War. Joining international alliances such as the UN and NATO was, to him, pivotal in the return of Germany to the international stage.

## European Coal and Steel Community

Hallstein's excellent diplomatic skills, awareness of the need for European unity and his specialised knowledge and experience in the field, led Konrad Adenauer, then Chancellor of Germany, to appoint him as head of the delegation leading negotiations at the Schuman Conference on the forming of the European Coal and Steel Community in 1950. During this time he worked closely with Jean Monnet, his French counterpart. They both soon realised that they shared fundamental beliefs on the need for European integration if Europe were to prosper again.

In 1951 Adenauer appointed Hallstein as State Secretary in the Federal Foreign Office where he was not only involved with the establishment of the ECSC, but also with an attempt to create a European Defence Community to unite the budget, forces and arms policies of the western European countries. He was also involved in negotiations with Israel over the payment of reparations to the Jewish people and played an important role in Germany's foreign relations strategy. What would later become known as the 'Hallstein Doctrine' of 1955 was a strict policy agreement that West Germany would not enter into any diplomatic relations with states recognising Eastern Germany (DDR).

## The European Economic Community

To Hallstein, the failure to create the European Defence Community in 1954 posed a very large and real threat to security in Germany and western Europe since it would be easier for the Soviet Union to extend its influence in a divided Europe. This led him to focus his energies on the economic integration process rather than the political one. Consequently, he became a staunch proponent of European unity through the forming of a European Economic Community. The first steps towards this economic integration enabling people, services and goods to travel freely were taken during the Messina Conference in 1955. Although Hallstein initially wanted this integration to be all-encompassing and achieved as quickly as possible, the political realities of the time helped him to recognise that a gradual fusing together of the markets of the member states would be of maximum benefit to all. In 1958 the Treaty of Rome came into force and Hallstein was chosen as the first President of the Commission of the European Economic Community.

## Presidency of the Commission

Although by now Hallstein realised that integration would not become a reality as fast as he would have liked, as President of the Commission he became a driving force behind the swift integration process that would follow. For instance, during his term of office, the so-called 'Hallstein period', he began the consolidation of European law which was to have a great impact on national

legislation. As a proponent of a federal Europe with a strong Commission and Parliament (to prevent the Union from constantly playing second fiddle to national governments) it is clear that he had one aim for the European Community: the vision of a united Europe as laid down in the Schuman Declaration of 9 May 1950. At this time, however, France's President De Gaulle had another conviction: where Hallstein thought that a federation was to be sought, meaning ceding a large part of national capacities and power to the Union, De Gaulle believed that Europe should take the confederate route, becoming a 'Europe of States', with more powers remaining in the member states. A build-up of differences between the French government and the other member states over a number of issues pertaining to this fundamental difference of opinions, led to the 'Empty Chair Crisis' in 1965, when France withdrew all of its representatives from the European institutions for some time, before a compromise was reached.

Without Hallstein's energetic enthusiasm, diplomatic negotiating skills and strong powers of persuasion, the speed of European integration witnessed during his years in office would not have been possible.



*Hallstein as President of the European Commission speaking in the Netherlands in 1965.*

# Sicco Mansholt: farmer, resistance fighter and a true European



Sicco Mansholt 1908 - 1995

*Sicco Mansholt was a farmer, a member of the Dutch resistance during the Second World War, a national politician and the first European Commissioner responsible for Agriculture. Mansholt's ideas laid the basis for the Common Agricultural Policy of the European Union, one of the most prominent policies since its founding days.*

*Having witnessed the horrors of the Dutch famine at the end of the Second World War, Mansholt was convinced that Europe needed to become self-sufficient and that a stable supply of affordable food should be guaranteed for all.*

*The most important element in Mansholt's plan for the early Common Agricultural Policy was to encourage productivity in agriculture. The policy implied systems where farmers were guaranteed a certain minimum price for their products, providing incentives for them to produce more. His pro-European determination and strong vision for the future, coupled with a will to build on a shared future, identified him as a true European during his lifetime.*

## Early life

Sicco Mansholt was born on 13 September 1908 in a socially-engaged family running a thriving farm in Groningen, a northern province of The Netherlands. His father was an active member of the Dutch socialist party and an important adviser to the party on agricultural matters. His mother, the daughter of a judge, was one of the first Dutch women to study political science at university and held frequent political gatherings for women.

After high school Mansholt wanted to become a farmer, but having already paid for the farming lease for his brother, Mansholt's father could not afford to pay for Sicco as well. Hoping nevertheless to carve out a career in agriculture, he went to the Dutch East Indies, now Indonesia, and began work on a tea plantation. He was however unable to get used to the colonial system there and moved back to the Netherlands in 1936. A year later he managed to obtain a plot of land in the polder region of Wieringermeer, married, and lived the life of a farmer until the outbreak of the Second World War.

## Second World War

During the war Mansholt was an active member of the Dutch resistance against the Nazi-German invaders. In the early years he hid people on his farm and disseminated intelligence information, but later on he managed an extensive distribution network that provided food to people in hiding throughout the western parts of the country. After the war, as a testament to his experience, courage and organisational skills, he was offered the post of Minister of Agriculture, Fishery and Food Distribution in the new government. At 36 he became the youngest Minister in The Netherlands up to that point.

## Restoring agriculture

Directly after the war, with a dire shortage of food and a crisis looming, Mansholt's post was of the greatest importance. He took a number of measures meant to restore food supplies quickly, but at the same time he understood

the need to modernise agriculture more profoundly in order to avoid future shortages and guarantee efficiency. He set minimum prices for the most important agricultural products combined with import taxes and support for exports. To promote productivity, he promoted investments in research, education and the merger of farms into bigger and more efficient units.

## A Common Agricultural Policy for Europe

Being a convinced European federalist, Mansholt dreamt of a common agricultural policy for Europe. In 1950 he developed a plan for a common market for agricultural produce in Europe with a supranational governing structure. However, this plan proved to be too ambitious for its time and failed. However, it was later revived and formed the inspiration behind the agricultural policy of the European Economic Community.

After serving as a Minister for twelve and a half years, Mansholt got his chance to launch his plans for a common policy when he became Commissioner for Agriculture in the very first European Commission in 1958. The 1957 Treaty of Rome established the European Economic Community and provided for a common market in Europe to be set up in three four-year stages. This twelve-year plan was considered by many to be extremely ambitious and likely to fail, especially the measures relating to the agricultural sector, given the high level of opposition to them. However, Mansholt remained optimistic and went to work. His plans were to agree on a combination of direct subsidy payments for crops and land which might be cultivated with price support mechanisms, including guaranteed minimum prices as well as tariffs and quotas on imports of certain goods from third countries. This would encourage better agricultural productivity so that consumers had a stable supply of affordable food and ensure that the EU had a viable agricultural sector.

## The Mansholt Plan

His plans initially met with a fair amount of opposition from farmers and their political representatives, who firmly believed

that this common approach would threaten their livelihood and that only the large farms would be able to survive. There were many obstacles to overcome on the way to agreeing a common European policy, but Mansholt persevered and in 1968 the Commission published the “Memorandum on the reform of the Common Agricultural Policy”, otherwise named the “Mansholt Plan”. Basically, the Plan declared that for agriculture to flourish, farmers needed to modernise. This would guarantee productivity and enable European farmers to become self-sufficient.

The agricultural policy was very successful in meeting its initial objective of making Europe more self-sufficient with food products. However, in the 50 years of its existence it has undergone major changes in order to adapt to new times. By the 1970s the policy had worked so well that there were often surpluses of farm produce. During the 1970s, Mansholt became a staunch defender of measures to protect the environment as a key element of agricultural policy. He was Vice-President of the Commission from 1958 to 1972 and its fourth President from 1972 until 1973.

Mansholt's aim was to prevent a recurrence of the dreadful winter famine experienced by the people of Europe at the end of the Second World War. Mansholt's Plan provided for the restoration of Europe's self-sufficiency and a flourishing of European agriculture in an unprecedented short space of time.



*As Commissioner for Agriculture and an enthusiastic farmer himself, Mansholt paved the way for the Common Agricultural Policy.*



# Jean Monnet: the unifying force behind the birth of the European Union



Jean Monnet 1888 - 1979

*The French political and economic adviser Jean Monnet dedicated himself to the cause of European integration. He was the inspiration behind the 'Schuman Plan', which foresaw the merger of west European heavy industry.*

*Monnet was from the Cognac region of France. When he left school at 16 he travelled internationally as a cognac dealer, later also as a banker. During both world wars he held high-level positions relating to the coordination of industrial production in France and the United Kingdom.*

*As a top advisor to the French government he was the main inspiration behind the famous 'Schuman Declaration' of 9 May 1950, which led to the creation of the European Coal and Steel Community and, as such, is considered to be the birth of the European Union.*

*Between 1952 and 1955 he was the first president of its executive body.*

## Early life

Jean Omer Marie Gabriel Monnet was born on 9 November 1888 in the city of Cognac, France. After finishing school at 16, his father sent him to London to work for the family-run cognac trading business, having realised that his son's extraordinary interpersonal skills made him eminently suitable for a career in international business. And indeed, from this early experience he travelled the world as a respected and successful businessman.

## First World War

His application to enrol in the military was turned down on health grounds in 1914. To be able to serve his country another way he contacted the French government with a proposal to better coordinate war supplies with Britain. This proposal met with approval and the French President made him an economic intermediary between France and its allies.

Having shown great professional aptitude during the war, at the age of 31 he was named Deputy Secretary General of the League of Nations upon its creation in 1919. When his father died in 1923 he returned to Cognac and successfully turned around the fortunes of the declining family business. Over the next few years, his experience in international finance also saw him become closely involved with the reorganisation of the national finances of various eastern European countries such as Romania and Poland, advising the Chinese government, assisting with the reorganisation of their railway network, and helping to set up a bank in San Francisco.

## Second World War

At the beginning of the Second World War, Monnet again offered his services to his country and became President of

a Franco-British committee set up to coordinate the combining of the two countries' production capacities. He convinced the British and French leaders, Churchill and de Gaulle, to form a complete political union between the two countries to fight Nazism, but the plan failed at the last moment.

## Monnet Plan

Thereafter Monnet offered his services to the British government who sent him to the United States to oversee the purchase of war supplies. Impressing American President Roosevelt, he soon became one of his trusted advisers and urged him to expand the production capacity for military equipment in the United States even before the US entered the war.

In 1943, Monnet became a member of the French Committee of National Liberation, the de facto French government in exile in Algiers. It was at this time that he first became explicit about his vision for a union of Europe to regain and retain peace. During a meeting of this committee on 5 August 1943, Monnet declared: "There will be no peace in Europe, if the states are reconstituted on the basis of national sovereignty... The countries of Europe are too small to guarantee their peoples the necessary prosperity and social development. The European states must constitute themselves into a federation..." In 1944 he took charge of the national modernisation and development plan aimed at reviving the French economy and rebuilding the country after the war.



*Jean Monnet starts the first production of cast iron under the European Coal and Steel Community.*

## Schuman Declaration

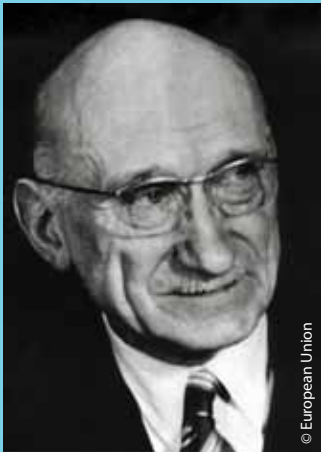
After his plan was accepted and executed he began to realise however that European reconstruction and integration were not taking shape as quickly as he would have liked, and in the way he believed to be right. Under growing international tensions, Monnet recognised that it was time to take real steps towards European unity and he and his team began work on the concept of a European Community. On 9 May 1950, Robert Schuman, France's Minister of Foreign Affairs, delivered the so-called 'Schuman Declaration' in the name of the French government. This Declaration was instigated and prepared by Monnet and proposed to place all German-French production of coal and steel under one High Authority. The idea behind this was that if the production of these resources was shared by the two most powerful countries on the continent, it would prevent any future war. As the governments of Germany, Italy, the Netherlands, Belgium and Luxembourg replied favourably, this declaration laid the basis for the European Coal and Steel Community, the predecessor to the European Economic Community and subsequent European Union.

After the failure in 1954 to create a 'European Defence Community', Monnet founded the 'Action Committee for the United States of Europe'. This committee was set up to revive the spirit of European integration and became one of the main driving forces behind many of the developments in European integration such as the creation of the Common Market, the European Monetary System, the summits in the European Council and election to the European Parliament by universal suffrage.

Despite finishing formal education at the age of 16 and against all odds, Jean Monnet became a man of many roles: international businessman, financier, diplomat and statesman. However, he was never elected to any public office and therefore never had the formal political power to enforce his views. It was through his gift of argument and persuasion that he convinced European leaders to work towards common interests and to understand the benefits of cooperation.



# Robert Schuman: the architect of the European integration project



Robert Schuman 1886 - 1963

*The statesman Robert Schuman, a qualified lawyer and French foreign minister between 1948 and 1952, is regarded as one of the founding fathers of European unity.*

*Schuman was born in Luxembourg and was influenced by his background in the French-German border region. Despite, or maybe as a result of his experiences in Nazi Germany, he recognised that only a lasting reconciliation with Germany could form the basis for a united Europe. Deported to Germany in 1940, he joined the French Resistance upon fleeing two years later. In spite of this, he showed no resentment when, following the war, he became foreign minister.*

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

*Schuman informed the German chancellor Adenauer of the plan, who immediately recognised the opportunity for a peaceful Europe and agreed. Shortly afterwards, the governments of Italy, Belgium, Luxembourg and the Netherlands also reacted. The six states signed the agreement for the European Coal and Steel Community in Paris in April 1951. In this way, Europe began as a peace initiative.*

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

## Early life

Robert Schuman had a truly European background: born on 29 June 1886 in Luxembourg, his father was a Frenchman who became German when the region he lived in was annexed by Germany, whilst his mother was Luxembourgish. Schuman himself, however, was born a German citizen. When in 1919, after the First World War, the region of Alsace-Lorraine was returned to France, he became French.

Before the war he studied law, economics, political philosophy, theology and statistics at the Universities of Bonn, Munich, Berlin

and Strasbourg, and received a law degree with the highest distinction from Strasbourg University. After graduation, he set up his own law practice in Metz in 1912. Two years later the First World War broke out. Schuman was excused from military service on medical grounds. When the war ended he became active in politics, starting his career in public service as a member of the French Parliament for the Moselle region.

When the Second World War began Schuman was a junior minister in the French government. He became active in

the French resistance during the war and was taken prisoner. Narrowly escaping deportation to the Dachau concentration camp, he fled to the 'free' zone of France where he went into hiding after the Nazis invaded the zone. In hiding, with a 100 000 Reichsmark reward on his head, he defied the Germans for the next three years. He declined the invitation of French leader-in-exile de Gaulle to go to London, preferring instead to stay with his compatriots in Nazi-occupied France.

After the war he returned to national politics in a series of top-level posts: firstly as Minister of Finance, as Prime Minister in 1947, Foreign Minister from 1948-1952 and again as Minister of Finance from 1955-56. He became a key negotiator of major treaties and initiatives such as the Council of Europe, the Marshall Plan and NATO: all initiatives aimed at increased cooperation within the western alliance and to unite Europe. But what Schuman became most known for is what is now called the 'Schuman Declaration' in which he proposed to Germany and the rest of the European countries to work together towards a merger of their economic interests. He was convinced that when these were tied together, it would render war 'not merely unthinkable, but materially impossible'.

## The Schuman Declaration

In a speech delivered on 9 May 1950, inspired and for the most part drafted by Jean Monnet, Schuman proposed to place Franco-German production of coal and steel under one common High Authority. This organisation would be open to participation to other European countries.

This cooperation was to be designed in such a way as to create common interests between European countries which would lead to gradual political integration, a condition for the pacification of relations between them: "Europe will not be made all at once, or according to a single plan. It will be built through concrete achievements which first create a de facto solidarity. The coming together of the nations of Europe requires the elimination of the age-old opposition of France and Germany".

His speech did not fall on deaf ears, as German Chancellor Adenauer responded swiftly with a positive reply as did the governments of the Netherlands, Belgium, Italy and Luxembourg. Within one year, on 18 April 1951, the six founding members signed the Treaty of Paris. It created the European Coal and Steel Community - Europe's first supranational Community. This ground-breaking organisation paved the way for the European Economic Community and subsequently the European Union, which is still run by the innovative type of European institutions conceived in 1950.

However, his efforts did not stop there. He became a great proponent of further integration through a European Defence Community and in 1958 he became the first President of the predecessor to the current European Parliament. When he left office the Parliament bestowed on him the title of 'Father of Europe'. Because of the significance of his 'Schuman Declaration' on 9 May 1950, this day has been designated as 'Europe Day'. And, in honour of his pioneering work towards a united Europe, the district housing the headquarters of several European Union institutions in Brussels is named after him.



*Schuman giving his famous speech on 9 May 1950, the day that is now celebrated as the EU's birthday.*

# Paul-Henri Spaak: a European visionary and talented persuader



Paul-Henri Spaak 1899 - 1972

*'A European statesman' – Belgian Paul-Henri Spaak's long political career fully merits this title.*

*Lying about his age, he was accepted into the Belgian Army during the First World War, and consequently spent two years as a German prisoner of war. During the Second World War, now as foreign minister, he attempted in vain to preserve Belgium's neutrality. Together with the government he went into exile, first to Paris, and later to London.*

*After the liberation of Belgium, Spaak served both as Foreign Minister and as Prime Minister. Even during the Second World War, he had formulated plans for a merger of the Benelux countries, and directly after the war he campaigned for the unification of Europe, supporting the European Coal and Steel Community and a European defence community.*

*For Spaak, uniting countries through binding treaty obligations was the most effective means of guaranteeing peace and stability. He was able to help achieve these aims as president of the first full meeting of the United Nations (1946) and as Secretary General of NATO (1957-61).*

*Spaak was a leading figure in formulating the content of the Treaty of Rome. At the 'Messina Conference' in 1955, the six participating governments appointed him president of the working committee that prepared the Treaty.*

## Rise through Belgian politics

Born on 25 January 1899 in Schaerbeek, Belgium, Paul-Henri Spaak was brought up in a prominent politically active Belgian family. His grandfather, Paul Janson, was a distinguished member of the Liberal Party whilst his socialist mother, Marie Janson, became the first woman in the Belgian Senate. He also had an uncle in politics, Paul-Emile Janson, who was Prime Minister of Belgium in the late 1930s.

Spaak joined the Belgian army during the First World War, after lying about his age. However, he was soon captured by the

Germans and spent the next two years imprisoned in a war camp. After the war, Spaak studied law. At this time, he also developed a love of sport, even playing for the Belgian tennis team in the 1922 Davis Cup tournament.

After receiving his degree, Spaak entered a law practice in Brussels. In 1920 he became a member of the Socialist Belgian Labour Party. He made a swift rise through national politics to become Belgium's Prime Minister in 1938. During the Second World War he was Foreign Minister in the Belgian government-in-exile

in London. When he returned to Brussels in 1944, he served in post-war governments both as Foreign and Prime Minister. In 1945 Spaak rose to international prominence on his election as Chairman of the first session of the General Assembly of the United Nations. In 1956 he was chosen by the Council of the North Atlantic Treaty Organisation (NATO) to be its Secretary General.

## Contribution to Europe

Spaak was famous for his talented rhetoric: he was someone who was able to make people listen, and he possessed the art of persuasion. These talents, combined with his vision of European cooperation, made him one of the greatest contributors to the project of European integration.

## Forming the Benelux

Although most of Europe was in ruins after the Second World War, Spaak saw an opportunity to make Europe a strong continent again through economic and political cooperation. The war made it clear in his mind that working together towards a common goal was far more productive than fighting each other. Spaak was one of the men we now consider as a Founding Father of the EU because he saw the potential in unifying post-war Europe. A testament to this is the forming of the Benelux in 1944.

While Spaak worked from London, on the continent the war was running its destructive course. But, together with his colleagues from the Netherlands and Luxembourg, Spaak was working on a completely new and highly ambitious project. In 1944, the Benelux was born: the customs union between Belgium, the Netherlands and Luxembourg. It was a simple idea, but never seen or done before. Within the borders of the three countries, free traffic of money, people, services and goods would be guaranteed: an inspiration for further European integration.

## The Messina Conference

In 1955, the Messina Conference of European leaders chose Spaak as chairman of a committee (the Spaak Committee) in charge

of the preparation of a report on the creation of this common European market. During the Messina Conference the three Benelux states proposed a relaunch of European integration to come about on the basis of a common market and integration in the sectors of transport and atomic energy. This 'Spaak Report' was the basis of the Intergovernmental Conference on the Common Market and Euratom in 1956, and led to the Treaties of Rome, signed on 25 March 1957, establishing a European Economic Community in 1958. Spaak signed the treaty for Belgium.

Throughout his political life, Spaak always defended the importance of European integration and the independence of the European Commission with great vigour: "The Europe of tomorrow must be a supranational Europe," he stated to rebuff French President de Gaulle's 1962 'Fouchet Plan', attempting to block both the British entry to the European Communities and undermine their supranational foundation. The European unity Spaak envisaged was mostly economic. The Belgian statesman desired political unification but not on the basis of the Common Market countries alone. He was therefore against any further actions until economic integration of Britain into the union had taken place. He retired from politics in 1966 and died in Brussels in 1972.

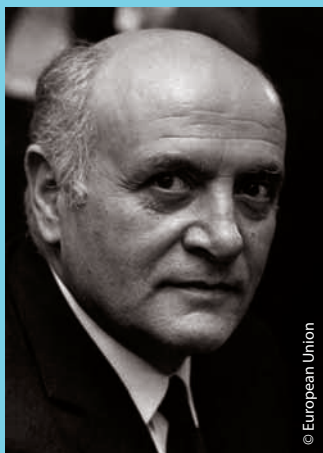


*Spaak signing a European treaty on behalf of Belgium in 1965.*

## A staunch European

Spaak has been written into the history books as the driving force behind European integration. Even before the actual start of any European economic and political cooperation, he believed in the European project. He was a staunch European and looked beyond the borders of his own country.

# Altiero Spinelli: an unrelenting federalist



Altiero Spinelli 1907 - 1986

*The Italian politician Altiero Spinelli was one of the fathers of the European Union. He was the leading figure behind the European Parliament's proposal for a Treaty on a federal European Union - the so-called 'Spinelli Plan'. This was adopted in 1984 by an overwhelming majority in the Parliament and provided an important inspiration for the strengthening of the EU Treaties in the 1980s and '90s.*

*As a 17-year old, Spinelli joined the Communist Party, as a consequence of which he was imprisoned by the Italian fascist regime between 1927 and 1943. At the end of the Second World War, he established the Federalist Movement in Italy.*

*In his role as advisor to personalities such as De Gasperi, Spaak and Monnet, he worked for European unification. A trained juror, he also furthered the European cause in the academic field, and created the Institute for International Affairs in Rome.*

*As a member of the European Commission he took over the area of internal policy from 1970 to 1976.*

*For three years he served as a Member of the Italian Parliament for the Communist Party before being elected to the European Parliament in 1979.*

## Early life

Altiero Spinelli was born in Rome on 31 August 1907 into a socialist family. He became politically active in the Italian Communist Party at a very early age. In 1926, as a result of his activities within the Communist Party, he was arrested and convicted by Mussolini's Fascist Special Tribunal and sentenced to 16 years and 8 months' detention. Ten of these years were spent in prison and a further six in confinement. Throughout all of this time he refused to renounce his ideals and repent, even though this would have resulted in a pardon. Whilst in prison he studied fervently and became a passionate advocate of supranational integration. He criticised some of the Communist Party's political positions. His disillusionment with the Party and the insights he had gained during his studies led to him abandoning the Communists and joining the Federalist cause. It was during the period that he was

held captive on the small island of Ventotene that his Federalist ideas began to take shape. He became increasingly convinced that a European-wide movement towards federalism would help to counteract the destructive force of nationalism.

## The Ventotene Manifesto

During his time on Ventotene, Spinelli read the works of several federalist theorists. Inspired by their thoughts and ideas he drew up, together with other political prisoners, the Ventotene Manifesto in which he set out the focus of his federalist vision and the future of Europe. This Manifesto is one of the first documents arguing for a European constitution. Initially called



'Towards a Free and United Europe', the manifesto states that any victory over fascist powers would be useless, if it led to nothing more than establishing another version of the old European system of sovereign nation-states, but just in different alliances. This would only lead to another world war. The manifesto proposed the formation of a supranational European federation of states, the primary goal of which was to connect European states to such an extent that it would be impossible to enter into war ever again.

## The Federalist Movement

After his release from confinement in 1943, his writings served as the programme for the Movimento Federalista Europeo (Federalist Movement of Europe) which he created the same year. Throughout the rest of the 1940s and '50s, Spinelli became a staunch advocate of the Federalist cause of a united Europe. During this period he criticised the lack of progress in attempts to achieve European integration. He believed that intergovernmental cooperation with full national sovereignty in organisations like the OECD and the Council of Europe was not sufficient. For this reason, he was steadfastly committed to further integration. For instance, as political adviser to the then Italian Prime Minister, Alcide de Gasperi, he persuaded him to push for the forming of a European Defence Community, although it ultimately failed, much to Spinelli's disappointment.

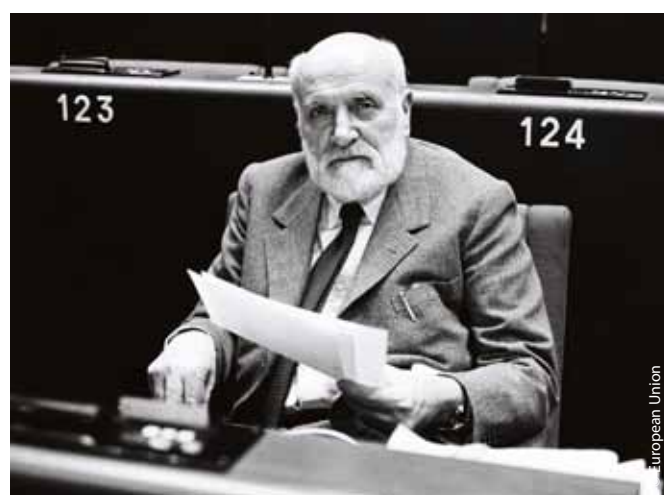
## The Crocodile Club

During the 1960s, Spinelli was a government adviser and researcher, established the Institute of International Affairs in Rome, and was a member of the European Commission from 1970 until 1976. In 1979 he was elected as a Member of the European Parliament. As an MEP he once again seized the chance to promote his Federalist vision of Europe. In 1980, together with other Federalist-minded MEPs, he founded 'The Crocodile Club', named after the restaurant in Strasbourg they frequented. The Crocodile Club wanted a new European treaty. The members tabled a motion for the Parliament to set up a special committee to draft a proposal for a new treaty on the European Union, to be anything but in name a constitution of Europe.

## The Spinelli Plan

On 14 February 1984, the European Parliament adopted his proposal with an overwhelming majority and approved the 'Draft Treaty Establishing the European Union', the so-called 'Spinelli Plan'. Although national parliaments failed to endorse the treaty, the document did provide a basis for the Single European Act of 1986 which opened up the national borders for the common market, and for the Maastricht Treaty of 1992 forming the European Union. Spinelli's enthusiasm convinced French President Mitterrand to promote the reversal of French hostility towards anything other than an intergovernmental approach to Europe. This provided the momentum in a number of European governments to propel the European integration process further.

Although not all of his ambitious ideas became reality, Altiero Spinelli relentlessly pursued his goal of a European supranational government to prevent further wars and to join the countries of this continent into a united Europe. His thoughts inspired many changes in the European Union, in particular major increases of powers to the European Parliament. And the Federalist movement still holds regular meetings on the tiny island of Ventotene. Altiero Spinelli died in 1986 and the main building of the European Parliament in Brussels is named after him.



*Spinelli in the European Parliament, shortly after it adopted his plan for a federal Europe in 1984.*





Member States of the European Union (2012)



Candidate and potential candidate countries

# The founding fathers of the EU

Over half a century ago a number of visionary leaders inspired the creation of the European Union we live in today. Without their energy and motivation we would not be living in the sphere of peace and stability that we take for granted. From resistance fighters to lawyers, the founding fathers were a diverse group of people who held the same ideals: a peaceful, united and prosperous Europe. This collection tells the story behind 11 of the EU's founding fathers. Many others have worked tirelessly towards and inspired the European project.

**Konrad Adenauer**  
**Joseph Bech**  
**Johan Willem Beyen**  
**Winston Churchill**  
**Alcide De Gasperi**  
**Walter Hallstein**  
**Sicco Mansholt**  
**Jean Monnet**  
**Robert Schuman**  
**Paul-Henri Spaak**  
**Altiero Spinelli**

## Find out more

- ▶ The official website on the **EU's history**, where you can see videos of the founding fathers and much more:  
[http://europa.eu/about-eu/eu-history/index\\_en.htm](http://europa.eu/about-eu/eu-history/index_en.htm)
- ▶ **Questions about the European Union? Europe Direct** can help:  
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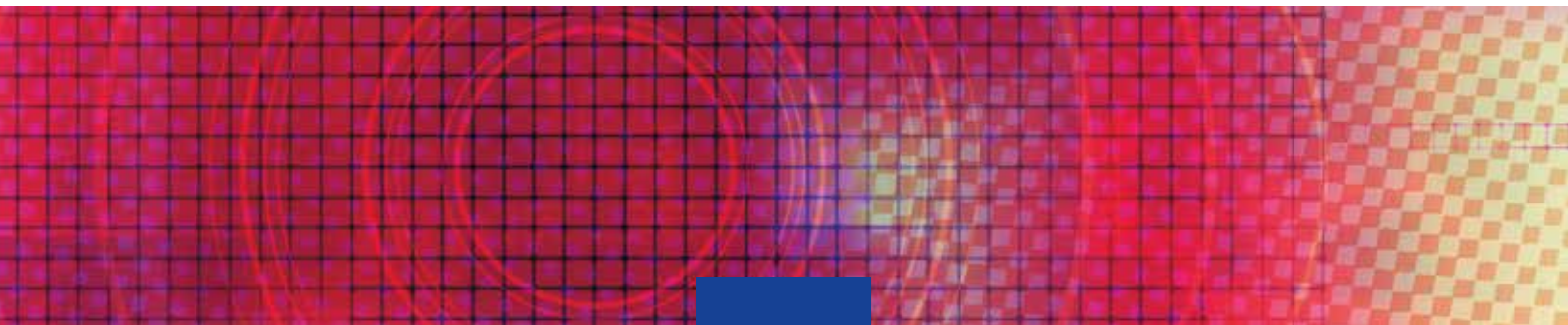
THE EUROPEAN  
UNION  
EXPLAINED



# Enlargement

Extending  
European  
values and  
standards to  
more countries

The EU's enlargement policy makes Europe a safer and a more stable place; it allows us to grow stronger and to promote our values, and enables us to assume our role as a global player on the world stage.



# THE EUROPEAN UNION EXPLAINED

*This publication is a part of a series that explains  
what the EU does in different policy areas,  
why the EU is involved and what the results are.*

*You can find the publications online:*

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# Why the EU is enlarging

The European Union was created in the 1950s to foster peace, prosperity and European values on the continent. Its purpose is as relevant today as it was then.

The EU is open to all democratic European countries that wish to join. The EU's enlargement policy accompanies this process.

Having grown from six to 28 members, stretching from the Atlantic to the Black Sea, the EU has become home to over 500 million people.



*Croatia, which became an EU member in 2013, is well-known for its ancient coastal cities, such as Split.*

## Benefits for all

Enlargement serves the interests of Member States as well as acceding countries. It makes Europe a safer and more prosperous place, in particular through its promotion of democracy and fundamental freedoms, the rule of law and the single market.

The benefits of the single market are considerable: economic growth leading to higher living standards, safer consumer goods, lower prices and greater choice in sectors such as telecommunications, banking and air travel, to name but a few. These benefits have been

enjoyed by an increasing number of people as the EU has grown in size.

The EU is above all a community of values. We are a family of democratic European countries committed to working together for peace and freedom, prosperity and social justice. And we defend these values. We seek to deepen the solidarity between the peoples of Europe, while respecting and preserving our diversity.

## Enlargement creates growth

*Economically, enlargement has benefited all EU Member States as it has broken down trade barriers in Europe and created a bigger and more prosperous internal market:*

	2004 billion euro	2013 billion euro	
<i>GDP of the 12 'new' EU countries that joined in 2004 and 2007</i>	577	1 026	+ 77 %
<i>GDP of the 15 'old' EU countries that were members of the EU before 2004</i>	10 047	11 999	+ 19 %
<i>Trade between the 'old' and 'new' EU countries</i>	162	300	+ 185 %
<i>Direct investments held by the 'old' EU countries in the 'new' EU countries ((* 2012)</i>	173	564 (*)	+ 326 %

## Successive enlargements



The European Economic Community, founded in the 1950s and now known as the European Union, originally had six members: Belgium, Germany, France, Italy, Luxembourg and the Netherlands.

In 1973, Denmark, Ireland and the United Kingdom became Member States. Greece joined in 1981, and Spain and Portugal followed in 1986. Austria, Finland and Sweden joined in 1995.

In 2004, in the EU's biggest-ever enlargement, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia became Member States. Three years later, in 2007, Bulgaria and Romania joined.

Croatia joined the EU on 1 July 2013, bringing the total number of Member States to 28.



## How the enlargement process works

In the 1950s, leaders of six countries, still recovering from the ravages of war, started what we today call the European Union.

It was an unprecedented step, one that required much courage and vision: countries that had fought each other for centuries agreed to act together on essential questions concerning their common future.

They also agreed to transfer some of their powers to a new level, to what we now simply refer to as the European Union.

The EU has been a historic success. It has brought the longest period of peace and an unparalleled level of prosperity to its peoples. What began as a club of six now encompasses 28 countries with a population of more than 500 million. The founding fathers had an inclusive vision of Europe, leaving the door open for other democratic European countries to join. Helping countries that have the vocation to become members has been a constant task of the EU in the past five decades, promoting economic growth and solidarity and supporting democratic forces in countries emerging from dictatorship.

### Who can join?

Article 49 of the Treaty on European Union states that any European country may apply for membership if it respects the democratic values of the EU and is committed to promoting them.

A country can only become a member if it fulfils the criteria and conditions for accession as defined by the EU leaders at their summit in Copenhagen in 1993, and by a number of subsequent EU decisions. The so-called **Copenhagen criteria** are:

**1. political:** stable institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;

**2. economic:** a functioning market economy and the capacity to cope with competition and market forces in the EU;

**3. the ability to take on the obligations of membership,** including adherence to the aims of political, economic and monetary union.

In addition, the EU must be able to integrate new members, so it reserves the right to decide when it is ready to accept them.

For the western Balkans, the membership candidates must also engage in regional cooperation and good relations with neighbouring countries (the so-called 'Stabilisation and association process conditionality').

### Article 2, Treaty on European Union

*The Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. These values are common to the Member States ...*

### Article 49, Treaty on European Union

*Any European State which respects the values referred to in Article 2 and is committed to promoting them may apply to become a member of the Union.*

## Who decides?

New members are admitted with the unanimous consent of the EU Member States.

When a country applies to join the EU, the Member States' governments, represented in the Council, first decide whether or not to accept the application. The Member States then decide, on the basis of an opinion from the European Commission, whether to grant candidate status to the applicant as well as to open accession negotiations. Similarly, the Member States

decide when and on what terms to open and to close negotiations with the candidate on each policy area, in the light of recommendations from the Commission.

When accession negotiations have been satisfactorily completed, an accession treaty is drafted and signed by the Member States and the candidate concerned. The European Parliament, whose members are elected directly by the EU's citizens, also has to give its consent. The treaty then has to be ratified by all the Member States and the acceding country, in accordance with their constitutionally established procedures.

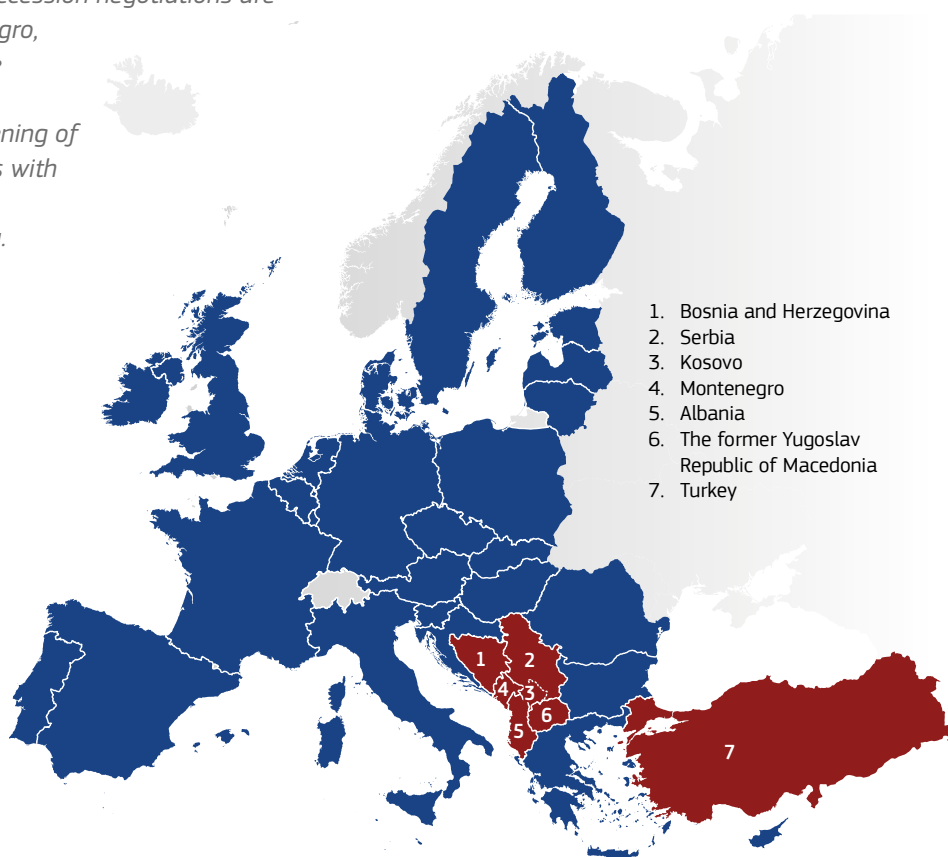
## Where do we stand?

*The European Union enlargement agenda covers the western Balkans and Turkey. All EU Member States have confirmed that these countries have a 'European perspective'. It means that they might join the EU if they fulfil all the necessary conditions. They are at different stages in the process.*

*Albania, the former Yugoslav Republic of Macedonia, Montenegro, Serbia and Turkey are candidate countries. Accession negotiations are ongoing with Montenegro, Serbia and Turkey. The Commission has also recommended the opening of accession negotiations with the former Yugoslav Republic of Macedonia.*

*Bosnia and Herzegovina and Kosovo are potential candidates.*

*Iceland applied for membership in 2009, but negotiations were put on hold in 2013 at the request of the country itself.*



## Countries in figures

Candidate and potential candidate countries	Area (1 000 km)	Population (million)	Per capita gross domestic product (PPS <sup>(1)</sup> )
Albania	27	2.9	7 800
Bosnia and Herzegovina	51	3.8	7 800
The former Yugoslav Republic of Macedonia	25	2.1	10 000
Kosovo (*)	11	1.8	
Montenegro	13	0.6	10 600
Serbia	77	7.1	9 500
Turkey	770	76.7	14 400
<b>The 28 EU countries together</b>	<b>4 290</b>	<b>508</b>	<b>25 700</b>

Figures are for 2014. Source: Eurostat.

(\*) This designation is without prejudice to positions on status, and is in line with UNSCR 1 244 and the ICJ opinion on the Kosovo declaration of independence.

<sup>(1)</sup> Gross domestic product is the total value of all goods and services produced within a country in a year. It is often used to express wealth. PPS, or purchasing power standard, is a unit representing an identical volume of goods and services in each country, irrespective of price levels.



Albania uses hydropower to generate 90 % of its electricity. A new hydropower plant project on the Devoll River in southern Albania will increase the country's electricity output by 17 % and provide power to 300 000 Albanian households.

To ensure that enlargement brings maximum benefits to both the EU and the countries in the process of joining it, the accession process needs to be carefully managed. Candidates have to demonstrate that they will be able to fully play their part as members — something that requires support from their citizens, as well as political and technical compliance with the EU's standards and norms. Throughout the process, the EU sets conditions for the countries to move from one stage to the next.

## Accession negotiations

Accession negotiations concern the candidate's ability to take on the obligations of membership. They focus on the conditions and timing of the candidate's adoption, implementation and application of the existing EU laws and rules — amounting to some 100 000 pages. The rules as such (also known as the *acquis*, French for 'that which has been adopted') are not negotiable. Negotiations are essentially a matter of agreeing on how and when the candidate will adopt and effectively implement EU rules and procedures.

Negotiations are conducted between the EU Member States and the candidate country; their pace mostly

depends on the candidate's progress in meeting the requirements. Candidates consequently have an incentive to implement the necessary reforms rapidly and effectively. Some of these reforms require considerable and sometimes difficult transformations of a country's political and economic structures. It is therefore important that governments clearly and convincingly communicate the reasons for these reforms to their citizens. Support from civil society is essential in this process.

The opening of accession negotiations is decided on by the European Council upon a recommendation of the Commission, once the candidate country sufficiently meets the Copenhagen political criteria and possible other conditions.

## Screening

To facilitate the negotiations, the whole body of EU law is divided into **chapters**, each corresponding to a policy area. The first step in negotiations is called **screening**; its purpose is to explain the *acquis* to the candidate and to identify areas in need of alignment in its legislation, institutions or practices.

As a basis for launching the negotiation process, the Commission establishes a **screening report** for each chapter. These reports are submitted to the Council. The Commission makes a recommendation on whether to open negotiations on a chapter, or require that certain conditions (or **benchmarks**) be met first.



*Kosovo is home to the youngest population in Europe with a median age of around 27 years.*

Once the Member States decide, on the basis of a Commission assessment, that the opening benchmarks are met, the candidate country submits a **negotiating position**. The Council then adopts an EU common position based again on a Commission proposal allowing the opening of the negotiations on the chapter. The EU common position also includes the conditions (benchmarks) for closing the chapter.

When the closing benchmarks have been met, the Member States adopt a new common position (always on the basis of Commission drafts) that concludes that the chapter can be closed — but only provisionally. EU accession negotiations operate on the principle that ‘nothing is agreed until everything is agreed’, so the definitive closure of chapters occurs only at the end of the entire negotiating process.

## Reporting and monitoring

The Commission keeps the European Parliament and the Council informed about the aspiring countries’ progress, through **annual strategy papers and individual country progress reports**. It also monitors the respect by the candidate of the commitments it has undertaken during the negotiations.

Monitoring continues until accession. This makes it possible to give additional guidance as countries assume the responsibilities of membership, and also guarantees to the current Member States that new entrants meet the conditions for accession.

## Accession treaty

When negotiations on all the chapters have been completed to the satisfaction of both sides, the results are incorporated into a draft accession treaty. The Commission is then consulted and the European Parliament has to give its consent. The treaty is then signed and ratified by the candidate country and all the Member States



*Lake Ohrid, located on the border between the former Yugoslav Republic of Macedonia and Albania, is the oldest lake in Europe. It is home to a great number of species of plants and animals that cannot be found anywhere else.*



*The Sarajevo Film Festival (in Bosnia and Herzegovina) is the largest film festival in south-east Europe and one of the largest in Europe.*



## From signing the accession treaty to accession

Once the accession treaty has been signed, the **acceding state** is entitled to certain provisional privileges. It acquires ‘active observer status’ in most EU bodies and agencies, where it is entitled to speak, but not to vote; it can comment on draft EU proposals, communications, recommendations or initiatives. Once the ratification process is complete, the accession treaty enters into force on its scheduled date, and the acceding state becomes an EU Member State.

## Helping future members prepare

To help the countries prepare for future membership, the EU has a pre-accession strategy. Key elements of this strategy are the association agreements (stabilisation and association agreements in the case of the western Balkans), EU financial assistance and participation in EU programmes.

The enlargement countries’ contractual framework for relations with the EU is established through association agreements. For example, Turkey’s formal links with the EU are enshrined in an association agreement signed in 1963 (the Ankara Agreement) and extended to a customs union in 1995. For the countries of the western Balkans, a special process, the stabilisation and association process (SAP), was established in 1999.

The EU assists the enlargement countries to become competitive market economies. As part of that, the EU supports economic reforms. Enlargement countries need to carry out significant reforms to ensure that EU rules are adopted, but also properly implemented. They may also have to set up new bodies, such as an independent competition authority or a food standards agency. Or they may need to restructure existing institutions: demilitarising the police, upgrading environmental watchdogs or giving prosecutors more autonomy in combating corruption.

These reforms imply major investments in both know-how and funds. The EU offers a wide range of programmes and mechanisms to provide **financial and technical assistance** in carrying out these reforms. Aware of the challenges that reforms can present to citizens in the countries concerned, the EU also promotes public understanding of the accession process. This is done, for instance, through dialogues with civil society, such as trade unions, consumer associations and other non-governmental organisations.

An important aspect of the EU’s assistance is strengthening the ‘**institutional capacity**’. This essentially means ensuring that the public sector in the aspiring country knows in practice how to work with EU matters — and to work effectively and democratically in general. The EU helps by developing the structures or training the staff responsible for applying EU rules. Advice on implementing the *acquis* is often provided.

via ‘twinning’ arrangements, in which experts are seconded from EU Member States, or by means of short workshops.

Preparing countries for membership also means helping them to upgrade their infrastructure, such as building solid-waste disposal plants or improving transport networks by means of a combination of EU grants and loans from international financial institutions.

Enlargement countries are allowed to participate in EU programmes, for example, in the areas of public health, research or education. This experience allows them to learn how to handle the kind of funding they will be entitled to after accession, also helping to familiarise them with EU policies and instruments.

## EU support

EU financial assistance helps the countries to build their capacity to adopt and implement European standards. From 1991 to 2011 the EU provided over €16 billion in assistance to the western Balkans, some of the highest per capita assistance in the world. Since 2007, candidate countries and potential candidates have been receiving EU funding and support through the **Instrument for Pre-Accession Assistance**, or IPA. The EU and national authorities of the countries in question decide on the areas where the funds should be invested.

IPA-supported projects aim to strengthen democratic institutions and the rule of law, reform public administration, support economic reforms, promote respect for human as well as minority rights and gender equality, support the development of civil society and advance regional cooperation, and contribute to sustainable development and poverty reduction. IPA funding thus supports the adoption and implementation of the requirements for membership.

The total pre-accession funding for the period 2014–20 is expected to be about €11.7 billion, with precise allocations decided year by year.

### Pre-accession assistance from the EU in 2013, million €

Albania	95.3
Bosnia and Herzegovina	108.8
Croatia	93.5
The former Yugoslav Republic of Macedonia	113.2
Kosovo	71.4
Montenegro	34.5
Serbia	208.3
Turkey	902.9
Multi-beneficiary programme	177.2



The Tara River canyon, located in northern Montenegro, is the longest in Europe.



## What EU enlargement achieves

The EU delivers considerable economic and social benefits for both 'old' and 'new' Member States.

The 'new' countries have generally had higher economic growth than the 'old' ones. This enabled them to move from a gross domestic product (GDP) per capita that was 40 % of the 15 'old' countries in 1999 to 60 % in 2012.

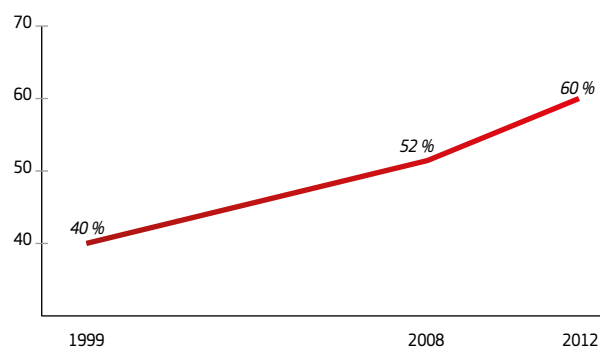
Economic growth in the 'new' Member States was about 4 % a year over a long period of time. It is estimated that this had the effect of adding 0.5 % growth per year to the 'old' Member States, because they profited from increased trade with the new countries and from investing in companies in these countries.

Whilst the free movement of people is controversial in some countries, the GDP in the 'old' EU countries is estimated to have increased by almost 1 % in the long term as the result of post-enlargement mobility. Mobile EU workers pay more in taxes than they claim in social benefits. There is no evidence that 'benefit tourism' is widespread or systemic. The EU does not harmonise national security or social assistance schemes, so that each EU country can freely decide which benefits it grants, to whom, under what conditions and for how long.

In addition to increased prosperity, the enlargement process also promoted stability, security and the rule of law to those countries joining the EU.

Enlargement policy played a very important role in transforming those former communist countries that have joined the EU since 2004 into states with functioning market economies and democratic political institutions. This process was the fulfilment of a pledge made by the EU at the end of the Cold War to the former communist countries of central and eastern Europe. The guidance provided by the European Commission and other institutions, as well as the institutional and legal know-how offered by the existing Member States, helped these countries to undergo one of the most rapid modernisation processes in history.

### 'NEW' EU COUNTRIES CATCH UP IN WEALTH



GDP per capita in the 12 'new' countries that joined the EU in 2004 and 2007 as share of the GDP per capita in the 15 'old' countries that were members of the EU before 2004.

### Free movement of persons

*The free movement of goods, services, capital and persons is a basic principle of the EU. This means that all EU citizens have the right to work in other EU countries. They can live in other EU countries when they have a job or have enough money to take care of themselves. At the same time, in a recent case of a Romanian woman who moved to Germany for the sole purpose of claiming social benefits, the Court of Justice of the European Union made it clear that the free movement of persons does not include benefit tourism. It concluded that she was not entitled to these German benefits ('Elisabeta Dano against Jobcenter Leipzig', November 2014).*

## Growing organically — from lower Austria to the Czech Republic

*Johannes Gutmann is the founder and director of 'Sonnentor', an organic herb, tea and spice company in Austria. The company grows and collects products from over 150 organic farmers, packaging and selling them under one logo. Sonnentor has a strict policy with regard to sustainable regional development and supports small rural holdings which have a long tradition in the Waldviertel district of lower Austria.*

*Johannes Gutmann: 'The 2004 EU enlargement was a milestone in our development. We had already had a subsidiary in the Czech Republic since 1992, but with border restrictions gone, both companies could grow much faster. Over the past 10 years, the number of employees has risen from 45 to 225 here in Austria and from 20 to 85 in the Czech Republic.' Since 2004 Sonnentor has been able to export to all new EU Member States and buy a lot from them as well. Mr Gutmann further commented: 'Relations have really developed over time and enlargement has very much contributed to a better mutual understanding, trust and appreciation.'*

## Business changes that sit well with a Latvian manufacturer

*Normunds Bremers is the director of 'Wenden Furniture', a company based in Jaunpiebalga, a small village in Latvia. The company was founded in 2005, shortly after Latvia joined the European Union. Wenden Furniture mainly produces chairs made of wood, and has reached a capacity of over 10 000 chairs a month. The company strives to expand and develop the range of products to cater to different customers in different countries.*

*Normunds Bremers: 'Joining the EU has had many benefits, not only for me personally, but also for the company. We export 98 % of our products, mainly to other European countries. Now that we are a part of the EU, we have less bureaucracy and don't have to fill in as many documents, but can instead concentrate on our work. It also means that our products reach our customers much more quickly and easily. Business partners and investors see us as a reliable partner, with whom it's safe to work. Due to the fact that we are in the European Union, business development is sustainable. Latvia might be a small country, but together with others in the EU it offers many opportunities. The EU guarantees stability and development.'*



You can find out more about some of the people you have met on these pages by watching these videos.

## Collaborating today for cleaner energy tomorrow

*At Sabanci University, graduate students and staff are currently researching cleaner ways of using coal. This entails decreasing the levels of sulphur dioxide emitted into the atmosphere by removing the sulphur content of coal before combustion. Researchers are combining genetic engineering methods with microbial desulfurisation to improve the organic sulphur removal from Turkish and Bulgarian coal. The Bulgarian Academy of Science also participated in the earlier phase of the research. The new process produces coal that is more environmentally friendly and cheaper than the chemical and physical desulfurisation.*

*Professor Yuda Yurum from Sabanci University and Dr Gizem Dinler Doğanay of Istanbul Technical University commented: 'The research is still at the laboratory stage and is currently being tested. The next step will be the pilot phase. The Bulgarian team, led by Professor Stefan Marinov, worked on two projects that have been integrated into the study. It has been a fruitful collaboration and we hope to work with them again in the future.'*

*Breakthroughs in this area could help the EU make its coal consumption cleaner, especially now as this fuel is seeing a resurgence in use in some EU countries.*

## A Serbian start-up with a bright idea

*'Strawberry Energy' is a start-up from Belgrade that has developed a unique global technological innovation — a portable mini solar charger called the 'Strawberry Tree Mini'. Converting pure solar power into electrical energy, this innovative product can be used to charge small portable devices on the go, such as mobile phones, cameras and MP3 players.*

*Strawberry Energy is one of many new enterprises supported by the Innovation Serbia Project (funded through the EU's Instrument for Pre-accession Assistance), which aims to stimulate innovation by funding early-stage, private, micro and small enterprises. The team of young entrepreneurs is currently looking to expand in the EU, stating: 'We truly believe that unlimited mobility of ideas, knowledge and people are essential for everyday processes. Not only can we gain new ideas, but we also feel that we have so much to offer to people across the European Union.' The first Strawberry Tree to be constructed in the European Union will be installed in front of the European Parliament in Brussels.*



*A Serbian start-up company has produced a portable solar energy charger.*

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## From a small farm to an online business with EU support

*When Poland joined the European Union in 2004, many feared that small and medium-sized family farms would be crushed by global competition. They are still standing firm, however, and probably more so than ever. Tomasz Obszański has a farm of 21 hectares which is located in Tarnogród, close to the Ukrainian border.*

*Tomasz explains his journey since Poland became a member of the EU. 'I wasn't sure, in fact, if it would have a real effect on my daily life or not,' he says. 'After a few months, however, I began to appreciate that Poland's membership was a positive thing for me, especially when I realised I was eligible for funds to help develop my farm.'*

*Tomasz wisely used these funds to turn his farm into a flourishing enterprise. He participated in an EU programme in 2010 which allowed him to set up a new company to grow organic grain and produce high quality organic oils.*

*'Thanks to this fund I bought a grain press to produce organic oil in line with the European standards on organic agriculture,' he explains. 'This made me stronger and ready to rise up to the challenge of an open economy.' With sales steadily rising, he now sells his products from a local organic food shop to regional fairs, markets, pharmacies and over the Internet.*

---



*The EU is Turkey's number one import and export partner while Turkey ranks 7th in the EU's top import and 5th in export markets.*





*The EU helps to fight crime  
in the Balkans.*

---

## Prosecutors in partnership: fighting organised crime and corruption

*Organised crime is a worldwide problem: to tackle it, strong international cooperation is required. In the western Balkans, countries need to build the appropriate structures and experience to investigate and prosecute complex criminal groups in an international context.*

*The EU helps with projects where prosecutors from EU Member States are seconded to the region in order to provide their counterparts with ongoing advisory services. 'International criminal gangs have efficient, well-organised and adaptable processes with strong cross-border networks and are able to transmit information very quickly. In general, we are always one step behind the criminals, but with well-functioning and strong networks we can minimise this gap,' says a representative of Austria's Criminal Intelligence Service.*

*The impact of the project was felt across the western Balkans in April 2013 when special police forces from Bosnia and Herzegovina, Croatia and Serbia carried out operation 'Šetač' ('the walker'). The operation hit hard the structures of a drug mafia operating in these countries. Dozens of suspects were successfully apprehended and a large quantity of weapons and explosives were seized.*

*This project will not only benefit the prosecutors in the western Balkans — it will ultimately protect citizens who have been affected by organised crime anywhere.*

---

## Outlook

Successive enlargements have played a crucial role in safeguarding democracy and bringing stability to the European continent. This was highlighted in the reasons cited for the awarding of the 2012 Nobel Peace Prize to the EU. Today, the policy continues to have a stabilising effect in the western Balkans, and it is an anchor for democratic reforms in Turkey. This political transformation brings about real change on the ground. Croatia's accession is the best example: torn by conflict only two decades ago, the country is now a stable democracy, capable of taking on the obligations of EU membership and of adhering to EU standards.

Of course, EU accession is not automatic: the process is based on strict conditionality, with each step forward based on real progress achieved on the ground and agreed by all the actors. This is to ensure that a candidate country is fully prepared for membership before it is able to join. EU-related reforms are not limited to the aligning of local laws to EU standards. Respect for the rule of law, democratic principles and human rights remain the focal point of the enlargement process.



*Serbia has grown into one of the premier investment locations in central and eastern Europe. Nearly 90 % of investments by foreign companies in Serbia are made by European companies.*

## Find out more

- ▶ **The European Commission's website on enlargement:** <http://ec.europa.eu/enlargement/>
- ▶ **Questions about the European Union? Europe Direct can help:** 00 800 6 7 8 9 10 11  
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THE EUROPEAN  
UNION  
EXPLAINED



European  
Commission

# Trade

**Free trade is a  
source of  
economic  
growth**

Opening new markets makes our economies grow — only an active EU free trade and investment policy can achieve that.



# THE EUROPEAN UNION EXPLAINED

*This publication is part of a series that explains  
what the EU does in different policy areas,  
why the EU is involved and what the results are.*

*You can find the publications online:*

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How the EU works  
Ten priorities for Europe  
The founding fathers of the EU

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## Why we need a trade policy

The European Union's trade policy must be seen in the context of two of today's realities. The first is the importance of the Union itself as a major world player. The second is the way globalisation is changing the international environment.

The EU is the largest economy in the world, the biggest exporter and importer, the leading investor and recipient of foreign investment and the biggest aid donor. With just 7 % of the world's population, it accounts for over one quarter of the world's wealth as measured by gross domestic product (GDP) — the total value of goods and services produced.

THE MAIN WORLD ECONOMIES (2014)			
	GDP at current prices (billion euro)	% of world GDP	Gross public debt % GDP
<b>European Union (28 member countries)</b>	<b>13 946</b>	<b>17.1</b>	<b>88.1</b>
Argentina	409	0.9	45.3
Australia	1 086	1.0	33.9
Brazil	1 766	3.0	65.2
Canada	1 344	1.5	87.9
China	7 796	16.6	41.1
India	1 544	6.8	66.1
Indonesia	669	2.5	25.0
Japan	3 464	4.4	246.2
Mexico	972	2.0	49.8
Russia	1 401	3.3	17.8
Saudi Arabia	562	1.5	1.6
South Africa	264	0.7	46.0
South Korea	1 062	1.6	36.0
Turkey	601	1.4	33.6
United States	13 058	15.9	104.8
<b>World</b>	<b>58 163</b>	<b>100.0</b>	

Source: IMF WEO.

The single market with the free movement of goods, services, people and capital within the EU's borders is the cornerstone of the Union's ability to create jobs by trading with other countries and regions. The EU, not national governments, is responsible for this market. It also manages trade relations with the wider world. Speaking with a single voice, the EU carries considerably more weight in international trade negotiations than any of its individual members would. It is an active economic and political player with growing regional and global interests and responsibilities.

### EU trade: key figures

- *EU share of world exports and imports:*  
16.6 % — 2014
- *Foreign direct investment in EU:*  
€4 583 billion — 2014
- *EU outbound foreign direct investment:*  
€5 749 billion — 2014
- *Manufacturing trade surplus, oil excluded:*  
about €350 billion — 2013
- *Services trade surplus:* €163 billion — 2014
- *EU development aid:* €56.5 billion — 2013

The Union is one of the world's most outward-oriented economies and intends to remain so. Trade with the rest of the world doubled from 1999 to 2010, and currently almost three quarters of imports into the EU pay no, or reduced, duties. Where duties are still payable, the average rate in 2013 was just 2.3 % for industrial products and 3.6 % for all goods overall. The EU is the biggest trading partner for 59 countries. In comparison, the figure for China is 37 and for the US is 23. European external trade in goods and services accounts for 34 % of EU GDP — four percentage points above the US. As a major market, the EU imports as many agricultural products from developing countries as Australia, Canada, Japan, New Zealand and the United States, with a comparable total population, combined.

This openness is a source of strength as the world in which we live is constantly changing. Globalisation — a combination of technological developments and economic liberalisation — enables goods, services, capital, companies and people to reach almost any part of the globe rapidly and easily.



*Today, products like cars are no longer made in one place from start to finish.*

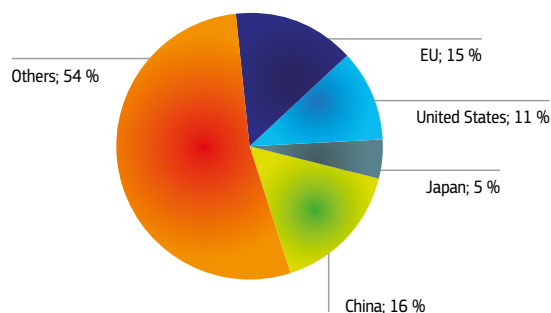
## Globalisation

Today, products are no longer made in one place from start to finish. Instead, they are assembled over a long series of individual steps often located in different parts of the world. The description 'Made in' one single country is now the exception rather than the rule. This means that we need to have a more sophisticated approach to exports and imports than seeing finished goods as simply entering or leaving a country.

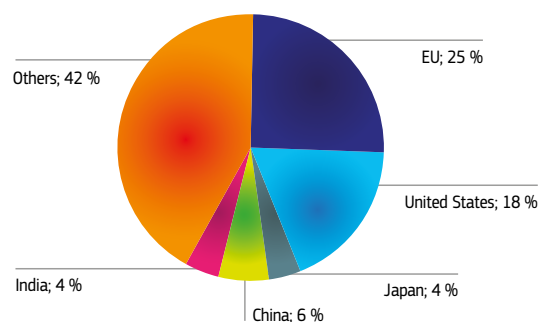
The growth of other economic powerhouses, such as China, India and Brazil, intensifies competition in terms of the price and quality of goods they produce, and, perhaps more importantly, for access to energy and raw materials. At the same time, these countries are creating a new group of affluent consumers and their economies are more open than they were 10 to 15 years ago. Chinese import tariffs fell from 19.8 % in 1996 to 4.6 % in 2013. Over the same period, the decrease in India was 20.1 % to 6.2 % and in Brazil 13.8 % to 10.01 %, although other, less visible, barriers to EU exports remain.

### THE MAJOR WORLD TRADING POWERS

% of global exports, goods, 2014



% of global exports, commercial services, 2014



Source: Eurostat and WTO.



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*Free trade can help to pull the EU out of the current crisis.*

## Free trade and competitiveness

The Union's trade policy is an integral ingredient of its priorities to boost employment and create a more modern, viable and sustainable economy. A vibrant domestic economy requires the Union to be increasingly competitive abroad.

Free trade is more important than ever for economic growth and job creation. Two thirds of imports are raw materials, intermediary goods and components needed by EU manufacturers. Europe's market must remain open to these supplies. Restricting their flow or raising the cost of imports would backfire by increasing the costs and reducing the competitiveness of European companies both at home and abroad.

Free trade can help pull the EU out of the present crisis which began in the United States with the sub-prime meltdown in 2007–08. Along with the deepening of the single market and targeted Europe-wide investment in areas such as research, education and energy, free trade is one of the key triggers to stimulate the European economy.

The EU's active free trade policy towards emerging market economies is bringing the Union growth prospects and possible trade openings. By 2020, the International Monetary Fund estimates that 90 % of future economic growth will be generated outside Europe (one third of it in China alone).

## Potential economic gains

*The European Commission calculates that completion of all the free trade talks now under way could increase the EU's GDP by more than 2 %. That is the equivalent of adding a country like Austria or Denmark to the EU economy. It could also support the jobs of more than 2 million people.*

## Further benefits from free trade

Open markets generate more economic growth and more and better jobs for Europe and its partners. 31 million jobs — or one in seven jobs — in the EU depend directly or indirectly on exports to the rest of the world. This figure has increased by around 50 % since 1995. Foreign direct investment is also a crucial engine for job creation, with in 2012 American and Japanese companies employing over 4.2 million people in Europe.

Trade liberalisation creates additional opportunities for innovation and stronger productivity growth. Trade and investment flows spread new ideas and innovation, new technologies and the best research, leading to improvements in the products and services that people and companies use. Experience in EU countries shows that a 1 % increase in the openness of the economy results in a 0.6 % rise in labour productivity the following year.

Benefits from trade include lower prices and greater choice for consumers, as imported food, consumer goods and components for products manufactured in Europe become cheaper.





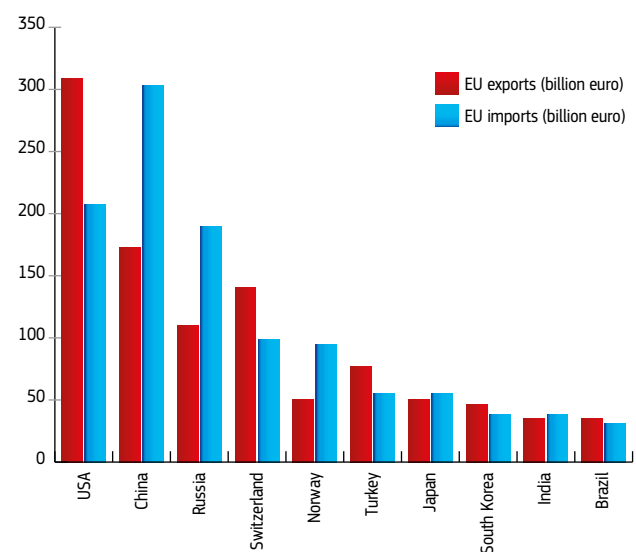
*Trade is about more than moving physical goods: it also includes services and investment.*

## Not just goods and services

In bygone days, when trade was limited to moving physical goods from one part of the world to another, negotiations would focus almost exclusively on tariffs and quotas. Now that economies are more sophisticated, trade policy covers a vast array of activities and practices. These include services, intellectual property rights (IPR), foreign direct investment, standards for plant and animal health and for industrial and non-industrial goods, licensing practices and domestic taxes.

The Union attaches strong importance to wider social and environmental issues. Free trade agreements can also play a role in promoting sustainable development, good governance and respect for human rights. For trade to operate smoothly, it is not enough simply to negotiate lower tariffs for exporters. Respect for the rule of law is essential to provide a stable and predictable legal environment so it is vital to address less visible trade barriers such as customs formalities, red tape and, in some cases, unethical business practices.

### THE EU'S BIGGEST TRADE PARTNERS: GOODS



Africa: imports 156.3; exports 154.6

Central and South America: imports 99.1; exports 112.7

Other European countries: imports 458.0; exports 431.1

North America: imports 233.9; exports 343.3

Oceania: imports 14.1; exports 37.1

Asia: imports 706.5; exports 589.6

Figures are for 2014.

Source: Eurostat.



## How the EU develops trade policy

The Union itself is responsible for the trade policy of its member countries and the European Commission negotiates on their behalf. This means that no individual member government can contemplate a bilateral trade agreement with a non-EU partner. This division of responsibility is based on the EU Treaties.

### Aims of free trade agreements:

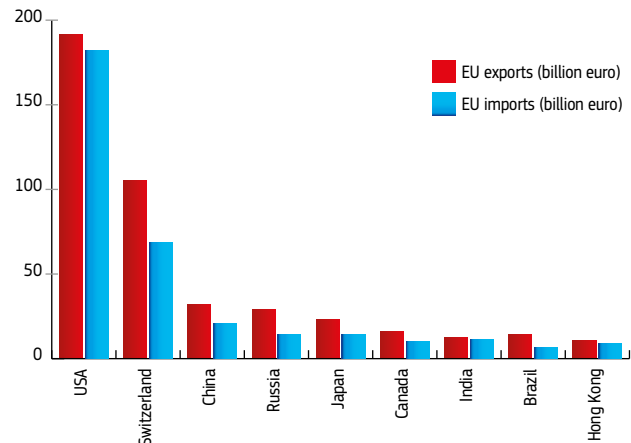
- *Open new markets for goods and services*
- *Increase protection and opportunities for investment*
- *Make trade cheaper by cutting customs duties and red tape*
- *Speed up trade by making customs clearance easier and setting compatible technical and sanitary standards*
- *Create greater certainty through clear rules on intellectual property rights, competition and public procurement*
- *Support sustainable development by fostering cooperation, transparency and dialogue on social and environmental issues.*

### Adapting to new circumstances

The fundamental changes in global supply chains mean that where value added is created becomes more important than where exports are actually recorded. The EU's trade policy, therefore, aims to maintain, and, if necessary reinvent, the EU's place in global supply chains rather than trying to keep every single production step at home. Trade is more and more about adding layers of value from research and development and design to manufacturing of components, assembly and logistics.

The same is true for supply chains within the EU itself where economic frontiers are blurred and trade relations are changing. When firms export, they create jobs not only in the country the goods and services leave, but also across the Union. Services are especially important in terms of integrating the EU into global supply chains and keeping jobs in Europe. Around one third of jobs generated by manufactured goods leaving Europe are in companies that supply exporters with supporting services. Overall, services represent 50 % of the domestic value added in Europe's exports to the world.

### THE EU'S BIGGEST TRADE PARTNERS: SERVICES



Figures are for 2014.  
Source: Eurostat.

While small and medium-sized companies may not always export directly themselves, many supply parts, components and services which are included in the exports of larger companies. An item officially registered as a German export may in fact contain elements from the Czech Republic, Belgium or Poland.

### Multinational manufacturing chains

*China offers many examples of the increasing international fragmentation of production. For instance, a certain smart phone 'assembled in China' may contain less than 4 % value added in China, but over 16 % in Europe. Some European 'Made in China' smartphones or tablets may have even more than half their value added produced in Europe. The same may be true for other products from toys to aeroplanes, for example. Still, most countries continue to rely heavily on domestic value added to produce exports. Around 87 % of the value added in EU exports is domestic. In China, this figure stands at 76 %. Even so, value chains are increasingly important in understanding the implications of trade, not least when it comes to labour markets. For example, the growing production links between the EU and China mean that in 2009 over 1.1 million jobs in the EU were sustained by Chinese exporting activity, with 5.5 million Chinese jobs being supported by EU exports.*

## Free trade agreements

The Union is currently pursuing a policy of active engagement with its partners — sometimes within regional groupings — to negotiate comprehensive free trade agreements. These grant privileged access to the markets of the countries concerned and are an accepted exception from the basic World Trade Organisation (WTO) principle that all trading partners should be granted equal treatment.

Agreements vary depending on the level of ambition and capacities of the country, or group of countries, the EU is negotiating with. No one size fits all. Since the EU's many partners have different interests, the contents are tailored to each specific situation. Free trade agreements with developed countries and emerging economies are driven by economics and generally based on reciprocal market opening. Economic partnership agreements with African, Caribbean and Pacific countries combine both trade and development objectives.

EU trade policy is focusing on key partners such as the US, Canada and Japan, although attention is also being paid to emerging economies such as the BRICS (Brazil, Russia, India, China and South Africa). These are seen as the new drivers of the world economy. The benefit of agreements with such countries for EU exporters is clear. The average tariff they face when selling to the rest of the world is still around 5 %. In some countries, tariffs are considerably higher.

A typical agreement will cover different sectors and issues and specify a timetable for individual product tariff reductions. Modern (EU) trade agreements include non-tariff matters ranging from intellectual property to public procurement. They contain various provisions, such as rules of origin, to determine which products are eligible for the tariffs being reduced or eliminated.

*Economic partnership agreements combine both trade and development objectives.*



These agreements strengthen the EU's rules-based system which goes beyond the WTO by embedding this in the international contractual arrangements so that trade and investment are protected and can thrive.

## Intellectual property

Europe's competitiveness in a global economy is largely based on innovation and the value added of the goods it produces. Economic growth and jobs are undermined when European ideas, brands and products are pirated and counterfeited. Protection of their intellectual property rights (IPR) such as patents, trademarks, designs, copyright or geographical indications, is increasingly important for European inventors, creators and businesses to prevent unscrupulous competitors from making illegal copies.

The EU protects IPR in different ways. Within the WTO, it was a major supporter of the Agreement on Trade-Related Aspects of Intellectual Property Rights. It also negotiates relevant provisions in bilateral trade agreements and works closely with authorities in countries outside the EU to strengthen the system for protecting such rights.

## Investment

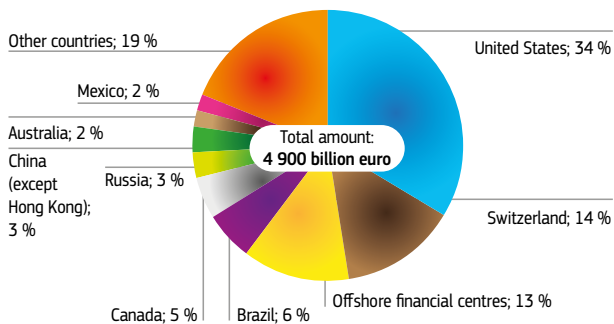
As the largest source of foreign direct investment, the EU supports clear rules to protect this form of finance, which plays a central role in establishing businesses and jobs abroad and building global supply chains.

The aim is to provide investors with legal certainty and a stable, predictable, fair and properly regulated environment in which to conduct business. This is largely achieved through the WTO General Agreement on Trade in Services (GATS) and, where possible, in bilateral agreements.

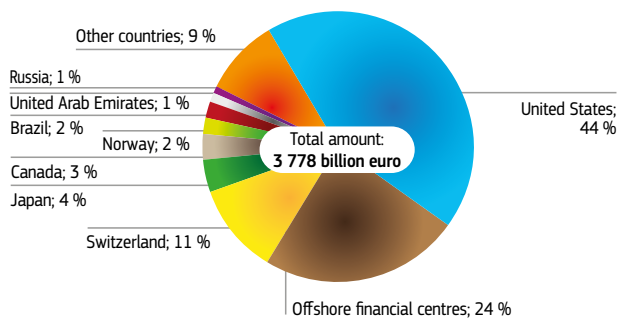
With the entry into force of the Lisbon Treaty in 2009, the EU has acquired the responsibility to negotiate on the protection of European investments in countries outside the EU.

## WHERE DO INVESTMENTS GO TO AND COME FROM?

### Outward FDI stocks from the EU



### Inward FDI stocks into the EU



'Direct foreign investment' (FDI) means that a person or a company owns a business, or part of it, in another country. So 'outward FDI from the EU' is when somebody inside the EU owns businesses based in countries outside the EU. 'Inward' FDI is the other way around. Figures are for 2013. Source: Eurostat.

## How free trade agreements are reached

Many months of careful preparation take place before a trade negotiation begins. This includes public consultation, assessment of an agreement's potential impact on Europe's companies and consumers and informal and formal talks between the Commission and the country or region concerned to determine the issues to be covered. After these comprehensive preparations, the Commission requests authorisation from the Council of Ministers (made up of representatives of EU governments) to open negotiations. They agree the objectives that the Commission should try to secure. During the negotiating process that usually lasts several years, the Commission regularly informs the Council and the European Parliament on the progress being made. The Commission is committed to making the way it negotiates trade agreements as transparent as possible, so it publishes the EU's negotiating proposals on its website, along with factsheets and other information. The Commission also meets representatives of civil society and other stakeholders to discuss the negotiations and sometimes holds public consultations on specific issues.

Once an agreement is reached, its signature is formally authorised by the Council. The European Parliament, using its new Lisbon Treaty powers, may accept or reject, but not amend, the text.

Individual EU countries may also need to ratify an agreement according to their own national procedures as well as the green light they give at international level. The agreement enters into force on a particular day, but may be provisionally applied beforehand.

## Public procurement

The European Union is committed to ensuring that European companies have fair access to compete for public procurement contracts outside the Union when public authorities look for companies to provide goods, works or services. These can range from major infrastructure projects, such as roads and hospitals, to the purchase of IT equipment; in terms of trade, they are worth around €1 trillion a year.

In 2011, the WTO agreed changes to its Government Procurement Agreement. These mark an important further step in opening up international public procurement markets. The Commission has taken this a stage further by proposing legislation to prevent companies in countries outside the EU which do not sign up to the WTO rules and discriminate against EU firms from tendering for European contracts.

## What trade policy consists of

The Union has built its trade policy on three main areas of activity.

- An active role in the multilateral negotiations conducted under the auspices of the WTO.
- Deeper bilateral trade relations with individual countries and regions and the application of unilateral measures, such as the granting of preferential treatment to developing countries.
- A strategy to target and remove specific barriers in key export markets.

### Multilateral approach

The Union is a strong advocate of multilateral action. It has firmly supported the Doha Development Round of trade negotiations since it was launched by the WTO in 2001 to negotiate further trade liberalisation for goods and services, improve market access for developing countries and review trade rules.

The benefits from a successful conclusion to the talks would be extensive. It is estimated they would increase world trade by 2 % and considerably simplify trade procedures, logistics and transport. However, the complexities of the issues involved and the differing interests of the participants have prevented an agreement being reached.

### World Trade Organization

*The WTO was established on 1 January 1995 as the successor to the General Agreement on Tariffs and Trade (GATT) set up after the end of the Second World War. The WTO currently has 164 member countries and 20 observers. It has helped shape a system of rules that keeps the global economy open for trade. It administers WTO trade agreements, provides a forum for negotiations, handles disputes, monitors national policies, provides technical assistance and training for developing countries and organises cooperation with other international organisations. A new trade round of negotiations is launched when WTO members wish to update the multilateral rules. The latest (and still ongoing) negotiation is the Doha Round.*

### FREE TRADE AGREEMENTS

The EU is advancing, on an unprecedented scale, a reciprocal market opening agenda with its most important bilateral trading partners. The main vehicle is free trade agreements (FTAs). Before 2006, these accounted for less than a quarter of EU trade. If all the negotiations now under way are successfully concluded, that figure will rise to two thirds. Already, by the end of 2012, the EU had 28 trade agreements in force.



*The EU plays a key role at the WTO.*

## FREE TRADE AGREEMENTS ALREADY OPERATING

- Eastern Neighbourhood: In 2013 the EU concluded negotiations for a Deep and Comprehensive Free Trade Area (DCFTA) with Moldova, Armenia and Georgia as part of broader association agreements. Negotiations with Ukraine were concluded in December 2011. The association agreements (including the DCFTAs) were ratified by Moldova, Georgia and Ukraine during the summer of 2014. The agreements with Moldova and Georgia have been provisionally applied since September 2014. The association agreement with Ukraine has been provisionally applied as of November 2014, except for the DCFTA, which has been provisionally applied since 1 January 2016. In September 2013, Armenia decided to join the Customs Union with Russia and stopped the AA/DCFTA process with the EU.
- Peru and Colombia: The trade agreement was signed in June 2012. It has been provisionally applied by Peru since March 2013 and by Colombia since August 2013. At the end of the first calendar year of provisional application, trade between the EU and Peru stood at €8.7 billion and trade between the EU and Colombia at €13.5 billion. In July 2014 the EU and Ecuador concluded negotiations for the accession of Ecuador to the agreement.
- South Korea: The EU–South Korea Free Trade Agreement (FTA) entered into force in July 2011. It is the first completed agreement in a new generation of free trade agreements launched by the EU in 2007. It goes further than ever before in lifting trade barriers and making it easier for European and Korean companies to do business together. In the FTA's third year, EU exports of goods to Korea increased by 35% to reach €41.5 billion compared to €30.6 billion in the year before the entry into force of the FTA. During the same period, exports of goods that have been fully or partially liberalised by the FTA increased more than exports overall, with an increase of 46 % for fully liberalised goods and 37 % for partially liberalised goods.
- Chile: The 2002 association agreement included a comprehensive free trade agreement which entered into force the following year. Bilateral trade has more than doubled since 2003, reaching €16 billion in 2014. The EU is Chile's third largest source of imports, while the EU is Chile's second largest export market.
- Mexico: Since the agreement's entry into force in October 2000, total bilateral trade has doubled from €21.7 billion to €46 billion in 2014. The EU and Mexico have agreed to update the agreement, so it is more in line with the newest generation of trade agreements and reflects developments in the Mexican economy.
- South Africa: The trade, development and cooperation agreement in force since 2000 established a free trade area covering 90 % of bilateral trade between the EU and its largest trading partner in Africa.
- Southern Mediterranean: the association agreements with Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, the Palestinian Authority and Tunisia concluded between 1995 and 2002 established FTAs covering trade in goods.
- Central America (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama): The EU–Central America association agreement was signed in June 2012. The trade part of the agreement has been provisionally applied with Honduras, Nicaragua and Panama since August 2013, with Costa Rica and El Salvador since October 2013, and with Guatemala since December of that year. In 2013 trade between the two regions stood at €12 billion.
- African, Caribbean and Pacific countries (ACP): Economic partnership agreements (EPAs) are being put in place and implemented between ACP countries and the EU. For over 30 years, the countries had preferential access to the European market. Yet this failed to boost local economies sufficiently, stimulate growth or increase ACP exports to the EU. The EPAs offer a new approach and are designed to help ACP countries integrate into the world economy, achieve sustainable growth and reduce poverty. Four EPAs are in operation, covering the Caribbean (14 countries), East Africa (Madagascar, Mauritius, Seychelles and Zimbabwe), Central Africa (Cameroon) and the Pacific (Fiji and Papua New Guinea).

## FREE TRADE AGREEMENTS FINALISED, BUT NOT IN FORCE

- Singapore: The EU–Singapore FTA was for the most part initialled in September 2013, with negotiations on investment protection completed in October 2014. Singapore is the first member of the Association of South East Asian Nations (ASEAN) to reach an agreement with the EU.



- Vietnam: Negotiations on an EU-Vietnam FTA concluded in 2015. The agreement represents an important building block towards an eventual region-to-region FTA between the EU and ASEAN.
- Canada: Negotiations on an EU-Canada Comprehensive Economic and Trade Agreement (CETA) concluded in September 2014. It removes 99 % of customs duties and many other obstacles for traders, meaning potential gains of around €12 billion to EU GDP once fully implemented. The full text is available online. The agreement must now be ratified by both parties before it can enter into force.
- ACP: In 2014 negotiations were concluded on three more EPAs, one with West Africa (16 countries), one with the Southern Africa Development Community (SADC) (six countries) and one with the Eastern African Community (EAC) (five countries).

### FREE-TRADE AGREEMENTS UNDER NEGOTIATION

- United States: Negotiations for a Transatlantic Trade and Investment Partnership (TTIP) began in July 2013. TTIP is the most ambitious and strategic trade negotiation that the EU has ever undertaken. It will strengthen Europe's relationship with the United States, our most important political ally and biggest export market, and provide an effective laboratory for global rules. Although the EU's economic relationship with the United States is unrivalled in its scope and intensity, it still has considerable potential. Given average tariffs of around 4 %, the key to unlocking it lies in tackling non-tariff barriers. According to an independent study, an ambitious TTIP, once fully implemented, could bring the EU economic gains of €119 billion a year. Free-trade agreements are under negotiation.

### Trade negotiations with the United States

*The EU negotiates a future agreement, the TTIP, with the aim of:*

- opening up United States markets to EU firms, including for public services;
- helping cut red tape that firms face when exporting;
- setting new rules to make it easier and fairer to export, import and invest overseas. The rules should include high standards in areas such as food safety, health and social and data protection.

*Trade should also benefit developing countries.*





- Mercosur (Argentina, Brazil, Paraguay, Uruguay and Venezuela): In 2013 Mercosur was the sixth largest destination for EU exports, with exports of goods reaching €57 billion. In 2012, EU exports of services topped €21 billion. If negotiations are successful, an EU–Mercosur FTA would create the largest free trade area between two of the world's regions (Europe and South America) and would bring substantial benefits to both.
- Gulf Cooperation Council (Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Bahrain and Oman): a major trading partner for the EU. FTA negotiations were suspended in 2008, but informal contacts continue.
- Japan: In March 2013, the EU and Japan officially launched negotiations on a free trade agreement. The ongoing negotiations cover areas such as the progressive liberalisation of trade in goods and services, investment, government procurement and the elimination of non-tariff barriers.
- Morocco: Negotiations for a deep and comprehensive free trade area (DCFTA) with the EU were launched in March 2013.
- Tunisia: Negotiations for a deep and comprehensive free-trade area (DCFTA) with the EU were launched in October 2015.

## FUTURE NEGOTIATIONS

- Southern Mediterranean (Egypt and Jordan): in December 2011 EU governments approved negotiating mandates to deepen and extend existing free trade agreements. The first talks were launched with Morocco, in March 2013 (see above).

Free trade agreements are a core component of many association agreements. The EU is also linked to a number of its neighbours by customs unions (Andorra, San Marino and Turkey). There are free trade agreements in force in Europe with the Faroe Islands, Iceland, Norway and Switzerland, and the southern Mediterranean (Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestinian Authority, Syria and Tunisia). In addition to the Stabilisation and Association Agreements with the western Balkans, an autonomous trade regime operates between the EU and the former Yugoslav Republic of Macedonia, Albania, Montenegro, Bosnia and Herzegovina, Serbia and Kosovo (\*).

## Strategic relationships

- China: China is now the EU's second trading partner after the United States, and the EU is China's biggest trading partner. In November 2013, the EU and China announced the launch of negotiations for a comprehensive EU–China Investment Agreement. The agreement will provide for progressive liberalisation of investment and the elimination of restrictions for investors to each other's market.
- Russia: The EU is Russia's most important trading partner by far, accounting for over half of the country's imports and exports. Russia's accession to the WTO in 2012 lowered its import tariffs and provides a forum to address bilateral problems. Contrary to the EU's expectations, Russia has since taken a more protectionist course which has been exacerbated by the Ukraine crisis.

## Developing countries

The Union actively encourages developing countries to use trade to build up their own economies and improve living standards. Growth in trade can enhance their export earnings and promote diversification of their economies away from commodities and raw materials. To help developing countries export, the Union was the first organisation in the world to grant a generalised system of preferences (GSP), in 1971, under which it introduced preferential import rates to all developing countries, giving them vital access to European markets.

However, over the past four decades global economic and trade balances have shifted tremendously. Several more advanced developing countries have successfully integrated into the world trading system, while a greater number of poorer countries have been increasingly lagging behind. In the current competitive environment, tariff preferences must go to those countries most in need.

As a result, the reformed Generalised Scheme of Preferences (GSP) — effective from 2014 — focusses the benefits on the least developed countries (LDCs) and other low and low-middle income economies without other preferential access to the EU. There are currently 88 such countries. Countries such as Russia, Brazil, Kuwait and Saudi Arabia, which the World Bank classifies as high or upper-middle income, and partners which have another form of preferential access to the EU similar or even better than GSP (for example, a free trade agreement) no longer enjoy GSP treatment.

(\*) This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.)

A special incentive, GSP+, provides for additional tariff reductions for vulnerable countries that sign up to 27 international conventions on human and labour rights and environmental and good governance standards. The EU's 'Everything But Arms' scheme also gives 49 least developed countries duty-free and quota-free access to the European market for all products, except for arms and ammunition.

In addition, the European Commission operates a special help desk in four languages (English, French, Spanish and Portuguese) offering export advice to companies in developing countries which lack the capacity to provide it themselves.

## Market access strategy

The strategy creates new opportunities for EU companies exporting to third country markets, especially those where a free trade agreement does not exist. A partnership between the Commission, EU member countries, businesses and local expertise, such as chambers of commerce, helps to identify and tackle trade barriers that arise.

A market access database — a free, interactive service — managed by the EU provides information on conditions in countries outside the EU. This covers sector specific trade barriers, import formalities, databases on statistics and various studies.

## Trade defence

Trade negotiations can help prepare the ground for future economic prosperity, but equally important is the need to ensure existing rights and rules are respected and enforced. When this is not the case, the Union's ability to compete internationally can be undermined, harming jobs at home.

The Commission attaches particular importance to proper enforcement. It carefully monitors the behaviour of its trading partners to be able to move quickly if discriminatory or disproportionate barriers to trade, such as difficulties in obtaining patents or licences, emerge or unfair practices are identified.

Enforcement may be achieved in various ways: through diplomatic and political contacts, negotiation, regulatory cooperation and the WTO.

The WTO's dispute settlement procedures provide the main forum for settling trade disagreements. Any of its members may bring a case which a special panel examines in line with the internationally agreed rules in force. If a member does not comply with the recommendations, trade compensation or sanctions may be applied.

In line with WTO rules, the EU has its own range of trade defence tools to guarantee fair play in a competitive world. These are carefully designed to ensure a level playing field for all, while avoiding any protectionist abuse.

Unfair competition can come from two sources: subsidies or dumping. Subsidies are public aid given to a specific sector. They distort competition by making subsidised goods artificially competitive. Dumping is when non-EU manufacturers sell their goods in the Union below the normal sales price on their domestic market.

When the Commission suspects either practice (this refers to subsidies or dumping) or receives allegations of such behaviour, it carries out an investigation. If it establishes that agreed trade rules have been violated, the EU can apply countervailing measures, such as additional duties, to remove the unfair competitive advantages which the respective country had hoped to gain.

# The future of trade policy

The EU remains committed to completing its ambitious trade agenda. It believes in open markets and that trade is part of the solution to the economic crisis.

It is also in the best interest of the EU's individual and regional trading partners to complete negotiations since the Union represents the world's biggest market for their exports.

Free trade agreements are not without their critics. In Europe, they are sometimes presented as exposing EU producers to unfair competition from cheap imports. From a very different perspective, the Union is accused of trying to penetrate markets, particularly in developing countries, and destroying local jobs. However, this criticism fails to take account of the evidence to the contrary and the noticeable benefits the agreements bring to both the EU and its partners.

## Fighting protectionism

It is inevitable that some voices see protectionism as the solution to many underlying problems. The G20 group of major industrial countries has formally pledged not to adopt trade restrictive measures and to tackle immediately any that are introduced.

However, the reality on the ground can sometimes be different from words and principles agreed at high level summits. Despite the pledge, many emerging economies appear more inclined to introduce potentially trade-distorting measures to shield their domestic markets from international competition.

The EU will continue to fight against protectionism. The Union would lose more than it would gain were it to adopt similar protectionist measures, since it is dependent on many imported products. Raising their cost would reduce the EU's competitiveness inside and outside the Union leading directly to a loss of European production and jobs. A 10 % rise in trade restrictions could lead to a 4 % loss in national income.

As the world's leading trade region, the EU has a strong interest in open markets and clear regulatory frameworks. Aware of its strong responsibility towards its own citizens and the rest of the world, it will continue its present strategy and vigorously argue the case for an open and fair global trading system through multilateral and bilateral agreements.



*Rotterdam, in the Netherlands, is one of the largest container ports in the world.*

## Find out more

- ▶ **EU trade:** <http://ec.europa.eu/trade>
- ▶ **EU-Trade newsletter:** <http://trade.ec.europa.eu/eutn>
- ▶ **Export Helpdesk:** <http://exporthelp.europa.eu/thdapp/index.htm>
- ▶ **Market access database:** <http://madb.europa.eu>
- ▶ **Questions about the European Union? Europe Direct can help:** 00 800 6 7 8 9 10 11  
<http://europa.eu/contact/>



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# Poverty in the European Union

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The crisis and its aftermath

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## IN-DEPTH ANALYSIS

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EPRS | European Parliamentary Research Service

Author: Marie Lecerf

**Members' Research Service**

March 2016 – PE 579.099

EN

This publication aims to provide recent statistics on poverty and social exclusion in the European Union and to describe how poverty has hit some specific subgroups of European society since the onset of the 'Great Recession'. The document also aims to analyse what were the main determinants of poverty since 2008 and to discuss recent developments in European poverty reduction policies.

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## EXECUTIVE SUMMARY

The economic crisis has exacerbated social burdens such as poverty and inequality, which were already major issues before the crisis. Due to the multifaceted nature of poverty, the European Union uses a multidimensional indicator – the 'at risk of poverty or social exclusion' rate – based on three different dimensions: monetary poverty, severe material deprivation, or 'very low work intensity'.

Since 2008, the number of people 'at risk of poverty or social exclusion' has increased in most Member States. In 2014, nearly one in four persons (122.3 million people) was at risk of poverty or social exclusion in the European Union. Amongst the groups at greater risk, those most affected were women, children, young people, people living in single parent households, those with less education, and migrants.

New forms of poverty are emerging. Contrary to popular belief, work no longer protects against poverty. The new 'working poor' are often in precarious and low-paid jobs. Homelessness is no longer the fate of middle-aged men with long-standing social problems, but also affects families, young people, and migrants. Lastly, children are amongst the hardest hit by the crisis in terms of poverty.

Since 2008, the main drivers affecting the poverty rate in the European Union are cyclical: long-term unemployment, labour market segmentation and wage polarisation. The emergence of new family models, such as single parenthood, and the persistence of inherited poverty have strengthened the phenomenon.

In Europe, the main responsibility for combating poverty and social exclusion remains with Member States. The European Union's role is limited to coordinating Member State policies through the Open Method of Coordination for social protection (the 'Social OMC'), providing some funding with the European Social Fund and the Fund for European Aid to the Most Deprived, and the Employment and Social Innovation programme. In 2010, with the adoption of the Europe 2020 Strategy, the European Union set a quantitative target for the reduction of poverty and social exclusion for the first time: lifting more than 20 million people out of poverty by 2020 compared with 2008. Nevertheless, achieving this objective in times of crisis and austerity measures is proving extremely difficult. The European Union has drifted further from its target.

Huge efforts are needed to meet the Europe 2020 target on poverty and social exclusion. A better balance between macroeconomic, fiscal, employment and social objectives at European Union level could be necessary. Investing early in children and youth, as well as policies to develop skills and improve employability will help. Modernising welfare states will be crucial.

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## 1. Introduction

The economic crisis has had a major social impact on the lives of European citizens. Many now suffer from poverty and social exclusion. The consequences of the 'Great Recession' are severe in terms of access to basic services such as healthcare or education, employment, or participation in social life. Food banks are experiencing upsurges in demand. Indebtedness, homelessness, in-work and child poverty are increasingly visible.

Despite the European Union (EU) target to reduce the number of people experiencing poverty or social exclusion by 20 million by 2020, the number of people at risk of poverty has increased: from 116 million people in 2008<sup>1</sup> to 122 million in 2014, or 24.4% of the population (EU-28). After a slight decrease in 2013 following three consecutive years of rise, the proportion of persons at risk of poverty or social exclusion in the European Union remains almost stable in 2014, but is higher than 2008 levels (23.8%). More and more voices speak out<sup>2</sup> to highlight the high social cost of austerity policies and demand a different approach (stakeholders,<sup>3</sup> European Trade Union Confederation,<sup>4</sup> think-tanks,<sup>5</sup> media<sup>6</sup>). As for public opinion,<sup>7</sup> only 22% of Europeans think that efforts to fight against poverty are sufficient.

## 2. Measuring poverty

### 2.1. Definition and indicators

The words 'poverty' and 'exclusion' are often linked. Indeed, housing deprivation, excessive debt, inability to access health care, a low level of education, or limited access to basic services and social and cultural activities, can push the poor to the margins of society. However, social exclusion is also possible without being poor.

There is no consensus on the definition of poverty, which is defined by other concepts, such as well-being, basic needs, income or social exclusion, rather than by itself. Two types of poverty are commonly used, absolute or extreme, and relative poverty:

- **Absolute or extreme poverty:** when people lack the basic needs for subsistence. For instance they may be starving, lack clean water, proper housing, sufficient clothing or medicines and be struggling to stay alive. This is most common in developing countries, even if some people in the European Union still face this type of extreme poverty;
- **Relative poverty:** when people's way of life and income is so much worse than the general standard of living in the place they live, that they struggle to participate in ordinary economic, social and cultural activities. Relative poverty thus depends on the standard of living enjoyed by the majority in society.

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<sup>1</sup> Croatia had not yet joined the European Union.

<sup>2</sup> [An EU Worth Defending – Beyond Austerity to Social Investment and Inclusive Growth](#), EAPN, 2012.

<sup>3</sup> [Combating Poverty in Europe](#) (COPE) or [The European Anti-Poverty Network](#) (EAPN), for instance.

<sup>4</sup> [European Trade Union Confederation \(ETUC\) declaration to the new European Commission](#), ETUC, 2014.

<sup>5</sup> [Putting the fight against poverty and social exclusion at the heart of the EU agenda: A contribution to the Mid-Term Review of the Europe 2020 Strategy](#), OSE, 2014.

<sup>6</sup> For instance, [The Guardian](#), 2013, [BBC news UK](#), 2014.

<sup>7</sup> [Employment and Social Policy](#), Special Eurobarometer 377, 2011.

The European Union uses a relative definition of poverty, which was set out in 2004:

*People are said to be living in poverty if their income and resources are so inadequate as to preclude them from having a standard of living considered acceptable in the society in which they live. Because of their poverty they may experience multiple disadvantages through unemployment, low income, poor housing, inadequate health care and barriers to lifelong learning, culture, sport and recreation. They are often excluded and marginalised from participating in activities (economic, social and cultural) that are the norm for other people and their access to fundamental rights may be restricted.<sup>8</sup>*

The target set for reduction of poverty in the European Union, in June 2010 in the framework of the Europe 2020 strategy, was to lift at least 20 million people in the European Union from the risk of poverty and exclusion by 2020. To monitor progress towards this target, the 'Employment, Social Policy, Health and Consumer Affairs' (EPSCO) Council of Ministers agreed on an 'at risk of poverty or social exclusion' indicator. To reflect the multidimensional nature of poverty and social exclusion, this indicator analyses income-related measures of poverty together with other measures, such as severe material deprivation.

#### Which poverty threshold to choose?

The poverty rate corresponds to a part of the population which lives with an income below the poverty line. This corresponds to a percentage of the national median income, which divides the population into two groups, those receiving less than that income, and those receiving more. The threshold most commonly used is 60% of the median income (the European Union for instance). This is a convention. Some estimate that the use of the 50% threshold is more representative (the OECD for instance), and that a 40% threshold allows a focus on 'great poverty'. For others, the 60% threshold constitutes a larger definition, which allows inclusion in a population of the poor with no access to basic needs.

The risk of poverty or social exclusion consists of a combination of three main indicators:<sup>9</sup>

- **Monetary poverty** in which the most important indicator is the at-risk-of-poverty rate. The at-risk-of-poverty rate is defined in relation to a threshold set at 60% of national median income, reflecting the relativeness of poverty in time and place. The poverty threshold can also be defined as 60% of European Union median income. This means that in countries with the lowest income levels, the majority of the population may have an income below the European Union poverty threshold, but most of those people are not socially excluded in national terms. Thus monetary poverty is an inappropriate method for measuring poverty in the European Union;
- **Severe material deprivation<sup>10</sup>** measures the lack of ordinary necessities which would normally indicate decent living standards in a given society. It describes the enforced inability to pay for at least four of the following nine items: unexpected expenses; one week of annual holiday away from home; arrears (mortgage or rent payments, utility bills, or hire purchase instalments or other loan payments); a meal with meat or fish every other day; heating to keep the home adequately warm; a washing machine; a colour television; a telephone; or a car;

<sup>8</sup> [Joint report by the Commission and the Council on social inclusion](#), Council of the EU, March 2004, p. 7.

<sup>9</sup> Other indicators can also be used to measure the depth of poverty, its persistence (persistent poverty rate), or a 'semi-absolute' measure of poverty (at-risk-of poverty anchored at a point in time).

<sup>10</sup> [Glossary: material deprivation](#), Eurostat, 2015.

- The **'very low work intensity' rate** reflects the share of population aged 0 to 59 years living in households where the working age inhabitants worked less than 20% of their total work potential during the past year.

The European Union definition of poverty goes beyond the 'satisfaction of basic human needs', which is used to measure poverty in developing countries.

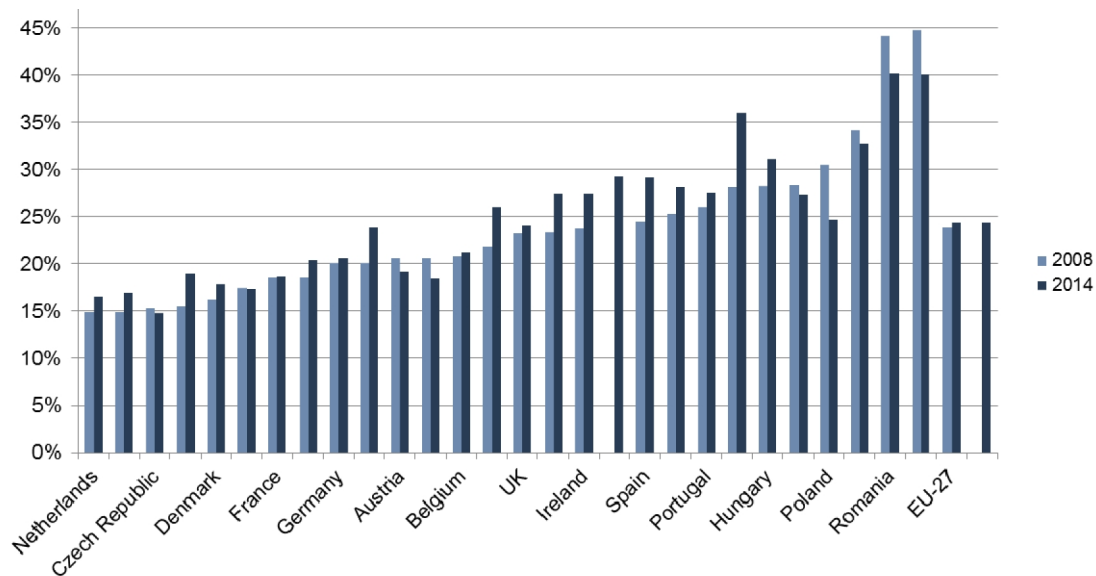
## 2.2. A figure for poverty across the European Union

In 2014, 122 million people were 'at risk of poverty or social exclusion' (AROPE) in the EU-28 (24.4% of the population). Prior to 2008, there was a steady decrease in the number of people 'at risk of poverty or social exclusion'. From 2008, a new trend began, which led to a rise of 6.1 million people (EU-27) at risk of poverty between 2008 and 2012. Even though between 2012 and 2014, the risk of poverty in Europe affected 2 million fewer people, the level remains well above the Europe 2020 target of 96 million.

### 2.2.1. Divergence among Member States

In 2014, more than a third of the population was 'at risk of poverty or social exclusion' in three Member States: Romania (40.2%), Bulgaria (40.1%) and Greece (36.0%). At the opposite end of the scale, the lowest shares of persons being 'at risk of poverty or social exclusion' were recorded in the Czech Republic (14.8%), Sweden (16.9%), the Netherlands (17.1%), Finland (17.3%) and Denmark (17.8%).

**Figure 1 – Proportion of people 'at risk of poverty or social exclusion' in 2008 (EU-27) and 2014 (EU-28)**



Data source: Eurostat, retrieved 13 January 2016. Figures for Croatia for 2008 are not available.

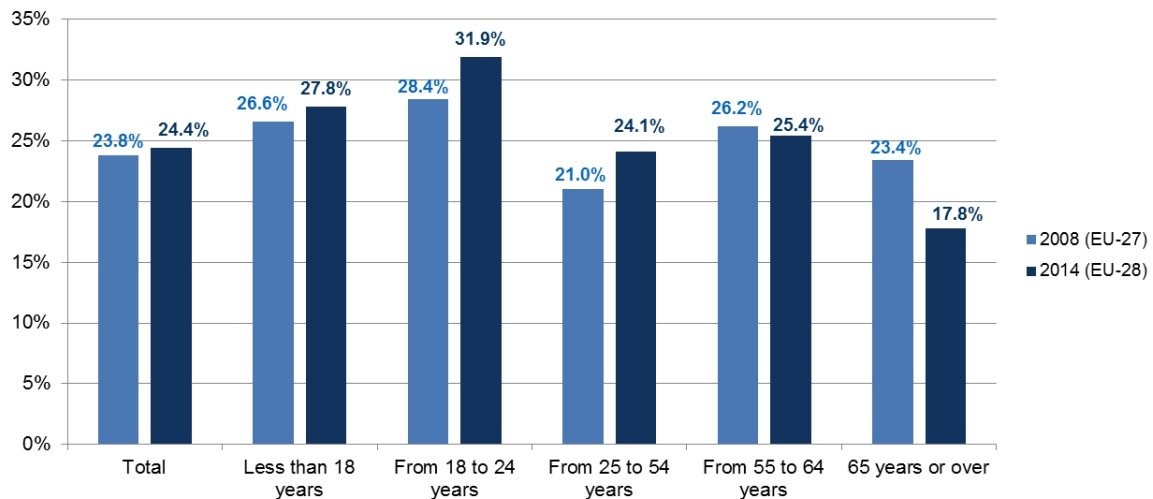
Among Member States for which data are available (see Figure 1), the 'at risk of poverty or social exclusion' rate has grown from 2008 to 2014 in 14 Member States, with the highest increases being recorded in Greece (from 28.1% in 2008 to 36.0% in 2014, or +7.9%), Spain (+4.7 %), Cyprus (+4.1%), Malta (+3.7%), Hungary (+2.9%) and Italy (+2.8%). In contrast, the largest decreases among Member States were observed in Poland (from 30.5% to 24.7%, or -5.8%), Romania (-4.0%), Bulgaria (-4.7%) and Slovakia (-2.2%).

Between 2008 and 2014, noteworthy increases are apparent in the countries most affected by the crisis; including the 'programme countries'<sup>11</sup> (Greece, Ireland, Spain and Cyprus).

### 2.2.2. Children, youth and the active population

With a rate of 27.8% in the EU-28, children were at greater risk of poverty or social exclusion in 2014 than the rest of the population in 21 out of 25 Member States.<sup>12</sup> The percentage of children living in a household 'at risk of poverty or social exclusion' ranged from around 15% in Denmark (14.5%) and Finland (15.6%), to over 35% in six countries: Latvia (35.3%), Spain (35.8%), Greece (36.7%), Hungary (41.1%), Bulgaria (45.2%) and Romania (51%).<sup>13</sup> Young adults (18-24 years) have also experienced a much greater rise in the risk than the population as a whole: +3.5% in the period 2008-2014 (see Figure 2).

**Figure 2 – Trends in risk of poverty or social exclusion. Proportions of people 'at risk of poverty or social exclusion' in 2008 (EU-27) and 2014 (EU-28), by age group**



Data source: Eurostat, retrieved 13 January 2016. Figures for Croatia for 2008 are not available.<sup>14</sup>

Other groups, such as people with a disability and people from an ethnic minority and/or migrant<sup>15</sup> background (especially Roma),<sup>16</sup> which were already at a high risk of poverty and social exclusion, have also been particularly affected during the crisis.<sup>17</sup>

<sup>11</sup> 'Programme countries' are EU countries which benefited from the [European financial assistance mechanisms](#).

<sup>12</sup> No data available for Estonia and Ireland in 2014.

<sup>13</sup> [People 'at risk of poverty or social exclusion' by age group](#), Eurostat, 2014.

<sup>14</sup> This graph is a percentile comparison of the EU-27 with EU-28.

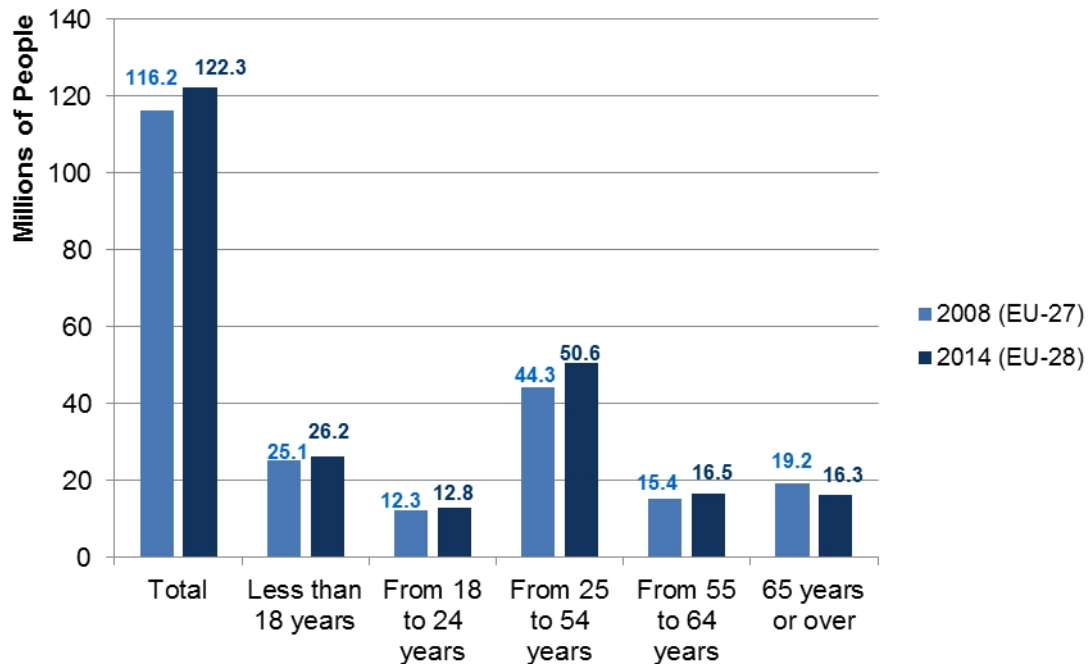
<sup>15</sup> [Poverty Among Migrants in Europe](#), European Center, Orsolya Lelkes, Policy Brief, April 2007.

<sup>16</sup> [Poverty and employment: the situation of Roma in 11 EU Member States](#), FRA European Union Agency for Fundamental Rights, 2014.

<sup>17</sup> [Health inequalities, the financial crisis, and infectious disease in Europe](#), European Center for Disease prevention and Control, 2013; ['NGO: Migration is a major poverty risk in Europe'](#), Euractiv, December 2012.



**Figure 3 – Trends in poverty or social exclusion risk. Number of people in the EU-27 'at risk of poverty or social exclusion' in 2008 and 2014, by age group**



Data Source: Eurostat, retrieved 13 January 2016. Figures for Croatia for 2008 are not available.

The elderly now face a lower risk of poverty or social exclusion than the overall population both at EU-28 level (17.8% as opposed to 24.4%) in 23 out of the 28 Member States for which data are available. The risk of poverty or social exclusion faced by people aged 65 or over in 2014 ranged from 6.4% in Luxembourg to 47.8% in Bulgaria.

### 2.2.3. Character of poverty

- Monetary poverty

Looking at each of the three indicators measuring the 'at risk of poverty rate (monetary poverty, severe material deprivation and very low work intensity), 17.2% of the population in the EU-28 in 2014 were at risk of poverty after social transfers i.e. their disposable income was below their national 'at risk of poverty' threshold. This proportion has increased compared with 2013 (+ 0.6%).

As the thresholds reflect actual income distribution in the countries, they vary widely between Member States. The highest at-risk-of-poverty rates were observed in Romania (25.4%), Greece (22.1%), Bulgaria (21.8%) and Latvia (21.2%), where more than one in five persons was at risk of income poverty. The lowest rates were observed in the Czech Republic (9.7%), the Netherlands (11.6%) and Denmark (11.9%). Compared with 2008, the proportion of persons at risk of income poverty has increased in 20 Member States and has decreased in eight.

The at-risk-of-poverty rate is a relative measure of poverty that varies greatly between Member States but also over time. To avoid misleading results in periods of rapid and general economic decline, Eurostat calculates an at-risk-of-poverty indicator anchored<sup>18</sup> in time. This indicator fixes the poverty threshold in real terms over a longer

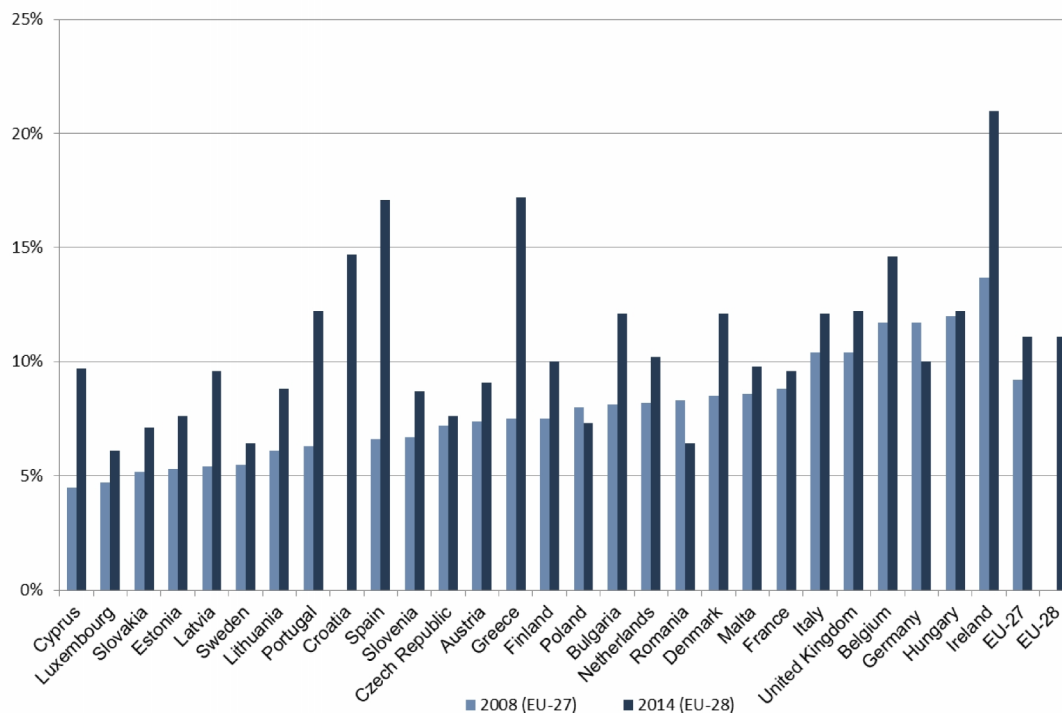
<sup>18</sup> For a given year (T), the at-risk-of-poverty rate anchored at a fixed moment in time is defined as the percentage of persons in the total population who are at risk of poverty, anchored at a fixed moment in time (at-risk-of-poverty threshold calculated in the standard way for the base year) and adjusted for inflation.

period of time and therefore controls the effects of a moving poverty threshold. In constant terms, 19.8% of the population in the EU-27 in 2014 was at risk of poverty anchored in 2008, which is 3.5 percentage points higher than in 2008 (16.3%).<sup>19</sup>

- Very low work intensity

In 2014, 11.1% of the EU-28 population lived in a household with 'very low work intensity', i.e. where the adults worked less than 20% of their total work potential during the past year. This proportion has constantly increased in the European Union since 2008 (by 1.9 percentage points, from 9.2% in the EU-27). Wide variations exist between Member States. In 2014, around 7% of the population was living in a household with 'very low work intensity', in Luxembourg (6.1%), Sweden and Romania (both 6.4%), Slovakia (7.1%), Poland (7.3%), and the Czech Republic (7.6%). On the other end of the spectrum, the indicator for low work intensity exceeded 14% in Ireland, in Greece (17.2%), Spain (17.1%), and Belgium (14.6%). Compared with 2008, the share of persons aged 0 to 59 years living in households with 'very low work intensity' has increased in all Member States except in Germany (-1.7%), Poland (-0.7 %), and Romania (-1.9%, see Figure 4).

**Figure 4 – Proportion of people living in households with very low work intensity, 2008 and 2014 (population aged 0 to 59 years)**



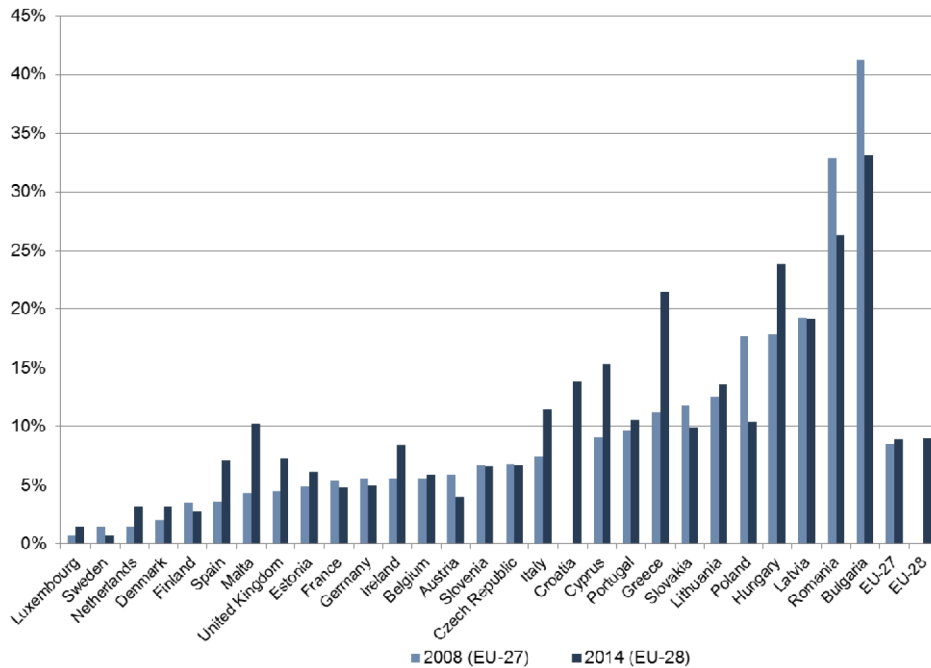
Data source: Eurostat, retrieved: 13 January 2016. Figures for Croatia are not available for 2008.

<sup>19</sup> [People 'at risk of poverty or social exclusion'](#), Figure 2, Eurostat, December 2015.

- Severe material deprivation

Severe material deprivation, which had fallen from 10.8% of the population in 2005 to 8.5% by 2008 (EU-27), rose to 9.0% (EU-28) by 2014. The share of those experiencing severe material deprivation varied significantly among Member States. In 2014, only 0.7% of the population was severely deprived in Sweden, 1.4% in Luxembourg, and 2.8% in Finland. On the other hand, the deprivation rate exceeded 30% in Bulgaria; and 20% in Romania (26.3%), Hungary (23.9%), and Greece (21.5%). In 2012, Bulgaria hit a 'severe material deprivation' rate of 44.1% (41.2% in 2008), but managed to decrease the rate to 33.1% within two years.

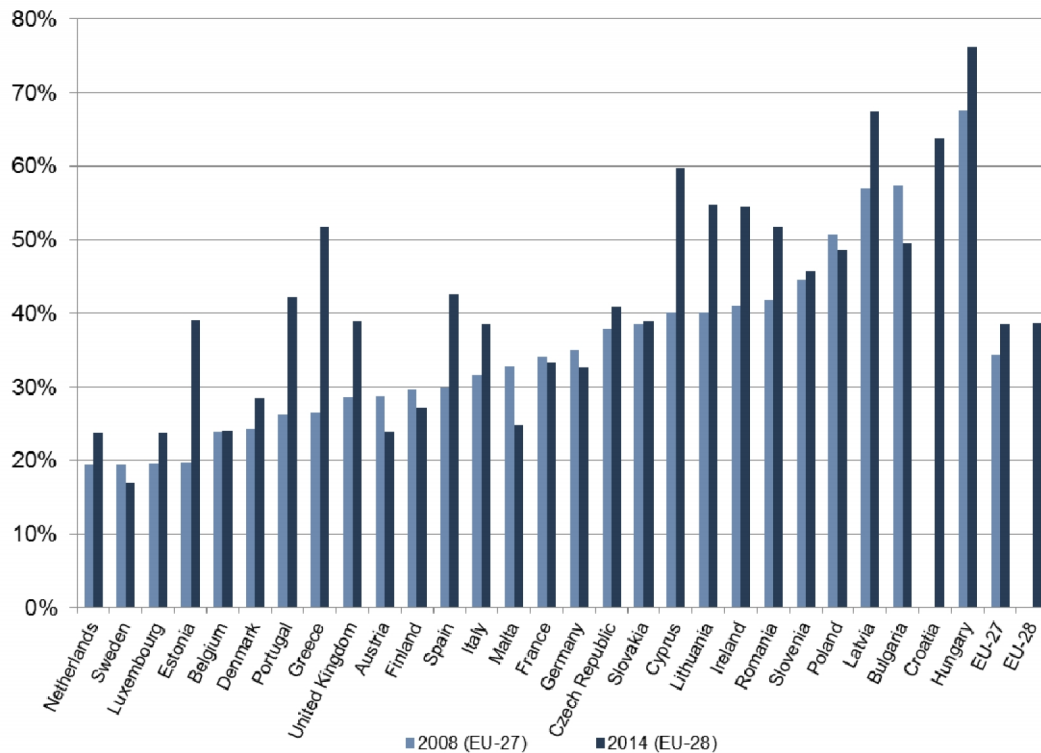
**Figure 5 – Severe material deprivation rates in 2008 (EU-27) and 2014 (EU-28)**



Data source: Eurostat, retrieved 13 January 2016. Figures for Croatia are not available for 2008.

Among the measures for material deprivation, an inability to face unexpected expenses<sup>20</sup> showed the greatest variation in the 2014 (EU-28) level, compared with 2008 (EU-27) (+4.4 percentage points, from 34.3% in 2008 to 38.5% in 2014). Compared with 2008, the percentage of people reporting difficulties in facing unexpected expenses increased in Greece from 26.6% in 2008 to 51.8% in 2014 (+25.2 percentage points), from 40.1% to 59.8% in Cyprus (+19.7 percentage points), and from 19.7% to 39.1% in Estonia (+19.4 percentage points). At the same time, it decreased by more than 8 percentage points in Malta (from 32.8% to 24.7%) and -7 percentage points in Bulgaria (from 57.4% to 49.6%).

<sup>20</sup> This item measures the ability of a household to cover, from their own resources, an unexpected expense amounting to a fraction (1/12) of the poverty threshold.

**Figure 6 – Inability to face unexpected financial expenses**

Data source: Eurostat, retrieved 13 January 2016. Figures for Croatia are not available for 2008.

### 3. Poverty profiles

#### 3.1. In-work poverty

In-work poverty, i.e. insufficient earnings for those who work, has increased since 2008 and has recently been identified by the Social Protection Committee<sup>21</sup> as a worrying social 'trend to watch'.<sup>22</sup>

In-work poverty is a phenomenon that now affects 9.5% (EU-28) of the working age EU population.<sup>23</sup> The rate of those in work and at risk of poverty has been on the rise since 2008 (8.6% in the EU-27 SILC).

The most affected countries (over 10%) are: Romania, Greece, Spain, Italy, Poland, Portugal, Estonia and Luxembourg (see Figure 7). Although the 'working poor' phenomenon is not new, it has been amplified due to the crisis. The economic downturn has led to greater flexibility on the labour market and to a proliferation of precarious jobs (temporary contracts or part-time jobs), often associated with low

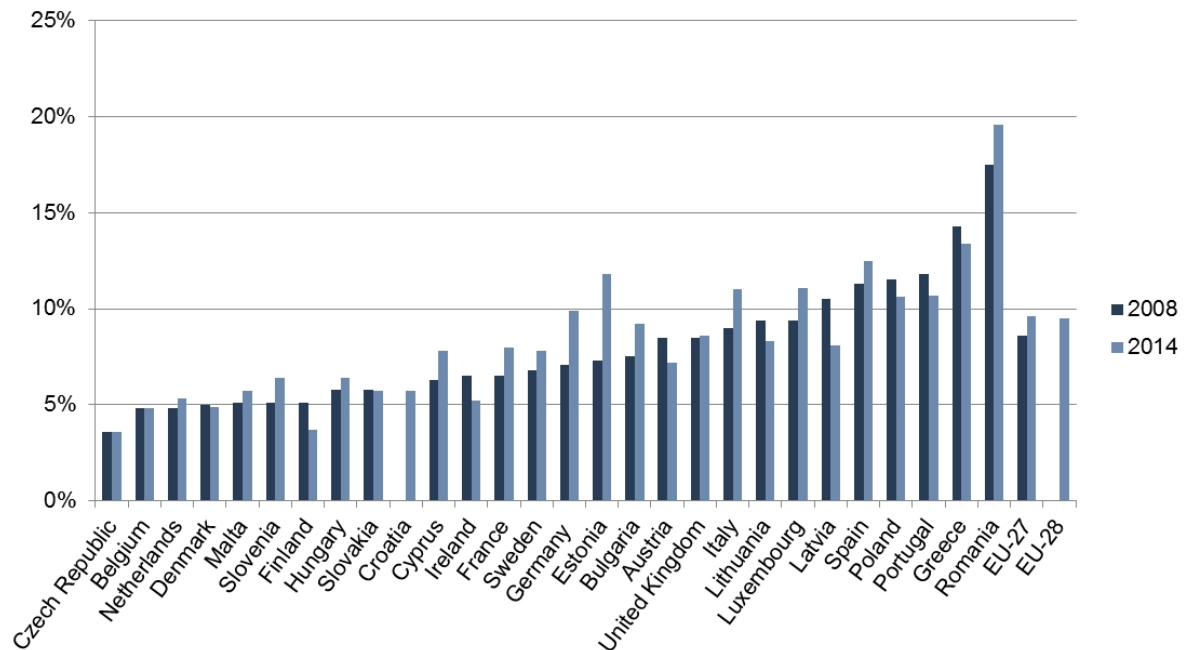
<sup>21</sup> The [Social Protection Committee](#) is an EU advisory policy committee for [Employment and Social Affairs Ministers in the Employment and Social Affairs Council \(EPSCO\)](#), established by the [Treaty on the Functioning of the EU](#) (Article 160), which monitors social conditions in the EU and the development of social protection policies in Member States, and promotes discussion and coordination of policy approaches among national governments and the Commission.

<sup>22</sup> [Social Europe – Many ways, one objective, Annual Report of the Social Protection Committee on the social situation in the European Union](#), 2013.

<sup>23</sup> The share of persons who are at work and have an equivalised disposable income below the at-risk-of-poverty threshold, which is set at 60% of the national median equivalised disposable income (after social transfers), [EU-SILC](#) (EU statistics on income and living conditions).

salaries. Having a job can help reduce the risk of poverty, it does not however guarantee protection against poverty.

**Figure 7 – In-work at-risk-of-poverty rate of employed persons (18 years or over), 2008 (EU-27) and 2014 (EU-28)**



Data source: Eurostat, retrieved 13 January 2016. Figures for Croatia are not available for 2008.

Whether a person is classified 'working poor' is decided by working status and household income. Analysts<sup>24</sup> often define a combination of low pay, high needs and weak ties to the labour market as root causes. In general, the risk is higher for single households (sole earners, especially women with dependent children), young workers and temporarily employed people, as well as those with low levels of education. Paradoxically, men face a higher risk than women, even though women are more often in part-time employment with a lower salary. However, women are more often secondary earners, meaning that the household income does not depend on them alone.<sup>25</sup>

In its 'Global Wage Report 2012/13: Wages and Equitable Growth',<sup>26</sup> the International Labour Organization looks at differences in wages and underlines the influence of the economic crisis as regards their evolution. One in six employees in the EU-27 was a low-wage earner (i.e. earning two thirds or less of the national median gross hourly earnings)<sup>27</sup> in 2010. Women (21.2%), employees with a low level of education (29%), and with a fixed term contract (31%), were hardest hit.

<sup>24</sup> For sources, see e.g. [In-work poverty in the EU](#), Verena Kern, EPRS, European Parliament, 2014.

<sup>25</sup> [In work poverty in the EU, Eurostat, 2010](#).

<sup>26</sup> [Global Wage Report 2012/13: Wages and Equitable Growth](#), ILO, 2012.

<sup>27</sup> [Low wage earners](#), Eurostat news release, December 2012.

### 3.2. Homelessness

There have been significant increases in housing exclusion and homelessness<sup>28</sup> in several Member States during the crisis.<sup>29</sup> Although there are no comparable data across the European Union, there is clear evidence that the deterioration in economic conditions has resulted in an increase in the weight of housing costs in household budgets in many countries.

In 2014, an average 11.4% of the EU-28 population was overburdened by housing costs,<sup>30</sup> but for those at risk of poverty (below 60% of median income) the figure was 39.9% (EU-28) and for the 'non-poor' (above 60% of median income) it stood at 5.5% (EU-28).<sup>31</sup>

According to a 2010 Eurobarometer survey,<sup>32</sup> more than three million Europeans say that they feel at risk of becoming homeless. Furthermore, a general trend of increasing homelessness in much of the European Union has been highlighted by the Social Protection Committee.<sup>33</sup> More recent data from a variety of Member States indicate 'an ongoing trend of increasing homelessness in many contexts'.<sup>34</sup>

The 'traditional core' of the homeless population was largely made up of middle-aged men with long-standing social problems, associated with mental health issues and/or alcohol and drug addiction. Since the onset of the crisis, the composition of the homeless population has changed.<sup>35</sup> The risk of homelessness has increased, in particular among migrants from third countries, young persons, the newly unemployed, and those who generally have a low income. Women, single parent, large families, older people, the less-educated, Roma and other minorities are also more exposed.

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<sup>28</sup> Even if no single definition of homelessness is accepted in all EU Member States, stakeholders and the European Commission agreed on the European Typology of Homelessness and housing exclusion (ETHOS) definition for homelessness and housing exclusion at a 2010 European Consensus Conference ([Typology on Homelessness and Housing Exclusion](#) developed by FEANTSA, the European Federation of National Organisations working with the Homeless). This definition is derived from the physical, social and legal interpretation of what a 'home' means. It classifies the following four living circumstances as homelessness or extreme forms of housing exclusion: (1) rootlessness (people living rough and people in emergency accommodation), (2) 'homelessness' (people in accommodation for the homeless, in women's shelters, in accommodation for immigrants, people due to be released from institutions and people receiving long-term support due to homelessness), (3) insecure accommodation (people living in insecure tenancies, under threat of eviction or violence), and (4) inadequate housing (living in unfit housing, non-conventional dwellings e.g. in caravans without adequate access to public utilities such as water, electricity or gas or in situations of extreme overcrowding).

<sup>29</sup> [On the way home?](#), Research note 8/2011, European Commission, 2011, FEANTSA, 2012.

<sup>30</sup> [Glossary : Housing cost overburden rate](#), Eurostat, 2014.

<sup>31</sup> [Housing cost overburden rate by age, sex and poverty status](#), Eurostat, 2015.

<sup>32</sup> [Special Eurobarometer Report 355 on Poverty and Social Exclusion](#), European Commission, December 2010.

<sup>33</sup> [Social Europe: Current challenges and the way forward, Annual Report of the Social Protection Committee \(2012\)](#), European Commission, 2013.

<sup>34</sup> [Social Europe: Many ways, one objective, Annual Report of the Social Protection Committee on the social situation in the European Union](#) (2013), European Commission, 2014.

<sup>35</sup> [On the way home?](#), FEANTSA, 2012.

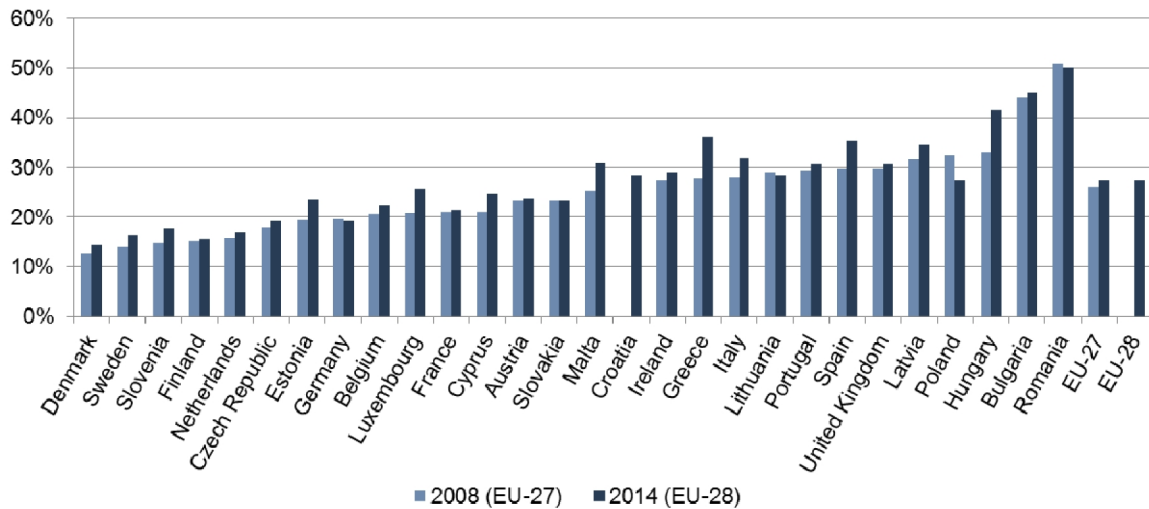


### 3.3. Child poverty

Approximately 27.4 million children under the age of 16 lived at risk of poverty and social exclusion in the European Union in 2014.

Child poverty rates have edged up in most developed countries over the past 20 years. The proportion of children at risk (27.4%) was greater than for any other age group and for the EU population as a whole (24.4%)<sup>36</sup> in the EU-28. Between 2008 and 2014, four EU Member States saw a reduction in children at risk of poverty and social exclusion (notably Poland with -5.0%). However the situation of children deteriorated in 24 others, most seriously in Greece, Hungary, Malta, and Spain, with an increase of more than 5% in all those countries.

**Figure 8 – Children (aged 0 to 16 years) 'at risk of poverty or social exclusion'**



Data source: Eurostat, retrieved 13 January 2016. Figures for Croatia are not available for 2008.

According to Eurostat, the main factors affecting child poverty are household composition, parental employment status, parental education level, and inadequate income support from the welfare system. Some groups of children, such as those with migrant parents, are more vulnerable.<sup>37</sup> With respect to monetary poverty, more than 47% of 'low work intensity' households with dependent children, and over 65% of 'very low work intensity' households with dependent children (EU-28) were at risk of poverty in 2014.<sup>38</sup> Moreover, 63.8% of children whose parents' level of education was low were at risk of poverty, compared to 11.0% of children whose parents had a high level of education (EU-28).<sup>39</sup>

<sup>36</sup> [Children at-risk-of-poverty or social exclusion](#), Eurostat, 2013.

<sup>37</sup> [Quality of life in Europe: Families in the economic crisis](#), Eurofound, 2014.

<sup>38</sup> [Income and living conditions](#) > Income distribution and monetary poverty > Monetary poverty > At-risk-of-poverty rate by poverty threshold and work intensity of the household (population aged 0 to 59 years), Eurostat, 2015.

<sup>39</sup> [Income and living conditions](#) > People at-risk-of-poverty or social exclusion > Main indicator > Children at-risk-of-poverty or social exclusion by educational attainment level of their parents, Eurostat, 2015.

## 4. Vulnerability to poverty: understanding the determinants of poverty

Poverty is a multidimensional phenomenon caused both by collective factors, such as economic, social and labour policies and trends, and by individual factors: level of education, health, or integration in society.

### 4.1. Structural economic and social changes

The risk of poverty has always been determined by the combination of the way a society is organised and the economy regulated. Since the first oil shock in 1973, three main structural developments help to understand overall poverty trends in the European Union:

- **Economic downturns** have increased the risk of poverty as a result of unemployment, the rise in part-time and temporary jobs, and pressure to reduce wages;
- Most EU countries have experienced **growing income inequalities**, and particularly large income gains for the 10% top earners.<sup>40</sup> OECD data<sup>41</sup> shows that the distribution of income is significantly more unequal than previously. The income of the poorest 10% of the population has continued to decline, or to increase less than that of the richest 10%. Consequently, those already vulnerable are at increased risk of poverty and social exclusion;
- **Reforms in national welfare systems** have generally introduced stricter eligibility criteria, lower levels of benefits, and the end of universal welfare system principles, thereby increasing the risk of 'new' forms of poverty hitting vulnerable groups (such as the low-skilled, people with disabilities, minority ethnic groups, etc.).

### 4.2. Cyclical drivers

It is difficult to make a clear distinction between structural and cyclical drivers. In the late nineties, despite economic and employment growth, poverty and social exclusion remained major issues in most EU countries; income inequalities often rose. The economic crisis has clearly exacerbated economic and social pressures. Since 2008, Europe has observed historically high unemployment and long-term unemployment rates, and a decrease in the quality and quantity of jobs. The rise in unemployment over the crisis period is a major reason for the increase in the number of people 'at risk of poverty or social exclusion' across the European Union (see Table 1).

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<sup>40</sup> [Capital in the Twenty-First Century](#), Thomas Piketty, 2014.

<sup>41</sup> [Rising inequality: youth and poor fall further behind](#), OECD, 2014.

**Table 1 – People 'at risk of poverty or social exclusion' by most frequent activity status, aged 18 to 64 years**

	Population		Employed <sup>42</sup>		Unemployed <sup>43</sup>		Inactive <sup>44</sup>	
	2008	2014	2008	2014	2008	2014	2008	2014
<b>EU-28</b>	:	25.2%	:	13.1%	:	66.8%	:	46.1%
<b>Croatia</b>	:	29.2%	:	11.8%	:	58.0%	:	41.4%
<b>Sweden</b>	14.6%	16.9%	7.5%	8.1%	56.3%	53.7%	38.4%	51.8%
<b>Czech Rep.</b>	15.0%	14.5%	7.1%	6.7%	62.9%	59.0%	18.5%	26.7%
<b>Netherlands</b>	15.1%	18.9%	5.4%	6.2%	72.5%	70.4%	34.3%	43.2%
<b>Luxembourg</b>	15.7%	19.4%	9.8%	11.7%	53.5%	59.2%	26.7%	36.1%
<b>Finland</b>	16.4%	18.0%	6.3%	4.7%	61.3%	64.0%	37.0%	44.3%
<b>Denmark</b>	16.8%	21.0%	5.7%	5.6%	62.6%	62.5%	53.7%	57.3%
<b>Estonia</b>	17.5%	25.1%	9.1%	14.6%	67.9%	64.8%	37.2%	41.9%
<b>Malta</b>	17.5%	21.8%	7.2%	10.4%	53.1%	69.7%	30.2%	39.1%
<b>Slovenia</b>	17.9%	21.3%	9.3%	10.1%	48.8%	58.5%	31.1%	28.5%
<b>France</b>	18.6%	19.9%	9.6%	10.0%	58.7%	53.4%	39.5%	46.5%
<b>Cyprus</b>	18.9%	28.2%	12.4%	18.1%	34.7%	56.5%	32.8%	39.3%
<b>Slovakia</b>	19.3%	18.1%	12.5%	9.7%	56.4%	58.0%	25.5%	26.7%
<b>Austria</b>	19.6%	18.8%	11.3%	9.1%	70.4%	67.9%	33.7%	36.9%
<b>Belgium</b>	20.0%	21.6%	6.7%	6.6%	58.1%	64.0%	42.6%	48.4%
<b>United Kingdom</b>	20.1%	23.2%	9.8%	11.4%	75.8%	75.9%	53.4%	56.0%
<b>Germany</b>	21.5%	21.8%	9.1%	11.2%	79.1%	84.7%	38.8%	41.7%
<b>Spain</b>	22.1%	31.9%	13.0%	15.1%	51.3%	65.4%	39.5%	43.8%
<b>Ireland</b>	22.5%	27.6%	8.6%	9.4%	61.5%	68.2%	45.8%	49.5%
<b>EU-27</b>	23.0%	25.2%	12.5%	13.1%	64.7%	67.0%	42.4%	46.1%
<b>Portugal</b>	24.2%	28.3%	16.6%	15.1%	51.8%	59.4%	40.5%	48.0%
<b>Italy</b>	24.5%	29.5%	12.4%	16.0%	59.1%	69.4%	43.2%	44.7%
<b>Lithuania</b>	24.7%	25.5%	14.1%	13.5%	62.3%	73.2%	49.3%	40.1%
<b>Latvia</b>	27.6%	29.0%	19.0%	18.1%	60.8%	68.7%	42.1%	44.8%
<b>Greece</b>	27.7%	39.7%	18.6%	21.1%	57.8%	70.0%	42.7%	56.1%
<b>Hungary</b>	29.0%	31.4%	16.8%	19.9%	70.3%	75.7%	40.4%	44.8%
<b>Poland</b>	30.7%	24.7%	20.6%	15.2%	59.3%	57.9%	47.3%	42.4%
<b>Bulgaria</b>	38.9%	35.7%	27.7%	23.2%	76.4%	72.7%	44.5%	48.0%
<b>Romania</b>	40.8%	38.6%	34.1%	31.1%	71.7%	75.1%	51.4%	56.8%

Data source: Eurostat. retrieved 13 January 2016. Figures for Croatia are not available for 2008.

<sup>42</sup> In the context of the Labour Force Survey (LFS), an employed person is a person aged 15 to 74 years who performed work during the reference week – even if just for one hour a week – for pay, profit or family gain.

<sup>43</sup> An unemployed person is defined as someone aged 15 to 74 years without work, available to start work within the next two weeks and actively having sought employment at some time during the last four weeks.

<sup>44</sup> An inactive person is neither employed nor unemployed. The inactive population is either not working at all, not available, or not looking for work; some of these people may be of working age.

The increase in the 'at-risk-of-poverty' rate between 2008 and 2014 among those of working age but not in work (inactive) is common to all EU Member States except three – Slovenia, Poland and Lithuania. The rise is particularly pronounced in Greece (by 13.4 percentage points) and Sweden (13.4 percentage points).

### 4.3. Inequality drivers

#### 4.3.1. Gender

Gender is a driver of inequality in the labour market.<sup>45</sup> Participation in the job market and the reconciliation of work and family life remains a challenge for women. Looking at the intersection between gender and age, gender also drives levels of social exclusion and poverty in the long run, with women receiving lower pay than men and accumulating less pension rights over time. This can translate into a higher risk of poverty for women in older age groups (65 and above). These effects are even more pronounced for certain groups, such as female migrants for example, who are likely to work for low pay.<sup>46</sup>

Nevertheless, the economic crisis has had divergent effects on the situation of women and men in Europe:

- The gender gap has diminished in terms of employment, unemployment, wages and poverty during the crisis, even if this change does not reflect an improvement in women's economic situation. In fact, it is based on lower rates of employment, higher rates of unemployment, and reduced earnings for both men and women;
- There has also been a reduction in gender gaps in employment and unemployment, as male employment declined more than female employment, and male unemployment subsequently increased faster than female unemployment;
- In the first years of the crisis, the female labour market characteristics protected women's employment. Indeed, women are over-represented in service employment (including the public sector, which often has higher protection from unemployment than the private sector), and under-represented in manufacturing, construction or finance, which have been hardest hit by the crisis;<sup>47</sup>
- Women's role in the labour market over the crisis has been similar to that of men. The traditional view, that women behave as employment 'buffers', called in when demand expands but pushed back when it contracts, has been refuted during this crisis. The contemporary 'buffers' are young men and migrant workers.

However, the crisis affected pregnant women in a negative way: their rights to maternity leave and benefits have been curtailed and discrimination against pregnant women has been seen in at least four countries.<sup>48</sup>

<sup>45</sup> [Tackling the gender pay gap in the European Union](#), European Commission, 2014.

<sup>46</sup> [The gender pay gap - Origins and policy responses: A comparative review of 30 European countries](#), European Commission, 2006.

<sup>47</sup> [European women and the crisis](#), Willemijn de Jong, Library briefing, European Parliament, 2013.

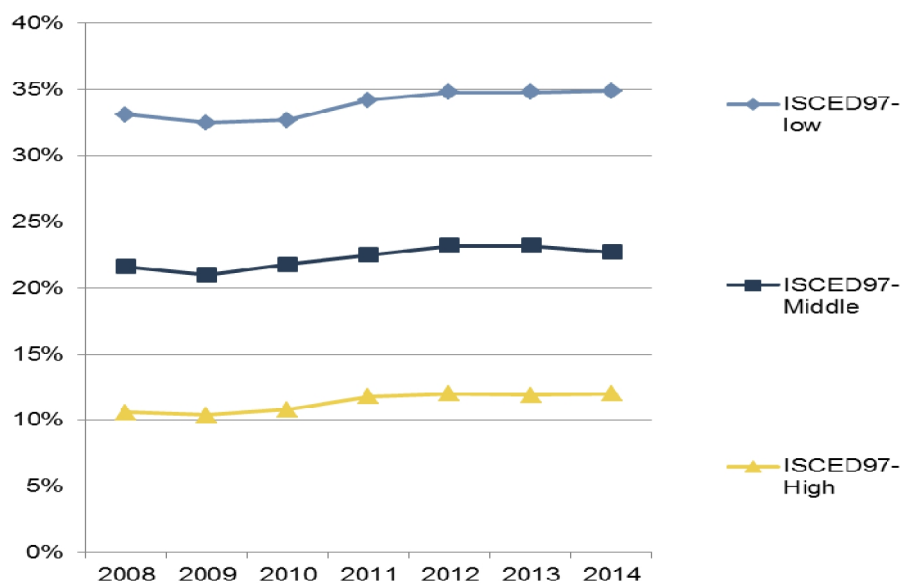
<sup>48</sup> [The impact of the economic crisis on the situation on gender equality policies](#), European Commission, 2013.

### 4.3.2. Education

Education is a major driver of inequality, as social origin remains the strongest determinant of educational success.<sup>49</sup> In 2014, the risk of poverty or social exclusion concerned about 10% of those with higher education and as many as 35% of those with a lower education level (see Figure 9), and the gap was similar in 2008 (EU-27). Thus, policies that target the less educated have potential to be successful in reducing the risk of poverty and social exclusion. As under the Europe 2020 strategy, another approach is to prevent children from leaving school early.<sup>50</sup> This can be achieved by increasing participation in school activities during primary education, which has been shown to significantly increase the chances that students will complete secondary education. Other approaches include:

- Avoiding the clustering of children of parents with a low socio-economic status;
- Promoting the mentoring of students by either teachers and/or volunteers originating from business or civil society;
- Introducing maintenance allowances for students of parents with low socio-economic status; and
- Changing the curriculum to increase subject relevance.

**Figure 9 – People 'at risk of poverty or social exclusion' by education level (based on the UN's ISCED definition) of people over 18 years between 2008 (EU-27) and 2014**



Data source: Eurostat, retrieved 13 January 2016. The data is based on EU-28 (based on the UN's ISCED definition<sup>51</sup>) from 2010 to 2014. Figures for Croatia are not available for 2008.

<sup>49</sup> [An ever closer union among the peoples of Europe? Rising inequalities in the EU and their social, economic and political impacts, Outcomes of EU-funded research](#), Research and Innovation, European Commission, 2014, pp. 20-21.

<sup>50</sup> [Early School Leaving: Lessons from research for policy makers](#), Roger Dale, European Commission, 2010.

<sup>51</sup> ISCED 1997: International Standard Classification of Education.

### 4.3.3. New family patterns

Emerging trends such as divorce, later parenting and cohabitation without marriage are changing traditional household and family structures. These trends have a major impact on the at-risk-of-poverty rate.

Whereas the importance of different household types varies greatly between countries, the same household types are at the highest risk of poverty and hardship in most countries: lone parents, single elderly people, and other single adult households.<sup>52</sup> Throughout Europe, single parent families and large families with three or more children face the greatest difficulties, and their situation has worsened during the crisis.<sup>53</sup>

An increase in single person households could impact overall poverty levels in the European Union, since the income sharing that enables two-parent families to respond to income shocks is not available.<sup>54</sup> Single adult households are often composed of young, unemployed individuals or the non-working elderly, both of whom face higher risks of poverty.<sup>55</sup> Women are affected by these impacts disproportionately, as they are over-represented among both single parent households (in several European states, more than 80% of all single parent households are headed by women) and single adult households (elderly women are more likely to live alone than elderly men).<sup>56</sup>

### 4.3.4. Inherited poverty

Eurostat<sup>57</sup> has re-examined the intergenerational transmission of disadvantages, which is characterised by: (1) the persistence of a low level of education, (2) a low ability to make ends meet, or (3) the succession of a 'not in work' economic situation for individuals through two generations – from parents to their children. The current economic crisis is likely to reinforce the cumulative effects of intergenerational transmission of these three characteristics:

- In 2012, in the EU-28, the at-risk-of-poverty rate was 24.8%, while the at-risk-of-poverty rate for less educated people was 27.6% (aged 18 to 64 years). The education level of parents has a strong impact on the education level of their children. This can be explained by the parents' ability or inability to support their children's studies financially. In turn, education level is one of the most important individual factors for adults in reducing the risk of poverty and being able to secure acceptable living conditions for themselves and their families;
- The transmission of a low ability to make ends meet from parents to their children significantly exceeds the transmission of a high ability to make ends meet, at 68.9% and 55.9% respectively. This is likely to increase mechanically with the economic crisis;

<sup>52</sup> [Household composition, poverty and hardship across Europe](#), Eurostat, 2013.

<sup>53</sup> [Quality of life in Europe: Families in the economic crisis](#), 3rd Quality of Life Study, Eurofound, March 2014.

<sup>54</sup> [Growing Income Inequality in OECD Countries: What Drives it and How Can Policy Tackle it?](#), OECD, 2011.

<sup>55</sup> [Poverty Across Europe: The Latest Evidence Using the EU-SILC Dataset](#), Orsolya Lelkes and Eszter Zólyomi, 2008.

<sup>56</sup> [The gender pay gap – Origins and policy responses: A comparative review of 30 European countries](#), European Commission, 2006.

<sup>57</sup> [Intergenerational transmission of disadvantage statistics](#), Eurostat, 2013.



- Finally, in the EU-28, an average 28.6% of adults having at least one parent not in work in their childhood are likewise not in work.

## 5. European Union poverty reduction policies

### 5.1. General framework

#### 5.1.1. Background

Combating poverty and social exclusion is a specific social policy goal for the European Union.

Between 1975 and 1994, the European Economic Community conducted a number of pilot projects and programmes designed to combat poverty and exclusion. However, Community action in this area was continually contested in the absence of a legal basis. This problem was solved with the entry into force of the Treaty of Amsterdam (1 December 1999), which enshrined the eradication of social exclusion as an objective of Community social policy.

Following the launch of the Lisbon Strategy at the European Council held in March 2000, the Nice European Council decided that cooperation on policies designed to combat social exclusion should be based on an Open Method of Coordination (OMC), combining national action plans and Commission initiatives. As provided for in Article 160 of the Treaty on the Functioning of the European Union (TFEU), a Social Protection Committee was established in 2000 to promote cooperation between Member States and with the Commission. The Member States agreed to submit national action plans against poverty and social exclusion on a regular basis from June 2001. The OMC was applied in parallel to other social protection measures, including the provision of adequate and sustainable pensions and efforts to ensure accessible, high-quality and sustainable healthcare and long-term care. In 2005, the Commission proposed to streamline the ongoing processes into a new framework for the OMC on social protection and inclusion policies (the 'social OMC'). The overarching objectives of the 'social OMC' were to promote:

- social cohesion, equality between men and women and equal opportunities for all through adequate, accessible, financially sustainable, adaptable and efficient social protection systems and social inclusion policies;
- effective and mutual interaction between the Lisbon objectives of greater economic growth, more and better jobs and greater social cohesion, and with the European Union's sustainable development strategy;
- good governance, transparency and the involvement of stakeholders in policy design, implementation and monitoring.

The status of social policy-making in the European Union was significantly enhanced with the Lisbon Treaty, which came into force in December 2009. In particular, Article 9 of TFEU (the 'Horizontal Social Clause') states that 'In defining and implementing its policies and activities, the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health'. The article therefore requires that the implications for social policy objectives should be explicitly considered when formulating policies in all areas. The Treaty also guarantees the freedoms and principles set out in the Charter of

Fundamental Rights and gives its provisions a binding legal force. This concerns social as well as civil, political and economic rights. Yet, social policy remains the competence of Member States. So, even if the European Union does contribute to social policy developments, the institutional and political obstacles to such contributions are significant.

#### **The 2016 Dutch Presidency priorities and the fight against poverty**

The Dutch Presidency<sup>58</sup> of the Council of the EU stresses the need to reverse the increase in poverty across the European Union. Although it is primarily the responsibility of Member States to reduce poverty, the Presidency aims to stimulate the exchange of best practice, especially integrated approaches and cooperation with those (public and private) stakeholders involved in combating poverty. The Presidency particularly wishes to achieve the points set out in the Council conclusions that call upon Member States to combat poverty and social exclusion through an integrated approach.

The Presidency aims to finalise some of the points that should be raised in the Council conclusions at the informal meeting of the Social Protection Committee in Amsterdam, on 29-30 March 2016. Council conclusions could then be adopted at the 'Employment, Social Policy, Health and Consumer Affairs' (EPSCO) Council meeting on 16 June 2016.

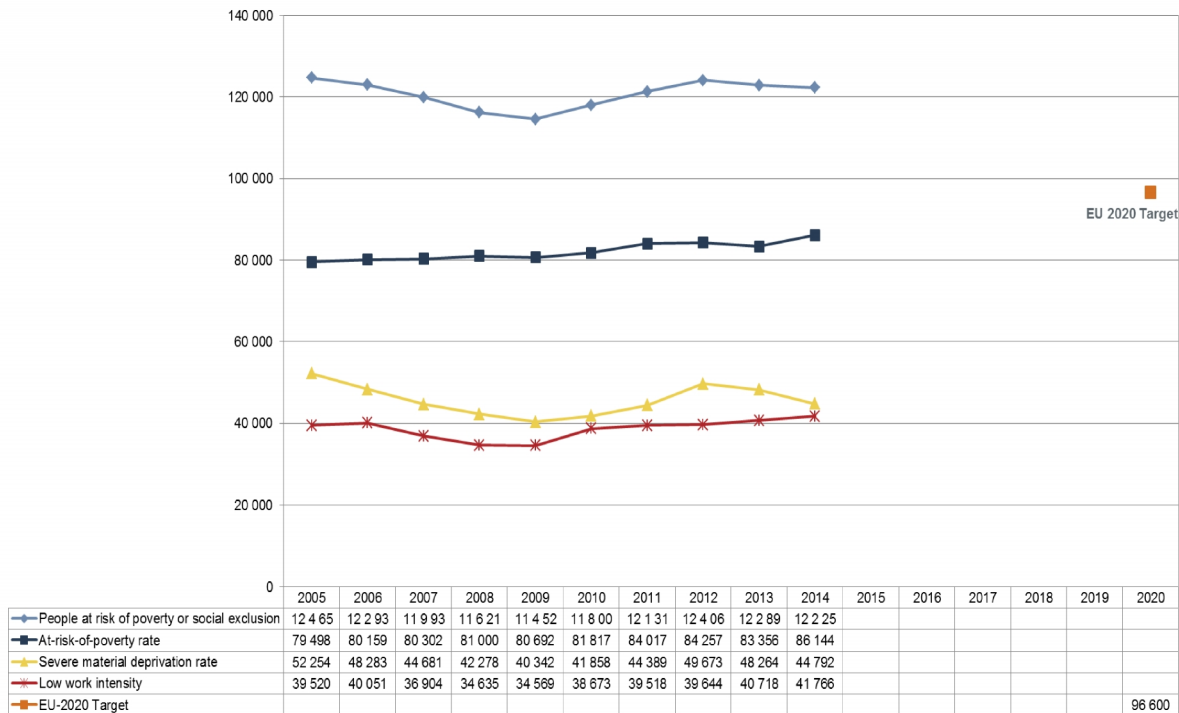
The Presidency is also convinced of the opportunity that social community teams provide to combine an integrated approach with public-private cooperation to tackle social problems such as poverty. The Presidency wishes to organise a peer review to examine and discuss examples of such teams with other Member States.

#### **5.1.2. The Europe 2020 Strategy**

In 2010, with the adoption of the Europe 2020 Strategy,<sup>59</sup> the European Union set a quantitative target for the reduction of poverty and social exclusion for the first time (to lift more than 20 million people out of poverty), and thus made tackling poverty and social exclusion a key element of EU policy.

<sup>58</sup> [Programme of the Netherlands Presidency of the Council of the European Union](#).

<sup>59</sup> [Europe 2020](#), European Commission website.

**Figure 10 – EU 'at risk of poverty or social exclusion' indicator and its components 2005-2014\***

Data source: Eurostat, retrieved 13 January 2016. The data are based on EU-28 from 2010 to 2014. Figures for Croatia are not available for 2008. Figures represent thousand persons.

\* Note that the sum of the components is greater than the final metric, due to the fact that a number of people are faced with two, or even three, of the difficulties that make up the 'at risk of poverty or social exclusion' metric.

This is not the only Europe 2020 social target: targets adopted on employment and education are also relevant from an anti-poverty perspective. In addition, the Europe 2020 Strategy stresses the need to further develop childcare, and thus takes on board the yet to be achieved Barcelona targets on the availability of childcare facilities.<sup>60</sup>

Since 2010, the creation of a 'European Platform Against Poverty and Social Exclusion' to support implementation of the Europe 2020 strategy<sup>61</sup> has given the European Commission the opportunity to draw on the knowledge of a wide range of interested parties and to take different viewpoints and experience into account. It is the main instrument for involving civil society at EU level. The Platform's last annual convention took place in Brussels on 20 and 21 November 2014.

In parallel, the Commission currently has 16 active partnership agreements with EU level non-governmental organisations in the area of social inclusion and poverty reduction, which it supports with operating grants to pursue relevant projects. Since 2012, the Commission also supports the annual European Meetings of People

<sup>60</sup> At the 2002 Barcelona Summit, the European Council set a target to provide childcare by 2010 to (1) at least 90% of children between three years old and the mandatory school age; and (2) at least 33% of children under three years of age. In addition, the May 2009 European Council conclusions on a strategic framework for European cooperation in education and training are also relevant, as they set the target that, by 2020, at least 95% of children between four years old and the age for starting compulsory primary education should participate in early childhood education.

<sup>61</sup> Communication from the Commission 'The European Platform against Poverty and Social Exclusion: A European framework for social and territorial cohesion', [COM\(2010\) 758](#) final, December 2010.

experiencing Poverty, held in Brussels each year by the European Anti-Poverty Network.<sup>62</sup>

Since 2013, Member States report on the progress made in pursuing Europe 2020 social goals in their national reform programmes, with the possibility of the Commission and the Council issuing Country Specific Recommendations via the European Semester process. The economic and financial crisis brought issues of poverty, social exclusion and inequality to the forefront, exposing the limitations of macro-economic statistics in providing a reliable picture of the living conditions of ordinary people. In order to 'shift emphasis from measuring economic production to measuring societal progress and national wellbeing',<sup>63</sup> three new indicators have been integrated in the Alert Mechanism Report 2016 (AMR), a device for screening for economic imbalances, published at the start of each Annual Growth Survey. In 2016, three employment indicators, the activity rate, long-term and youth unemployment, were added to the main scoreboard, representing a concrete deliverable on the Commission's commitment to strengthen its analysis of macroeconomic imbalances, as well as negative social developments exacerbated by the crisis.

### 5.1.3. The European Parliament's initiatives

Parliament has repeatedly adopted resolutions with the goal of strengthening EU action to improve the conditions and prospects of the socially disadvantaged. Several of its recent reports emphasise that in-work poverty is not unknown in European societies, and has risen considerably; therefore many reports stress the role of quality employment in preventing poverty and social exclusion. Parliament takes the view that minimum income (at a level equivalent to at least 60% of median income in the relevant Member State) and minimum wages set at a decent level (i.e. above the poverty threshold) are effective tools for protecting people from deprivation and marginalisation, and invites the Member States to exchange experiences on this subject with the support of the Commission (resolution of 20 October 2010).<sup>64</sup> Parliament takes the view that the Member States should 'ensure access and opportunities for all throughout the lifecycle, thus reducing poverty and social exclusion, through removing barriers to labour market participation', especially for marginalised groups such as older workers, people with disabilities and minorities, and in particular the Roma community. It has asked for the 'social OMC' process to be improved and for the social component of the Lisbon Strategy and the Europe 2020 Strategy to be given a prominent role, at both EU and national level. Parliament called on the Council and the Commission to open negotiations on an interinstitutional agreement providing for Parliament's participation in that process (resolution of 6 May 2009).<sup>65</sup>

Parliament's resolution of 15 November 2011 on the European Platform against poverty and social exclusion<sup>66</sup> makes a strong call for putting poverty reduction and

<sup>62</sup> The European Anti-Poverty Network, [EAPN](#).

<sup>63</sup> Stiglitz, E., Sen, A. and Fitoussi, J.P., [Report by the Commission on the Measurement of Economic Performance and Social Progress](#), 2009.

<sup>64</sup> European Parliament [resolution](#) of 20 October 2010 on the role of minimum income in combating poverty and promoting an inclusive society in Europe.

<sup>65</sup> European Parliament [resolution](#) of 6 May 2009 on the active inclusion of people excluded from the labour market

<sup>66</sup> European Parliament [resolution](#) of 15 November 2011 on the European Platform against poverty and social exclusion.

social inclusion at the forefront of national efforts in the coming years, as poverty reduction is the main means of ensuring future economic growth and preventing further social inequality and unrest. Parliament deplores that the gender aspect of poverty and social exclusion is ignored in the platform; reiterates its call for decent wage levels and minimum income schemes in each Member State; and calls on the Commission to ensure that austerity measures, as agreed with the Member States, do not undermine efforts to meet the Europe 2020 target of lifting 20 million people out of poverty. It further calls on the Commission to ensure that austerity measures, as agreed with Member States, do not call into question the attainment of this Europe 2020 target.

During the entire seventh term, Parliament played an active role in formulating social and employment policy to strengthen the fight against poverty and improve living conditions. From a financial point of view, three of Parliament's major achievements, in spite of limited budget, have been the retention of the European Globalisation Adjustment Fund,<sup>67</sup> the requirement for Member States to spend 20.3% of the funds allocated to them via the European Social Fund on social inclusion, and the creation in 2014 of a Fund for European Aid to the Most Deprived (see section 5.2.2). From a political point of view, through its resolutions of 20 November 2012<sup>68</sup> and 21 November 2013,<sup>69</sup> Parliament actively contributed to the debate on the social dimension of the Economic and Monetary Union (EMU). In addition, Parliament continues to stress the need to properly integrate social and employment objectives into the European Semester process, by broadening social indicators and making them binding. Parliament has also reiterated its desire to see an expansion of its decision-making role in this process.

Since the beginning of the eighth term, the European Parliament has adopted a resolution<sup>70</sup> and oral questions to the Commission<sup>71</sup> and the Council<sup>72</sup> on the employment and social aspects of the Europe 2020 strategy, with the aim of rekindling the debate and putting employment and social considerations on an equal footing with macroeconomic issues. On 24 November 2015, the European Parliament adopted a resolution on reducing inequalities with a special focus on child poverty.<sup>73</sup> Parliament recommended that Member States make a real commitment to developing policies to fight child poverty that focus on correcting child poverty factors and increase the effectiveness, quantity, amounts and scope of the social support specifically directed at children, and promote labour laws that guarantee social rights, including a statutory

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<sup>67</sup> [European Globalisation Adjustment Fund](#).

<sup>68</sup> European Parliament [resolution](#) of 20 November 2012 with recommendations to the Commission on the report of the Presidents of the European Council, the European Commission, the European Central Bank and the Eurogroup 'Towards a genuine Economic and Monetary Union'.

<sup>69</sup> European Parliament [resolution](#) of 21 November 2013 on the Commission communication entitled 'Strengthening the social dimension of the Economic and Monetary Union (EMU)'.

<sup>70</sup> European Parliament [resolution](#) of 11 March 2015 on European Semester for economic policy coordination: Employment and Social Aspects in the Annual Growth Survey 2015

<sup>71</sup> [Question for oral answer](#) to the European Commission on employment and social aspects of the Europe 2020 strategy.

<sup>72</sup> [Question for oral answer](#) to the Council on employment and social aspects of the Europe 2020 strategy.

<sup>73</sup> European Parliament [resolution](#) of 24 November 2015 on reducing inequalities with a special focus on child poverty.

adequate minimum wage. It also called for the reduction in child poverty and social exclusion to be made more visible and explicit at all stages of the European Semester.

### Fight against child poverty

Child poverty is an important policy concern for EU institutions as well as for Member States. Five recent Council Presidencies ([Belgium](#) in 2010, [Hungary](#) in 2011, [Cyprus](#) in 2012, [Ireland](#) in 2013 and [Greece](#) in 2014), commissioned studies and convened conferences on child poverty, with the active participation of civil society.

In February 2013, as part of its Social Investment package, the Commission adopted a long-awaited Recommendation 'Investing in children: breaking the cycle of disadvantage'.<sup>74</sup> Within the context of the 'Social OMC', the Recommendation serves as a guide for Member State implementation. Publication of the Recommendation also provides an opportunity for other institutions not directly involved in the 'Social OMC', such as the European Parliament, to influence Member State actions.<sup>75</sup>

In this vein, the European Parliament has adopted resolutions addressing child poverty, including on promoting inclusion<sup>76</sup> and combating poverty, and on the European Platform against poverty and social exclusion.<sup>77</sup>

However a group of non-governmental organisations<sup>78</sup> has pointed out some concerns that have not been fully addressed, including: (1) more rigorous monitoring and reporting,<sup>79</sup> including setting sub-targets in the Europe 2020 strategy and the development of better indicators of child wellbeing; (2) development of a multiannual roadmap setting out implementation plans for the Recommendation; (3) commitment to long-term funding, particularly through earmarking portions of the structural funds for investments to help reduce poverty and exclusion.

## 5.2. EU financial support

In Europe, the main responsibility for combating poverty and social exclusion remains with Member States (MS). The EU's role is limited to coordinating MS policies through the Open Method of Coordination for social protection (the 'Social OMC'), and providing some funding. EU funds are to be mobilised to contribute to economic recovery, to provide increased support to the unemployed, young people and disadvantaged groups, and to alleviate the social consequences of the crisis.

### 5.2.1. The European Social Fund

The European Social Fund (ESF), worth €80 billion for the period 2014-2020, supports job creation through targeted measures. The European Regional Development Fund creates employment by supporting small and medium sized businesses, research and innovation, and measures supporting green growth. The 2014-2020 financial framework allocates a greater share of cohesion policy funding to the ESF, and stipulates that at least 20% of the ESF in each Member State must be used to support

<sup>74</sup> Commission [Recommendation](#) of 20 February 2013, Investing in children: breaking the cycle of disadvantage.

<sup>75</sup> [Child poverty and social exclusion](#), Ron Davies, Library briefing, European Parliament, June 2013.

<sup>76</sup> European Parliament [resolution](#) of 9 October 2008 on promoting social inclusion and combating poverty, including child poverty, in the EU.

<sup>77</sup> European Parliament [resolution](#) of 15 November 2011 on the European Platform against poverty and social exclusion.

<sup>78</sup> [ATD Fourth World](#), [Caritas](#), [Coface](#), [EAPN](#), [Eurochild](#), [Eurodiaconia](#), [European Social Network](#) and [PICUM](#).

<sup>79</sup> [Child Poverty and Social Exclusion in Europe – A matter of children's right](#), Save the Children, 2014.



the thematic priority of 'promoting social inclusion and combatting poverty'. One of the major innovations of the 2014-2020 programming period is a special focus on the critical situation of young people in the current crisis, thanks to the Youth Employment Initiative (YEI), whereby a specific allocation under cohesion policy augments the possibilities offered by the ESF in support of the fight against youth unemployment in those regions which are most affected.

### 5.2.2. The Fund for European Aid to the Most Deprived

As the European Union planned to discontinue its food distribution programme in 2013, Parliament called on the Commission to maintain a food programme. In October 2012, the Commission put forward a proposal for a new Fund for European Aid to the Most Deprived (FEAD) for the 2014-2020 period, with a proposed budget of €2.5 billion. Following negotiations in 2013, the Council agreed to Parliament's request to increase the FEAD budget to €3.5 billion. The aim of this fund is to provide food, clothing and other essential goods to the most deprived, and to finance social inclusion measures for the poorest in society.

### 5.2.3. The Employment and Social Innovation programme

In October 2011, the Commission proposed a Programme for Social Change and Innovation, bringing together three existing instruments into one integrated programme. In 2013, Parliament and the Council reached an agreement on this new Employment and Social Innovation (EaSI) programme, with a budget of €920 million for the 2014-2020 period. The EaSI programme is an EU level financing instrument which promotes a high level of quality and sustainable employment, guarantees adequate and decent social protection, combats social exclusion and poverty, and improves working conditions. Actions financed by EaSI pay particular attention to vulnerable groups such as young people, promote equality between women and men, and combat discrimination. EaSI will also invest in social innovation and social entrepreneurship.

## 6. Outlook: towards 2020

A key challenge is to identify which are the most important policies in the fight against poverty and social exclusion, as no single policy approach will prevent and reduce poverty and social exclusion. The most successful countries combine a range of mutually reinforcing policies, ranging from employment activation and training, to adequate systems of income support and access to high quality services and to education.

The following list<sup>80</sup> of policies and actions could be taken both at European or national level to tackle poverty and make progress towards the Europe 2020 poverty goal. The different types of actions might be gathered in five categories:

1. **Supporting particular subgroups** to tackle child poverty and social exclusion, to support populations at high risk such as Roma and migrant populations, to fight against homelessness and housing exclusion and to strengthen anti-discrimination and equality measures, and policies to tackle gender inequalities;
2. **Reinforcing social policies** which, if well-designed, can encourage economic growth as well as protect people from poverty and act as economic stabilisers.

<sup>80</sup> [Putting the fight against poverty and social exclusion at the heart of the EU agenda](#), OSE, 2014.

The Commission's 2013 guidance to Member States on the 'Social Investment Package'<sup>81</sup> sets out a strong case about the contribution that well-designed social policies can make to economic growth, as well as to protecting people from poverty and acting as economic stabilisers. Improving access to high quality services in areas such as education, healthcare and long-term care and other social services is also a major component of a new social investment approach;<sup>82</sup>

3. **Investing in economic growth and employment**, given that more quality jobs are crucial to tackling two of the main causes of poverty – unemployment and in-work poverty – EU Member States should invest in sustainable growth and jobs strategies with the support of the European Union. Tackling unemployment requires active inclusion;<sup>83</sup>
4. **Adjusting fiscal policies**, as more progressive tax policies could help to tackle poverty. Although the situation varies among Member States, data show that there has been a rise in taxation in the European Union since 2010.<sup>84</sup> The European Commission, in the framework of the Europe 2020 Strategy, has put forward tax policy priorities, in particular, shifting taxation away from labour and switching to other types of taxes. The reduction of labour taxation is expected to contribute to improve household income and potentially reduce in-work poverty.
5. **Emphasising policy consistence** by strengthening the social dimension of EMU. Since the creation of the Europe 2020 Strategy and mainly due to economic crisis, the focus has been much more on fiscal consolidation than on social inclusion. The development of a set of indicators to monitor progress on the social dimension of EMU is important. The Social Protection Performance Monitor is a useful start and could be a valuable tool in this regard. This plea is in line with a strong statement by European Commission President Jean-Claude Juncker (2014), proposing that 'in the future, any support and reform programme goes not only through a fiscal sustainability assessment; but through a social impact assessment as well'.

<sup>81</sup> The [Social Investment Package](#) consists of a Commission Communication ('Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund 2014-2020'), a Commission Recommendation on 'Investing in Children: breaking the cycle of disadvantage', and a series of Staff Working Documents on active inclusion, demographic and social trends, social services of general interest, long-term care, confronting homelessness, investing in health, and social investment through the European Social Fund.

<sup>82</sup> [Social Investment](#), DG EMPL, European Commission.

<sup>83</sup> Commission [Recommendation](#) of 3 October 2008 on the active inclusion of people excluded from the labour market.

<sup>84</sup> [Taxation trends in the European Union](#), Eurostat, 2014.

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In 2010, as part of the Europe 2020 strategy, Member States agreed on a target to have at least 20 million fewer people in or at risk of poverty and social exclusion by 2020, thus reducing poverty from 116.4 million people to 96.4 million over the decade. Unfortunately, since the Strategy was adopted, the European Union has moved away from this target: there are now 6.7 million more people living in poverty or social exclusion across Europe compared to 2008 (EU-27). In 2012, almost one quarter of the European population was at risk of poverty, on a 'wealthy continent'.

Which subgroups of society were the most hit by the 'Great Recession'? What are the current drivers of poverty in Europe today? And what political actions are undertaken to fight against this new 21st century social scourge?

Through a statistical analysis of the most recent trends in poverty in the European Union, this paper analyses the consequences of the crisis on the level and the nature of poverty in Europe and describes the political actions that are implemented to counter this phenomenon.

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