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EDITOR'S NOTES

The European Union was created in 1993 with the implementation of the Maastricht Treaty on European Union. The term “European Union” (EU) is used in this brochure whenever appropriate. Other terms, such as “European Community” (EC) and “European Coal and Steel Community” (ECSC), are used when the historical context is appropriate or to describe the statutory functions of bodies that still have legal identities within the EU.

All information regarding EU institutions, policies, and programs is the most recent available at the time of publication. For updated information, please consult the European Commission Delegation website ([http://www.eurunion.org](http://www.eurunion.org)). Please refer to the list of [acronyms](http://www.eurunion.org) at the end of this guide for definitions of abbreviations.

Where possible, all financial amounts appear in US dollars and are converted from euros using the appropriate annual dollar to euro exchange rate. Multiyear periods are calculated using an average of the appropriate annual exchange rates.
The political and economic ties between Europe and the United States have been strengthened by a half-century of close cooperation. Together, we can provide the leadership needed to address many global and regional challenges. Fundamental changes in the European Union will enable our partnership to be even more productive.

The EU is now embarked on three historic journeys: the consolidation of its economic integration through the forging of the single European currency, the euro; the implementation of a Common European Foreign and Security Policy (CFSP) and European Security and Defense Policy (ESDP), including a Rapid Reaction Force; and the real and democratic unification of the European continent. The EU will soon be a community of close to 500 million citizens.

By achieving these goals, the EU becomes an even more effective partner for the US. A broad array of issues features in our near-term agenda with the Bush Administration and the US Congress, representing all the policy chapters of the New Transatlantic Agenda. These include global challenges, such as the environment, transnational crime, and infectious diseases; both bilateral and multilateral trade issues; and foreign and security issues, such as our continued cooperation in the Balkans and the relationship of the ESDP with NATO. The fight against global terrorism has become even more crucial in the aftermath of the horrific events of September 11, 2001, and the EU has pledged and continues its full solidarity with the US in that effort.

The foundation of the transatlantic relationship is the common value system shared by our peoples. Of course, it is also helpful to know more about one another; and informing the American public about the institutions and policies of the European Union is an important part of my duties. This Guide will hopefully add to your understanding of the EU and the transatlantic partnership.
Chapter 1:
What is the European Union?

The European Union is a unique, treaty-based, institutional framework that defines and manages economic and political cooperation among its fifteen European member countries. The Union is the latest stage in a process of integration begun in the 1950s by six countries—Belgium, France, Germany, Italy, Luxembourg, and the Netherlands—whose leaders signed the original treaties establishing various forms of European integration.

These treaties gave life to the novel concept that, by creating communities of shared sovereignty in matters of coal and steel production, trade, and nuclear energy, another war in Europe would be unthinkable. While common EU policies have evolved in a number of other sectors since then, the fundamental goal of the Union remains the same: to create an ever-closer union among the peoples of Europe.

French Foreign Minister Robert Schuman and French Businessman Jean Monnet

History: The Union's Origins

Economic integration was launched in the wake of World War II, as a devastated Western Europe sought to rebuild its economy. On May 9, 1950, French Foreign Minister Robert Schuman announced a plan, conceived by French businessman-turned-advisor, Jean Monnet, that proposed pooling European coal and steel production under a common authority. While contributing to economic recovery, this plan would also control the raw materials of war.

The Schuman Declaration was regarded as the first step toward achieving a united Europe—an ideal that in the past had been pursued only by force. Belgium, the Federal Republic of Germany, Italy, Luxembourg, and the Netherlands accepted the French proposal and signed the European Coal and Steel Community (ECSC) Treaty in Paris on April 18, 1951. The Six set up the ECSC High Authority, to which member governments transferred portions of their sovereign powers. Coal and steel trade among the Six increased by 129 percent over the next five years.

Encouraged by this success, the Six pursued integration in the military and political fields. When these efforts were derailed, European leaders decided to continue the unification of Europe on the economic front alone. A historic meeting in Messina, Italy, in June 1955, launched the negotiation of two treaties to establish:

- A European Economic Community (EEC) to merge separate national markets into a single market that would ensure the free movement of goods, people, capital, and services with a wide range of common economic policies; and
A European Atomic Energy Community (EAEC or EURATOM) to further the use of nuclear energy for peaceful purposes.


**Membership: Who can join the EU?**

Union membership is open to any European country with a stable democratic government, a good human rights record, a properly functioning market economy, and sound macroeconomic policies. Candidates must also have the capacity to fulfill and to implement existing EU laws and policies (known as the *acquis communautaire*).

Four enlargements have taken place: Denmark, Ireland, and the United Kingdom joined the original six European Community members (Belgium, France, Germany, Italy, Luxembourg, Netherlands) in 1973. Greece joined in 1981, followed by Spain and Portugal in 1986. Austria, Finland, and Sweden acceded to the European Union on January 1, 1995. Norway had also negotiated and signed an accession treaty in 1994, but Norwegian voters narrowly rejected membership in a referendum.

Although it was not officially an enlargement, the five Länder of the former German Democratic Republic entered the Union as part of a united Germany on October 3, 1990. A fifth enlargement of the European Union to more than twenty-five member states is in progress. For more on the latest enlargement, see [Chapter Six](#).
The Treaties

The European Union does not yet have a formal constitution. A Constitutional Convention to discuss this issue (http://european-convention.eu.int/Static.asp?lang=EN&Content=Introduction) was organized recently. Instead, the European Union was built by means of a series of treaties that represent binding commitments by the member states signing them. Member states negotiate these treaties through intergovernmental conferences, or “IGCs,” that culminate in a summit chaired by the member state holding the Council presidency.

This process began with three separate treaties dating from the 1950s: the European Coal and Steel Community (ECSC), the European Atomic Energy Community (EURATOM) and the European Economic Community (EEC). In 1967, they collectively became known as the European Communities.

The Treaty on European Union, signed in Maastricht, Netherlands, and in effect since November 1993, was a major overhaul of the founding treaties. Maastricht provided a blueprint to achieve Economic and Monetary Union (EMU), further developed the Union’s inherent political dimension through the new Common Foreign and Security Policy (CFSP), and expanded cooperation in judicial and policing matters.

It created the “three pillar” European Union that exists today (see below).

### Pillar One

Pillar One incorporated the three founding treaties now forming the “European Community” and set out the institutional requirements for EMU. It also provided for expanded Community action in certain areas, such as the environment, research, education, and training.

### Pillar Two

Pillar Two established the CFSP, which makes it possible for the Union to take joint action in foreign and security affairs.

### Pillar Three

Pillar Three created the Justice and Home Affairs (JHA) policy, dealing with asylum, immigration, judicial cooperation in civil and criminal matters, and customs and police cooperation against terrorism, drug trafficking, and fraud.

The CFSP and JHA operate by intergovernmental cooperation, rather than by the Community institutions that operate Pillar One. Maastricht also created European citizenship and strengthened the European Parliament’s legislative role in certain areas.

### The Treaty of Amsterdam

A United States of Europe?

The Union is often compared to the United States, and there are some similarities. Member countries have agreed to pool some of their sovereign powers for the sake of unity, just as American states did to create a federal republic. In the fields where such pooling of national sovereignty has occurred—for example, in trade and agriculture—the Union negotiates directly with the United States and other countries. Twelve member states have also pooled their sovereignty in the area of monetary policy by joining the Economic and Monetary Union. (See Chapter Three).

But there are also many differences. EU member states retain their sovereign powers in such fields as security and defense, although they now can take joint action in certain foreign and security policy areas. The development of a European Security and Defense Policy and Rapid Reaction Force (see Chapter Seven) are important steps in this effort.

While the US federal model continues to inspire the search for political unity, Europe is constructing its own model for unification, ensuring respect for the historical, cultural, and linguistic diversity of the European nations. Following the signing of the Treaty of Nice, European leaders engaged in the “Debate on the Future of the European Union” (http://europa.eu.int/futurum/index_en.htm) to exchange their visions prior to the 2004 EU Intergovernmental Conference (IGC).
The Treaty of Amsterdam, which took effect in 1999, continued the reforms of the Maastricht Treaty and began to streamline the EU's institutions ahead of the next enlargement. Many institutional questions were postponed to the Intergovernmental Conference launched at the Helsinki European Council Summit in December 1999 and resulting in the Treaty of Nice.

The Amsterdam Treaty strengthened the CFSP and the EU's ability to undertake joint foreign policy actions. More decisions could be reached by qualified majority instead of unanimity, as required by Maastricht, and member states became able to abstain from a vote or an action withoutimpeding the majority. The Union also appointed Javier Solana as High Representative for CFSP and established a new policy unit.

The Treaty of Nice

The Treaty of Nice, signed in Nice, France, in December 2000, entered into force on February 1, 2003. It addressed a number of institutional questions remaining after the Treaty of Amsterdam. Most of the institutional aspects of the Treaty of Nice will not take effect until 2005.

Its most important purpose is to prepare the EU institutions for enlargement to as many as twenty-eight member states. Measures in the Treaty of Nice include:

- Extension of qualified majority voting and reweighting of votes within the Council (see chart in Chapter Two);
- Extending the use of “enhanced cooperation” to allow groups of at least eight member states to proceed with policy initiatives;
- Redistribution of seats within the European Parliament in preparation for new members (see chart in Chapter Two); and
- Reconfiguring the College of Commissioners and strengthening the European Commission presidency.
The Declaration on the Future of the Union, annexed to the Treaty of Nice, called for a deeper and wider debate about the future of Europe and the structure of the European Union. The “European Convention” and the “Debate on the Future of the European Union” have provided the groundwork for the 2004 Intergovernmental Conference (IGC) to consider:

- More clearly defining the competences of the Union and its member states, based on the principle of subsidiarity;
- Measures to simplify the treaties;
- The role of national parliaments in the European construction; and
- The legal status of the Charter of Fundamental Rights.

Looking Ahead

Through the search for “ever closer union,” the European Union has consolidated economic prosperity and democracy in Western Europe and helped bring stability to Central and Eastern Europe. Increasingly, the EU must deal with the challenges of globalization in the twenty-first century. The Treaty of Nice and the 2004 IGC are important developments, but they should be seen in this broad, evolutionary context.

The chapters that follow seek to explain how the European Union works, what it does, and why it is an increasingly important international actor, working with the United States and other partners.

For additional information, please see: http://europa.eu.int/abc/index_en.htm.
Chapter 2:
How is the EU Run?

A Unique Governing System

As the treaties summarized in Chapter One indicate, the EU system is inherently evolutionary, adapting to changing political and economic circumstances.

Unlike the United States, the EU is founded on international treaties among sovereign nations rather than a constitution. (A Constitutional Convention to discuss this issue [http://european-convention.eu.int/Static.asp?lang=EN&Content=Introduction] was organized recently.) The power to enact laws that are directly binding on all EU citizens throughout the EU territory also distinguishes the Union from international organizations. This governing system differs from all previous national and international models.

In areas falling under Pillar One of the EU (as described in Chapter One), member states have relinquished part of their national sovereignty to the EU institutions. This has led to descriptions of the Union as a supranational entity, with many decisions made and final authority residing at the EU level. In these areas the member states work together, in their collective interest, through the EU institutions to administer their sovereign powers jointly.

Under Pillars Two and Three, member states have agreed to cooperate but retain much more discretion over their participation, including the right to veto certain measures. Here the EU has been described as an intergovernmental entity, with EU policies administered largely by the member states themselves, rather than through the EU institutions.

The Union also operates according to the principle of “subsidiarity”—or devolution, as it is known in the US, which characterizes most federal systems. Under this principle, the Union is granted jurisdiction only over those policies that cannot be handled effectively at the national or lower levels of government.

Governing Institutions

The European Union is governed by five institutions: European Parliament, Council of the European Union, European Commission, European Court of Justice, and European Court of Auditors. In addition, the heads of state and government and the Commission president meet at least twice a year in European Council (see below) summits to provide overall strategy and political direction. The European Central Bank is responsible for monetary policy and managing the euro in the Economic and Monetary Union.

These institutions embody the supranational and intergovernmental aspects of the EU.

European Parliament

The European Parliament (EP) comprises 626 members, directly elected in EU-wide elections for five-year terms. The president of the Parliament is elected for a two-and-a-half year term. Though they are elected on a national basis, members of the European Parliament (MEPs) form political rather than national groups based on party affiliation.

The legislative role of the European Parliament has been strengthened over the years. Although the EP cannot enact laws like national parliaments, the Maastricht Treaty provided for a codecision procedure that empowers Parliament to veto legislation in certain policy areas and to confer with the Council in a "conciliation committee" to iron out differences in their respective drafts of legislation. The Amsterdam Treaty extended the number of policy areas in which
Parliament can exercise these powers. The Treaty of Nice also extended the codecision powers of the Parliament and, for the first time, established a statute for political parties at the European level. It also increased (with the next Parliamentary term) the maximum number of seats to 732 and modified their distribution to make room for the elected representatives of future new members (see chart).

The Parliament acts as the EU's public forum. It can question the Commission and the Council; amend or reject the EU budget; and dismiss the entire Commission through a vote of censure, a power it has never used. However, pressure from the Parliament led to a critical report and the Commission's collective resignation in March 1999. Parliament now also has the power to confirm a newly appointed Commission and to hold hearings on individual Commissioners. It cannot reject individual nominees, only the full Commission. Since Maastricht, Parliament has an appointed ombudsman to address allegations of maladministration in EU institutions and agencies.

The Parliament holds plenary sessions in Strasbourg and Brussels. Its twenty committees, which prepare the work for plenary meetings, and its political groups usually meet in Brussels.

European Council

The European Council brings together heads of state and government and the president of the Commission. It meets at least twice a year at the end of each EU member state's six-month presidency. The Single European Act (SEA) of 1986 formalized the European Council, which was not foreseen in the original EC treaties.

The Nice European Council decided that, from 2002 on, one European Council meeting per presidency would be held in Brussels. Following the accession of ten new member states in 2004, all European Council meetings are held there, reinforcing its status as "the capital of Europe."

Council of the European Union

### Codecision Procedure

The Maastricht Treaty gave the European Parliament the power of "codecision" with the Council in a limited number of areas such as research, health, and culture. It left the Council with the last say on a significant number of other policies but still substantially increased the Parliament's power. Before Maastricht, the Parliament could amend the Council's draft legislation (the so-called cooperation procedure), offer its opinion through the "consultation" procedure, or withhold its "assent" to Council decisions in certain areas (residence rights, the structural and cohesion funds, treaties of accession, and others).

The Amsterdam Treaty increased Parliament's responsibilities by making the codecision procedure the general rule, furthered by the Treaty of Nice. If the Council and Parliament cannot agree, a special Conciliation Committee is formed. Even if the Committee agrees to a joint text, Parliament may still reject the proposed act by an absolute majority of its members.

The "cooperation" procedure will survive only within the confines of Economic and Monetary Union. The "assent" procedure will be required in cases such as applications for membership of the Union and certain major international agreements.

For more on changes made by the Treaty of Nice, please consult Memo/03/23 (http://europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.gettxt=gt&doc=MEMO/03/23|0|RAPID&lg=EN&display=).

For additional information on EU decision-making, please see the description and chart on the Europa website under "Institutions" (http://europa.eu.int/institutions/decision-making/index_en.htm) and/or a similar section on the Council of Ministers website (http://ue.eu.int/codec/en/index.htm).
The Council of the European Union enacts EU laws, acting on proposals submitted by the Commission.

Comprising ministers from each member state, the Council strikes a balance between national and Union interests. Different ministers participate in the Council according to the subject under discussion. Agricultural ministers, for instance, discuss farm prices in the Agriculture Council, and economic and finance ministers discuss monetary affairs in the ECOFIN Council. The ministers for foreign affairs provide overall coordination in the General Affairs and External Relations Council (GAERC). They are also responsible for foreign policy in the framework of the Common Foreign and Security Policy. Each government acts as president of the Council for six months in rotation. The Council is assisted by a Committee of Permanent Representatives (COREPER), comprising member state officials holding ambassadorial rank, and a secretariat with a staff of about 2,000.

The Council makes most decisions by qualified majority vote (QMV), with the Treaty of Nice extending QMV to twenty-nine new policy areas. With the Treaty of Nice, QMV requires support by a majority of member states, representing at least 62 percent of the EU population. The voting threshold for QMV also rose with Nice from 71.3 percent for fifteen members—eventually to become 73.9 percent in an EU of twenty-seven members (see chart). Unanimity is still required for areas like amendments to the treaties, taxation, the launch of a new common policy, or the admission of a new member state.

In the area of CFSP, the Amsterdam Treaty provided that as many as one-third of member states could “constructively abstain” from a decision while allowing the others to act together on behalf of the EU. Member states that “constructively abstain” were not able to take any action that impeded the decision made by the majority. Amsterdam also provided for qualified majority voting in implementing basic political decisions.

The Treaty of Nice made the procedure of “enhanced cooperation” among member states even more flexible. A minimum of eight member states may choose to cooperate in certain areas, provided that participation is open to all and they do not infringe upon the rights of other member states.
COUNCIL VOTING AND EUROPEAN PARLIAMENT REPRESENTATION UNDER THE TREATY OF NICE

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EU-15          EU-27

| TOTALS          | 87    | 237          | 345 million | 481.2   | 626    | 732  |
| QMV             | 62    | 169          | (71.3%)     | 255 million | (73.9%) |
| Blocking Minority | 26  | 69          | 91         |

European Commission

The Commission is the policy engine. It proposes legislation, is responsible for administration, and ensures that the provisions of the treaties and the decisions of the institutions are properly implemented. It has investigative powers and can take legal action against persons, companies, or member states that violate EU rules. It manages the budget and represents the Union in international trade negotiations and other issues within its jurisdiction.

The twenty commissioners are appointed for five-year terms in line with the European Parliament, which approves the appointment of the Commission as a body. The commissioners act in the
Union's interest, independently of the national governments that nominated them. Each is assigned one or more policy areas and is assisted by a small cabinet or team of aides. The Commission's administrative staff, based mainly in Brussels, numbers more than 22,000, divided among more than thirty "Directorates-General" and other administrative services. Given the number of EU official languages (accommodating all member state principal languages), more than 8 percent of the Commission staff are translators and interpreters.

Under the Treaty of Nice, the composition of the College of Commissioners was altered and the powers of the Commission president strengthened. The five largest states gave up their right to name a second commissioner as of 2005, and new member states name one commissioner until the EU reaches twenty-seven members. At that point, the total number of commissioners will be set at a lower number, with appointments made by rotation among member states in a manner to be determined by a unanimous Council vote. The president will be selected by the European Council according to the qualified majority voting procedure, rather than by unanimity as pre-Nice. He or she will have greater control of the structure and allocation of responsibilities within the College of Commissioners and can request a commissioner's resignation. Up to two vice presidents are appointed from among the commissioners.
European Economic and Social Committee

The European Economic and Social Committee (ESC) was established by the EEC Treaty to fulfill a role as an advisory institution. It is based in Brussels and consists of representatives of labor, employers, agriculture, consumers, and professional associations.

Committee of the Regions

The Committee of the Regions (COR) was also established as a consultative body by the Maastricht Treaty and is comprised of representatives of regional and local bodies. It is based in Brussels.

European Court of Justice (ECJ)

Legislation

Legislation takes different forms, depending on the objectives to be achieved.

Regulations are binding in their entirety, self-executing, directly applicable, and obligatory throughout the EU territory. They can be compared to US federal laws.

Directives are binding in terms of the results to be achieved and are addressed to the member states, which are free to choose the best forms and methods of implementation.

Decisions are binding in their entirety upon those to whom they are addressed—member states and natural and/or legal persons.

Recommendations and Opinions are not binding.

Agencies and Other Bodies

- Committee of European Securities Regulators (CESR) (Paris, France)
- Community Plant Variety Office (CPVO) (Angers, France)
- EUROJUST (The Hague, Netherlands)
- European Agency for Reconstruction (EAR) (Thessaloniki, Greece)
- European Agency for Safety and Health at Work (OSHA) (Bilbao, Spain)
- European Agency for the Evaluation of Medicinal Products (EMEA) (London, UK)
- European Aviation Safety Agency (EASA) (Brussels, Belgium)
- European Center for the Development of Vocational Training (CEDEFOP) (Thessaloniki, Greece)
- European Environment Agency (EEA) (Copenhagen, Denmark)—a repository of environmental data.
- European Food Safety Authority (EFSA) (Brussels, Belgium)
- European Foundation for the Improvement of Living and Working Conditions (E.FOUND) (Dublin, Ireland)
- European Maritime Safety Agency (EMSA) (Brussels, Belgium)
- European Monitoring Center for Drugs and Drug Addiction (EMCDDA) (Lisbon, Portugal)
- European Monitoring Center on Racism and Xenophobia (EUMC) (Vienna, Austria)
- European Network and Information Security Agency (ENISA) (Brussels, Belgium)
- European Police Office (EUROPOL) (The Hague, The Netherlands)—for police coordination among EU member states.
- European Training Foundation (ETF) (Turin, Italy)
- European Union Institute for Security Studies (EUISS) (Paris, France)
- European Union Satellite Centre (EUSC) (Madrid, Spain)
- The Food and Veterinary Office (FVO) (Dunsany, Ireland)
- Humanitarian Aid Office (ECHO) (Brussels, Belgium)
- Office of Harmonization in the Internal Market (OHIM) (Alicante, Spain)—trademarks and designs.
- Translation Center for the Bodies of the European Union (CDT) (Luxembourg).
the Court in the field of EC law are binding on EU institutions, member states, national courts, companies, and private citizens, and they overrule those of national courts.

Since 1989 a Court of First Instance, also consisting of one judge per member state, has assisted the European Court of Justice.

Under the Treaty of Nice, the Court of First Instance became the common law judge for all direct actions (particularly proceedings against a decision: Article 230 of the Treaty Establishing the European Community), action for failure to act (Article 232 of the Treaty Establishing the European Community), action for damages (Article 235 of the Treaty Establishing the European Community), with the exception of those that will be attributed to a specialized chamber and those the statute reserves for the Court of Justice itself.

The Court of Justice retains responsibility for other proceedings (particularly action for failure to fulfill obligations: Article 226 of the Treaty Establishing the European Community), but the statute can entrust to the Court of First Instance categories of proceedings other than those listed in Article 225 of the Treaty Establishing the European Community.

The idea is to maintain within the Court of Justice, as the jurisdictional supreme body of the European Union, disputes concerning essential issues. The Court of Justice, which is responsible for ensuring uniform application of EU law within the European Union, in principle retains competence for investigating questions referred for a preliminary ruling; however, pursuant to Article 225 of the Treaty Establishing the European Community, the statute may entrust to the Court of First Instance the responsibility for preliminary rulings in certain specific matters.

For additional information on the changes in the EU judicial system wrought by the Treaty of Nice, please consult Memo/03/23 (http://europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.gettxt=gt&doc=MEMO/03/23|RAPID&lg=EN&display=).

European Court of Auditors (ECA)

The European Court of Auditors, based in Luxembourg, is responsible for the sound financial management of the EU budget. It has extensive powers to examine the legality of receipts and expenditures.

European Central Bank (ECB)

The European System of Central Banks (ESCB) and the European Central Bank in Frankfurt are responsible for monetary policy and the euro (see Chapter Three).
Chapter 3: 
The Euro: Completing Economic Unity

As of January 1, 2002, the euro is the official legal tender of twelve of the EU countries, replacing their national currencies. Already established as an accounting currency on January 1, 1999, the euro represents the consolidation of European economic integration. With euros in citizens’ pockets for use in daily transactions, the euro is a palpable reality and contributes to a broader sense of European identity.

Several decades in the making, the euro required much planning and political commitment to become a reality. The introduction of the euro began the third stage and the final transition to full Economic and Monetary Union (EMU), a process that was launched in 1990 as EU member states prepared for the 1992 single market. Aimed at boosting cross-border business activity, the first stage of EMU lifted restrictions on movements of capital across internal EU borders (July 1, 1990). Stage two, which began in January 1994, set up the European Monetary Institute (EMI) in Frankfurt to pave the way for the European Central Bank (ECB) in the same location.

The euro-zone is roughly comparable in economic weight to the United States. The population of the twelve member states participating in EMU is about 290 million, and the euro-zone accounts for more than 21 percent of world GDP. In 2000, euro-zone exports amounted to 14.7 percent of world exports, with the comparable figure for euro-zone imports at 13 percent. Beyond its economic impact, the euro has substantial political significance and adds to the EU’s capabilities as an international actor.

Completing the Changeover

As of February 28, 2002, national notes and coins of the twelve member states in the euro-zone were withdrawn permanently and replaced by the euro. This was a huge logistical task with a corresponding impact on EU citizens in participating member states. Preparatory steps taken since January 1, 1999 included:

- Fixing the conversion rate of the participating currencies to the euro irrevocably;
- Having all operations of the European Central Bank in euros;
- Having wholesale financial and capital markets use the euro;
- Denominating all public debt in euros;
- Denominating private bank accounts in euros;
- Making euro-denominated credit cards available and making payments in euros possible on existing credit cards;
- Having public administrations in the euro countries allow companies to use the euro for accounting purposes, tax payments, and in some cases, social security payments;
- Dual pricing (in national currencies and euros) to help the general public adapt to the euro.

Participating in the Euro Area

The decisions about which of the then-fifteen member states would participate in the euro were made for the most part on May 2, 1998, at a special meeting of EU leaders in Brussels. The
decisions were based on each member state’s performance in meeting the economic “convergence criteria” set out in the Maastricht Treaty, including sound management in the areas of public finances, price stability, exchange rates, and interest rates. Following this decision, on January 1, 1999, the euro became the single currency for eleven EU member states: Austria, Belgium, Finland, France, Germany, Italy, Ireland, Luxembourg, the Netherlands, Spain, and Portugal. On January 1, 2001, Greece joined this group after meeting the Maastricht “convergence criteria.” New member states join as they meet the criteria.

What Does the Euro Mean?

The euro means stability. Member states participating in EMU are legally bound to continue the fiscal discipline required by the Maastricht Treaty to qualify for EMU. This is the purpose of the Stability and Growth Pact, agreed to by EU heads of state and government in July 1997, under which sanctions can be brought against member states that do not comply with strict guidelines for managing public finances.

The euro consolidates and extends Europe’s single market. By removing transaction costs and completely eliminating currency transactions in the euro-zone, trade and investment are greatly facilitated.

The euro creates new opportunities in the financial sector. The market capitalization of stocks traded in a country or region divided by that region’s GDP is a common indicator of the importance and size of an equity market. The euro area’s ratio of market capitalization to GDP gained significantly in the 1990s. From 1990 to 1995, the ratio hovered around 25 percent and was remarkably lower than that in Japan or the United States. However, by 2000, the overall growth in the euro area’s stock market resulted in an increase in this ratio to 89 percent, topping Japan’s 68 percent.

The euro is likely to become a major reserve currency. According to some estimates, the euro could account for 25 percent or more of global foreign exchange reserves in the medium term. This should help the EU and the United States share the burden of global financial stability, particularly in the wake of an economic downturn. The European Central Bank moved to reassure world markets following the September 11, 2001, terrorist attacks in the United States, and subsequently cooperated with the US Federal Reserve and other central banks to ensure sufficient liquidity for market and other economic transactions.

Like any other currency in the floating exchange rate system, the dollar to euro exchange rate fluctuates, reflecting perceptions about economic growth prospects. The dollar to euro exchange rate averaged $0.95 in 2002, $0.90 in 2001, and $0.92 for 2000.

The Euro and the Single Market

The euro is the logical complement to Europe’s single market, which was largely completed in 1992 following the Single European Act (SEA) of 1986. The SEA facilitated the adoption of a package of nearly 300 “internal market” directives set forth in a 1985 Commission White Paper and designed to achieve the “four freedoms”: freedom of movement for goods, capital, people, and services among the member countries.

For most commercial purposes, there is now one frontier instead of individual frontiers for each member state; standard, testing, and certification procedures are either uniform or equivalent; and significant economies of scale are attainable in a market of over 370 million consumers—soon a half-billion. The combination of economic liberalization and monetary integration boosts the competitiveness of European companies while making it easier and cheaper for non-EU companies to do business in Europe.
Almost all of the legislation required for completing the 1992 single market has been enacted. However, due to some implementation delays in a small number of areas, the Commission launched an Action Plan to ensure that member states and private sector operators meet their obligations under EU single market rules.

The single market benefits European and foreign companies alike. Special efforts were made to ensure that the program was fully transparent and accessible to American business and the US authorities. Foreign companies, especially from the United States and Japan, positioned themselves to take advantage of the single market. They have increased their direct investment and entered into joint ventures with European partners.

**The Euro Symbol**

The graphic symbol for the euro (above) looks like an E with two clearly marked, horizontal, parallel lines across it. It was inspired by the Greek letter epsilon, in reference to the cradle of European civilization and to the first letter of the word “Europe.” The parallel lines represent the stability of the euro.

The official abbreviation for the euro is “EUR.” It has been registered with the International Standards Organization (ISO) and is used for all business, financial, and commercial purposes.

**The Euro**

There are seven euro-denominated notes (5, 10, 20, 50, 100, 200, and 500 euro) and eight coins (1, 2, 5, 10, 20, and 50 euro cents and 1 and 2 euro coins). For a short period in early 2002, dual circulation accompanied the gradual withdrawal of the national currency notes and coins. The coins have a common design on one side and a national design on the other.
The European System of Central Banks (ESCB) and the European Central Bank (ECB)

Monetary policy in the euro area is defined and implemented by the European System of Central Banks—which comprises the Central Banks of the euro countries—and the independent European Central Bank, which was inaugurated in Frankfurt on June 1, 1998, and became operational on January 1, 1999.

The ESCB also conducts foreign exchange operations, holds and manages the official foreign reserves of the participating member states, and promotes the smooth operation of payment systems.

The European Central Bank is headed by a president, a vice president, and four other members of the Executive Board, appointed by agreement among EU heads of state and government. Wim Duisenberg, a former central banker from the Netherlands, was appointed the first ECB president in May 1998. The president’s term is eight years. The president, together with the other members of the Executive Board, is responsible for the day-to-day running of the ECB, in accordance with the guidelines of a Governing Council. The Governing Council is made up of the ECB’s Executive Board and the governors of the national central banks.
US Welcomes the Euro

“Indeed, there can be little doubt that the euro is a sound currency. The mandate of the European Central Bank to maintain a stable purchasing power of the currency is doubtless firmer than that of the Federal Reserve or any other major central bank.”

Alan Greenspan
Chairman, Board of Governors
US Federal Reserve System
November 30, 2001

EU Countries Not in the Euro-Zone

The currencies of member states currently not in EMU (Denmark, Sweden, and the United Kingdom) have the opportunity to be linked to the euro under a successor to the former Exchange Rate Mechanism (ERM). The original ERM established bilateral conversion rates between the national currencies and in relation to the European Currency Unit (ecu), the forerunner of the euro. The new ERM ensures close monetary relations among participating member states and the euro-zone.

The Euro and New Member States

Even though accession to the EU entails acceptance of the objective of EMU, compliance with the “convergence criteria” is not a precondition for EU membership. New countries often join the EU before they qualify for EMU membership. Since the “convergence criteria” are signposts of a macroeconomic policy geared to achieving stability, however, all new member states are expected to move toward them on a permanent basis.

For the latest developments on the euro, please visit http://europa.eu.int/euro/entry.html.
To achieve economic integration, the founding treaties provided for common policies in trade, agriculture, competition, and transport. Over the years, as economies modernized, member states agreed to add new sectors such as research and technology, energy, the environment, education, and training. The EU also formulates policy in emerging sectors such as telecommunications and the “information society,” which are not covered in the treaties.

Agriculture

Once the keystone of European integration, the Common Agricultural Policy (CAP) was created in 1962 to stimulate agricultural production and to guarantee food supply and farm income in postwar Europe. The same CAP mechanisms that helped Europe to increase agricultural productivity and achieve self-sufficiency, however, led to serious overproduction and high public intervention stocks and costs in the 1970s and 1980s.

In 1992, a major reform of the CAP severed the link between production and farm income in order to reduce agricultural surpluses and stabilize EU farm spending. Since that reform, EU farm spending declined from more than 60 percent of the budget in the 1980s to 49 percent in 2002 and 2003. The 1992 reform was the basis for EU commitments in the General Agreement on Tariffs and Trade (GATT) Uruguay Round. The EU is currently the biggest importer, and the second biggest exporter, of agricultural products. Marking the launch of the GATT successor WTO (World Trade Organization) Trade Round in Doha, Qatar, on November 14, 2001, EU Agriculture Commissioner Franz Fischler declared, “When we came to Doha, I made clear that Europe would take a constructive position on agriculture, that we were in for a deal. Today, we made it happen.”

Further reform of the CAP is necessary as the European Union enlarges to take on new members, so that Europe's agricultural production can continue to respect both EU budgetary ceilings and WTO obligations. Under Agenda 2000—the European Commission's blueprint for managing internal policies after the most recent enlargement—the CAP places more emphasis on competitiveness through lower prices, food safety, rural development, and environmental protection. SAPARD is the Community’s Special Accession Program for Agriculture and Rural Development. Its overall budget of $478 million for each of seven years (2000-06) is divided among ten Central and Eastern European applicant countries.
Aviation

In Europe, civil aviation was once the domain of the national governments and their flagship carriers. A free European aviation market has emerged following three successive air transport liberalization packages dating back to the late 1980s. All European carriers now compete on equal terms, enjoy complete freedom of establishment, and enjoy free access to all European markets. Capacity and fares can be set according to market demand. Competition has increased considerably, and new entrants are finding their way into the market. The third and final package, in effect since January 1993, was extended to non-EU members Norway and Iceland in July 1994, while an agreement to liberalize relations with Switzerland took effect in 2002. A further deal with the EU’s new and future members will create a liberalized regional aviation market of almost thirty countries.

The Single European Sky initiative will define future air transport policy by reducing congestion in the skies, providing a common approach to aviation safety with the European Aviation Safety Agency (EASA), reducing the environmental impact of aviation, and enhancing the EU’s international relations in air transport. The EU has been developing a mandate for a comprehensive air transport agreement with the United States. The Transatlantic Common Aviation Area (TCAA) would extend market liberalization by removing the remaining barriers to market access and investment. The TCAA would encourage convergence in key policy areas and establish provisions on conflict resolution.

Competition (Antitrust)

An efficient competition policy has always been at the heart of European integration, and it remains vital to the proper functioning of Europe's single market and for the protection of its consumers. According to Competition Commissioner Mario Monti, “Competition should lead to lower prices, a wider choice of goods, and technological innovation, all in the interest of the consumer.” EU competition policy has a dual objective. On the one hand, specific treaty provisions outlaw agreements among companies to fix prices, market share, production, investment and to prohibit the abuse of dominant positions. On the other, it places national subsidies (state aids) to individual firms or industrial sectors under the Commission's supervision to prevent distortion of the market.

Since 1989, the Commission has had jurisdiction over larger-scale mergers and takeovers (acquisitions) affecting more than one member state and exceeding certain thresholds. The Commission may punish antitrust violators with heavy fines. The Commission, like the United
States Government, is entitled to review mergers between non-EU companies provided the companies’ activities have an appreciable impact in the EU (and reach the “turnover” or revenue thresholds specified in the EU’s merger regulation).

The EU’s July 3, 2001, decision blocking the GE/Honeywell merger is only the first instance, in over 394 merger examinations up to that point involving at least one US company, where the EU blocked a US approved merger. Monti says, “It would be wrong to present the GE/Honeywell case as a confrontation between US and EU companies.” Complaints considered for the merger examination came from both sides of the Atlantic.

The EU and the US have concluded cooperative competition agreements—a basic agreement in 1991 and in 1998 the “Positive Comity” Agreement. The principle of “positive comity” provides that, when a party is adversely affected by anticompetitive behavior occurring in the territory of the other party, it may request that the other party take action.

Culture

One of Europe's greatest assets is its cultural diversity, which will never become an area for harmonization among the member states. The Maastricht Treaty gave the EU a role to play in bringing "the common cultural heritage to the fore" while respecting national and regional diversity. The completion of the single market, however, does require some measures related to creative endeavor, particularly as regards cross-frontier television, copyright, and the free movement of cultural goods and services.

Education and Training

Education and training play a central role in building a highly skilled workforce for a more competitive Europe. While responsibility for academic systems and curricula rests with the member states, the EU has two large-scale education programs to promote cooperation among them. Socrates, with a budget of $1.7 billion for 2000-2006, provides for cross-border mobility of students and teachers; promotion of foreign language competence; and mutual recognition of diplomas, periods of study, and other qualifications.

Leonardo, with a budget of $1.06 billion for 2000-2006, aims to improve the quality of vocational training; promote exchanges; and promote wider use of information age resources.

eEurope

The EU’s eEurope initiative, launched in March 2000, aims to maximize access to the Internet, create a digitally literate Europe, and spark an entrepreneurial culture—all while avoiding a digital divide and reinforcing social inclusion and cohesion. Making the European Union the most competitive and dynamic knowledge-based economy in the world is a major EU priority. The number of EU households connected to the Internet rose from 18.3 percent in March 2000 to 36.1 percent in June 2001 and 40.4% in June 2002.

Employment and Social Policy

Since the 1957 founding of the Union, the standard of living of Europe's citizens has doubled. However, unemployment remained high in some member states as Europe's economies prepared to launch the euro and begin a new enlargement. To pave the way for a more coordinated European strategy, the 1997 Amsterdam Treaty introduced a new chapter on employment that made job creation a formal goal of the Union. European Councils, beginning particularly with Lisbon in March 2000, expanded this goal to encompass specific measures to alleviate unemployment—including preparations for the shift to a digital, knowledge-based economy. According to the EU's Employment In Europe, 2002 Report, high-tech and knowledge-intensive sectors have driven job creation. These sectors contributed approximately 90 percent of
total job creation between 1995 and 2001. The unemployment rate in the EU fell from 8.2 percent in 2000 to 7.6 percent in 2002.

With the removal of barriers within the Union, the drive to complete the single market was accompanied by social legislation guaranteeing workers a certain standard of health and safety in all member states and facilitating vocational training and retraining. A Social Protocol was added to the Maastricht Treaty which led to legislation on the European Works Councils, equal rights for part-time and full-time workers, and parental leave for men as well as for women. The Social Protocol was incorporated into the Amsterdam Treaty, giving the Union a greater role in social legislation and providing fresh impetus to initiatives in the social policy area.

The March 2000 Lisbon European Council launched an annual meeting on the economy, and it highlighted the essential linkage between Europe’s economic strength and its social model: the Lisbon Strategy. Subsequently, the December 2000 Nice Council adopted the Social Policy Agenda (2000-2005), which seeks to modernize the European social model, invest in people, and combat social exclusion (poverty). The agenda includes job creation that profits from the new working environment and the potential of the knowledge-based economy; modern and improved social protection (the social safety net); social inclusion, gender equality, reinforced fundamental rights; and preparations for enlargement.

**Energy**

Although not a full-fledged common policy, the founding treaties provided for certain common activities in the field of energy, such as promoting energy research under the EU’s Research and Technological Development (R&T&D) policy, and supporting the establishment of a Trans-European Network (TEN) for energy. In recent years, however, security of the EU’s energy supply and protection of the environment have become priorities. The Union is working to establish a single energy market as a means to ensure a supply of energy to all consumers at affordable prices, while respecting both the environment and sustainable development. Policies have focused on the liberalization of the electricity and gas markets within the EU and the facilitation of cross-border transit of both these energy sources. Renewable energy resources are playing an important role in the diversification of energy sources and environmental protection.

The Union was instrumental in the creation of the European Energy Charter, which was signed by fifty-one nations in the Netherlands in 1991. The mission of the Energy Charter process is to strive toward open, efficient, sustainable, and secure energy markets and to promote a constructive climate conducive to energy interdependence based on trust among nations.
The EU's environment policy was officially launched in 1972 and incorporated into the EEC Treaty by the Single European Act (SEA) (1986). The EU has developed a substantial body of environmental law to protect against water, air, and noise pollution and to control risks related to chemicals, biotechnology, and nuclear energy within the Union. These are supplemented by multiannual action programs, the most recent of which—the Sixth Environmental Action Program (2001-2010)—concentrates on four priority areas: climate change, nature and biodiversity, environment and health, and natural resources and waste.

A European Environment Agency (EEA) was set up in 1993 in Copenhagen to provide reliable scientific data and evaluations for those involved in implementing and developing European environment policy. The Agency is open to participation from other European countries.

The EU is an important actor in international initiatives on the environment. It is party to the Montreal Protocol on Ozone Depletion, the Basel Convention on Toxic Waste, and most recently the Kyoto Protocol on Climate Change. The EU continues its ongoing efforts to secure the entry into force of the Kyoto Protocol and to work hard to reach the agreed-upon Kyoto targets. The EU-US June 2001 summit issued a statement reflecting divergent EU-US views: "We disagree on the Kyoto Protocol and its ratification, but we are determined to work together in all relevant fora to address climate change...." Climate change negotiators meeting in Bonn in late July 2001 agreed on implementation rules for the Kyoto Protocol and funding for developing countries. In Marrakech in November 2001, the Seventh Conference of the Parties to the Convention on Climate Change ended with an agreement on operational rules to fight climate change.

The European Union and its member states—being strong advocates of renewable energies and having experienced significant benefits from the setting of targets and timetables—with fifty-one other nations, launched in 2002 the Johannesburg Coalition on Renewable Energy: a "coalition of the like-minded countries on the way forward on Renewable Energies."

Sustainable development, a fundamental objective under the EU treaties, dictates that the economic, social, and environmental effects of all policies should be examined in a coordinated way and considered in decision-making. It means meeting the needs of the present generation without compromising those of future generations. According to the June 2001 Göteborg summit, "Getting prices right so that they better reflect the true costs to society of different activities would provide a better incentive for consumers and producers in everyday decisions about which goods and services to make or buy."

**Foreign Aid**

The European Union, many of whose member states are former colonial powers, has been active in development cooperation since the beginning. The Cotonou Convention (formerly the Lomé Conventions) with seventy-seven former African, Caribbean, and Pacific colonies is a prime example of the EU’s generous aid and trade relationships with developing countries. The goals of EU development policy were formally set out in the Maastricht Treaty. They are: fostering sustainable economic and social development in developing countries; promoting their smooth and gradual integration into the world economy; fighting poverty and HIV/AIDS; and helping to consolidate democracy, the rule of law, and respect for human rights.

Today, the EU has cooperative agreements with most developing countries (see [Chapter Seven](#)) and is a leading donor of emergency and humanitarian aid (through the Humanitarian Aid Office, ECHO).

**Foreign Policy**

The Common Foreign and Security Policy (CFSP) was established by the Maastricht Treaty in 1993. For a fuller description, see [Chapter Seven](#).
Human Rights

The Treaty on European Union (Article 6) explicitly affirms the EU’s commitment to respect the rule of law and fundamental and human rights as guaranteed by the 1950 European Convention for the Protection of Human Rights and Fundamental Freedoms (Council of Europe).

Death Penalty. All EU member states have banned the death penalty—all adhere to the European Convention for the Protection of Human and Fundamental Rights, which, according to Protocol 6, Article 1, abolishes the death penalty. Nearly all EU applicant countries (not including Turkey) have ratified this Protocol and prohibit the death penalty. The European Union is opposed to the death penalty in all cases and has consistently called for its abolition in countries that condone capital punishment.

External Actions. Respect for human rights and fundamental freedoms is a general objective of the Common Foreign and Security Policy (CFSP). Many of the EU’s external agreements include a section on “political dialogue” dealing with the rule of law, democratization, and human rights. The EU publicly condemns human rights violations wherever they occur, appealing to the countries concerned to end such violations and pressuring the authorities in question.

Charter of Fundamental Rights of the European Union. The Charter is a basis for continued integration in Europe. It raises the status of rights in the areas of human dignity, freedom, equality, solidarity, citizenship, and justice to the level of fundamental rights for all citizens. The 2004 Intergovernmental Conference has been charged with determining the ultimate legal status of the Charter, which was not originally legally binding. Romano Prodi, President of the European Commission, announced that he would like to see the Charter incorporated into the EU’s treaties to make it legally binding “as soon as possible.” The European Parliament passed resolutions that support the incorporation of the Charter into the treaties.

Justice and Home Affairs: Free Movement, Counterterrorism and Internal Security

The Justice and Home Affairs policy (JHA), established by the Maastricht Treaty and strengthened by the Amsterdam Treaty, had as its objective establishing by May 1, 2004 (five years after the Amsterdam Treaty went into effect), the free movement of European citizens and non-EU nationals throughout the EU, while guaranteeing public security by combating all forms of organized crime and terrorism.

The European Police Office (EUROPOL) was established as the EU law enforcement organization to handle criminal intelligence. Once the EUROPOL Convention was ratified by all member states, EUROPOL became fully operational in July 1999 and serves essentially as a police coordination center for the collection, analysis, and dissemination of information. EUROPOL deals with an expanding range of criminal issues when two or more member states are affected.

The Amsterdam Treaty helped make the JHA policy more effective by incorporating the Schengen Agreement into the EU framework. Schengen was concluded in 1990 by Belgium, France, Germany, Luxembourg, and the Netherlands to enable them to remove internal border controls on people without compromising public security. All EU member states except the United Kingdom and Ireland have since joined the Schengen area.

In the wake of the September 11, 2001, terrorist attacks, the EU has made the concerted fight against terrorism a top priority. Within ten days of the attack, the EU acted to establish an EU-wide list defining acts of terrorism and their commensurate penalties. Additionally, the EU adopted a European arrest warrant to replace the traditional extradition procedures among member states. This warrant allows wanted persons to be handed over directly from one judicial
authority to another. Yet another measure improved EUROPOL’s operation and created a special unit dedicated to counterterrorism.

The US and the EU have resolved to work together to combat terrorism. The September 20, 2001, EU-US Ministerial statement declares, “The nature of our democratic societies makes it imperative to protect our citizens from terrorist acts, while at the same time protecting their individual liberties, due process, and the rule of law. The US and the EU are committed to enhancing security measures, legislation, and enforcement.”

Regional Development

Reducing the social and economic disparities among the regions has always been an EU objective—one that has new relevance considering EU enlargement toward Central and Eastern Europe (see Chapter Six). A Cohesion Fund was set up by the Maastricht Treaty to reduce economic disparities among the EU and Spain, Greece, Portugal, and Ireland. Cohesion funding for the four eligible EU member states is $16.6 billion for the period 2000-2006.

The four Structural Funds benefit all the member states and consist of three older funds set up in the 1970s—the European Social Fund (ESF), the European Regional Development Fund (ERDF), and the Guidance section of the European Agricultural Guidance and Guarantee Fund (EAGGF)—plus the newer Financial Instrument for Fisheries Guidance (FIFG). These funds cofinance projects in areas affected by economic distress or industrial decline. Funding for the period 2000-2006 is $179 billion.

ISPA (Instrument for Structural Policies for Pre-Accession Programs) was created to assist the applicant countries in Central and Eastern Europe with investment projects in transport and the environment. For each year during the period 2000-2006, $920 million is budgeted.

Research and Technological Development (R&TD)

A real “European area of research” is beginning to take shape on the European continent, fueled in large part by the accomplishments of the Research and Technological Development (R&TD) framework programs that have been in place since the early 1980s. Formally designated by the Maastricht Treaty as the EU's main R&TD instrument, the framework programs set out the Union's principal scientific and technological objectives. These programs aim to promote cooperation among partners in different countries by funding transnational work and promoting coordination among scientific and technological facilities.

The $16.1 billion Sixth Framework Program (2003-2006) constitutes part of the European Research Area initiative and represents a deliberate break with past programs in terms of ambition, scope, and implementing instruments. The goal is to achieve greater focus on questions of European importance and a better integration of research efforts based on an enhanced partnership among European researchers. This latest program also provides for
independent research in the nuclear field as well as comparable efforts to be undertaken by the Joint Research Center (JRC).

The Joint Research Center, the EU’s scientific and technical research laboratory, is an integral part of the European Commission. It provides the scientific advice and technical know-how to support EU policies. Another framework program supports the JRC’s efforts in the areas of food safety and health, environment and sustainable development, technology foresight, metrology, combating fraud, monitoring/prediction of natural disasters, and data security.

The Fifth Framework Program (1998 to 2002) concentrated on research in four main areas: quality of life and living resources; the information society; competitive and sustainable growth; and preserving the ecosystem. The Fifth Framework Program was also open to the then-EU membership candidates.

The original Community’s involvement in R&TD was once confined to coal, steel, and nuclear energy. The Single European Act of 1986 provided specific legal powers in this field that has become crucial to the Union's industrial competitiveness. The Union participates in EUREKA, a Europe-wide venture aimed at developing new high-tech products in response to market demand.

The EU also cooperates with its European neighbors, as well as with the United States and Japan, on a variety of other R&TD projects. The EU-US Agreement on Science and Technology Cooperation was signed in December 1997. An implementation agreement covering scientific cooperation between the US and the EU in the field of environmental research was forged in 2001.

**Telecommunications**

A liberalized telecommunications environment is essential for Europe's economic growth and transition to the information society. The European Union fully liberalized telecommunications, voice telephony, and infrastructure on January 1, 1998, and played a key role in the conclusion of the WTO basic telecommunications agreement, which took effect in February 1998. Since the EU's liberalization process began, there has been tremendous growth in new technologies and services, including mobile phones, the Internet, and electronic commerce.

Several key indicators demonstrate impressive progress: more than one-third of the EU population is now using the Internet (40.4 percent). The gap with the US remains, but it is narrowing. Mobile phone use in Europe is growing at an even faster rate. According to the International Telecommunication Union's *2002 World Telecommunication Indicators*, 76 percent of the EU population subscribed to mobile phones, compared to 45.8 percent in the US.

**Trade**

EU member states agree to share sovereignty with the Union in matters of external trade. On trade, the European Commission negotiates on behalf of the Union under a mandate agreed to by the member states. When agreement is reached, the Council of Ministers and the European Parliament must give their approval. The European Commission and the Council of the European Union adjust the common customs tariff, guide export policy, and decide on trade protection measures where necessary. The EU has played a leading role within the General Agreement on Tariffs and Trade (GATT) and its successor, the World Trade Organization (WTO).

**Transport**

Because of the importance of transport to the free movement of goods, the 1992 single market program introduced market-opening legislation—applicable EU-wide for all modes of transport. Considerable progress has been achieved in the deregulation of road, air, and maritime services; better access to the market; and the application of competition rules. Legislation has been introduced that addresses the needs of the rail sector. A primary objective of transport policy is to
establish “sustainable mobility.” This means organizing transport so as to make optimum use of
energy consumption and transport times, routes, and conditions.

For additional information on all EU policy areas, please see:
Chapter 5: EU Relations with the United States

Transatlantic relations encompass more than EU-US relations. North America and many EU countries provide for their common security in the North Atlantic Treaty Organization (NATO). The US also maintains strong political, economic, and cultural relations with many individual European nations, both within the European Union and elsewhere. Business and economic ties linking the two continents are extremely strong, and there are innumerable other nongovernmental organizations linking people and institutions on both sides of the Atlantic.

However, the US increasingly turns to the EU as a partner to share the burdens of world leadership. This is partly because of the emergence of the EU as a more significant political and economic global actor and partly because of diminishing preoccupation on both sides with the overarching security threat that bound Europe and the United States together so strongly during the cold war.

This new geopolitical environment led to changes in the nature of EU-US relations. The 1990 Transatlantic Declaration formally defined EU-US relations immediately after the collapse of Communism in Central and Eastern Europe. The 1995 New Transatlantic Agenda (NTA) and Joint Action Plan (defined below) stepped up this relationship from consultation to joint EU-US action as the basis for partnership in addressing a very wide range of regional and world issues.

The next era of transatlantic relations will be shaped by the ability of the EU to assume the broad range of responsibilities that come with playing a more active global role and by the willingness of the US to accept the EU as a full partner in dealing with issues that extend beyond the international economy.

Left to Right: EU External Relations Commissioner Patten, High Representative for Common Foreign & Security Policy Solana, Belgian Foreign Minister Michel, and US Secretary of State Powell.

Following meetings with EU leaders, US Secretary of State Colin Powell noted that:

“The European Union’s principled response to the September 11th attacks and to our call for a worldwide effort against terrorism is just the latest demonstration of the fact that a strong united Europe is good, indeed essential, for the United States, for
New Transatlantic Agenda

In December 1995, the presidents of the European Union and the United States agreed on a comprehensive New Transatlantic Agenda (NTA) aimed at more effective cooperation and leadership in areas ranging from trade liberalization to security and humanitarian assistance.

This strategy is based on an Action Plan built around four main principles: promoting peace, development, and democracy; responding to global challenges; contributing to the expansion of world trade; and building bridges across the Atlantic. The Action Plan builds on the 1990 Transatlantic Declaration, which formalized official contacts between the United States and the European Union.

The NTA provides an institutionalized framework for official EU-US interactions. These include regular consultations or “summits” of the presidents of the United States, the European Council, and the Commission as well as meetings involving other officials and legislators. The European Commission recently suggested reforms to the NTA process to bring greater strategic focus to EU-US cooperation.

The NTA also stimulates new people-to-people links to strengthen the fabric of transatlantic relations among citizens. Dialogues have thus been launched among business people, labor unions, consumers, and environmentalists. To promote understanding of the EU and to stimulate transatlantic exchanges, the EU funds a network of fifteen EU Centers (listed below) in universities around the United States (http://www.eurunion.org/infores/eucenter.htm).

**EU CENTERS IN THE US**

- University of California at Berkeley
- Florida International University and the University of Miami
- University System of Georgia
- University of Illinois
- University of Michigan
- University of Missouri
- New York City Consortium (New York University, New School University, City University of New York)
- University of North Carolina at Chapel Hill
- University of Oklahoma
- University of Pittsburgh
- Syracuse University
- Texas A&M University
- University of Washington, Seattle
- University of Wisconsin, Madison
- Washington, DC, Consortium (American University, George Mason University, George Washington University, Georgetown University, The Johns Hopkins University)
Joint Actions

Since the NTA was launched in December 1995, the EU and US have jointly addressed a number of regional and global challenges. In many cases EU-US cooperation is a major force in encouraging other actors to move forward.

Joint EU-US actions (not all attributable to the NTA) at the regional level have included providing reconstruction aid and supporting political stability in the former Yugoslavia, contributing to the Middle East peace process, and encouraging dialogue in the Korean Peninsula. The EU and US have also cooperated to address such global challenges as economic development and humanitarian assistance in developing countries, migration, HIV/AIDS, the environment, and transnational crime.

Common Values

EU-US cooperation is based on such shared values as respect for the rule of law, democratic institutions, the market economy, and fundamental human rights. Acting on these shared values, the EU and US have played a significant role in promoting the institutions and international norms that helped bring an end to the cold war and subsequently encouraged the global trends toward democratization and market liberalization.

While agreeing on these broad values, the EU and US sometimes have differing approaches to regional and global issues. These can be based on historical experience or the fact that, as the last “superpower,” the US is redefining the nature and scope of its international interests. In other cases, different approaches may be based on the EU’s greater likelihood to use the resources of multilateral institutions (see box).
The death penalty is a rare area of disagreement between the EU and US regarding fundamental values. The EU is opposed to the death penalty in all cases. The EU has consistently advocated its universal abolition in different international fora, including the United Nations and the Council of Europe, and in bilateral contacts with a large number of countries that retain the death penalty, including the US.

**Differing Approaches to Some Issues**

Although the vast majority of transatlantic contacts are cordial and productive, sources of disagreement have arisen over time. In many cases, as in the promotion of international human rights and domestic consumer rights, these disagreements represent differing approaches to the same ultimate goals. As US Secretary of State Colin Powell has said: "[T]he United States sees it as crucial that Americans and Europeans maintain an open, vigorous dialogue...We see debates between the United States and European countries, and among European nations themselves, as a healthy sign that our democracies and our relationships are robust and resilient."

For matters falling under the authority of the European Commission, negotiations take place between the Commission and the US administration to try to resolve disputes. When appropriate, the EU presidency also takes part in negotiations with the US on behalf of the EU. Past negotiations have sought to resolve trade disputes, for example, in agricultural trade, aircraft manufacturing, and steel products over such issues as import quotas or state subsidies. Recent disputes have included the Foreign Sales Corporations (FSCs) benefiting US business.

New technologies can also give rise to friction as a result of different regulatory responses on each side of the Atlantic to the development of new food or pharmaceutical products. There can be different ways of evaluating scientific evidence and applying it to the regulation of new products to satisfy consumers regarding safety, environmental effects, and other issues. This can be particularly important where consumers have special concerns, as in the case of genetically modified organisms (GMOs) and other food safety issues.

Disagreements may also arise as competition (antitrust) authorities on both sides rule on multinational corporate mergers, joint ventures, or other corporate relationships that might trigger enforcement of competition rules. Such cases have come into prominence—including the Boeing-McDonnell Douglas merger and the attempted GE-Honeywell merger—with the globalization of manufacturing and service industries and the growing phenomenon of multilateral or global corporate alliances.

It is important to realize, however, that these high profile cases are the exceptions that prove the general rule of close cooperation. Of more than four hundred proposed mergers involving US companies notified to the European Commission from September 1990 through the present, only one was prohibited by the Commission.

The Positive Comity Agreement signed on June 4, 1998, enhances existing bilateral antitrust cooperation in place since 1990 and provides that either the EU or US may request the other to take action against anticompetitive behavior occurring in its territory. The European Commission continues to seek close cooperation with the US authorities regarding merger issues, and in 2000 a transatlantic working group was established to seek further EU-US convergence on important aspects of merger control. The EU has also proposed that a multilateral agreement on competition rules be established through the World Trade Organization.

The EU and US have successfully demonstrated their ability to deal with long-standing trade frictions in resolving their dispute over bananas and in reaching agreement over the "safe harbor" principle for the protection of private electronic data. In the case of bananas, the EU agreed to adopt a new regime providing a transition to a tariff-only system by 2006, while the US agreed to suspend the increased customs duties it had imposed on certain EU exports in 1999. The banana
agreement also gave evidence of the productive working relationship between European Trade Commissioner Pascal Lamy and US Trade Representative Robert Zoellick.

**Disputed Sanctions**

Trade sanctions imposed on a third country for foreign policy reasons are another long-standing source of transatlantic disputes. Although the EU shares many of the foreign policy goals of the US toward the countries concerned, the EU objects to unilateral trade sanctions with the assertion of extraterritorial jurisdiction applied by the US. Under the so-called Helms-Burton Act [Cuban Liberty and Democratic Solidarity (Libertad) Act of 1996] and Iran and Libya Sanctions Act (ILSA), European companies doing business lawfully under EU laws in Cuba, Iran, or Libya are subject to the extraterritorial application of US law.

President Bill Clinton, Prime Minister Tony Blair as EU president, and European Commission then-President Santer agreed at the EU-US summit in May 1998 on a package of measures to resolve EU-US disputes arising from Helms-Burton and ILSA, including waivers from Title III of Helms-Burton and certain sections of ILSA. President Clinton renewed these six-month waivers throughout his term, and the Helms-Burton waiver was renewed by President George W. Bush on July 16, 2001. However, on July 27, 2001, the US Congress voted to extend the Iran and Libya Sanctions Act (ILSA) for another five years, a decision that cast doubt on the full implementation of the May 1998 agreement.

**Transatlantic Economic Partnership**

The May 1998 EU-US summit also launched a new initiative, the Transatlantic Economic Partnership (TEP), to eliminate or reduce many of the remaining barriers to the free flow of commerce across the Atlantic. It includes both multilateral and bilateral elements. Bilaterally the purpose is to tackle technical barriers to trade through the expansion of Mutual Recognition Agreements (MRAs) and other measures, with multilateral efforts directed at joining forces on international trade issues. The TEP also provides for an “early warning system” to share information on legislative and regulatory initiatives in an effort to contain future disputes, particularly in the area of food safety.

**EU-US Trade and Investment Relations**

The European Union and the United States together account for more than 30 percent of world trade. They also represent almost 60 percent of the industrialized world's Gross Domestic Product (GDP). EU-US trade in goods is balanced, with bilateral flows amounting to nearly $400 billion by 2001. The EU took in 21.8 percent of total US exports and provided 19.3 percent of US imports, while the US took 24.4 percent of EU exports and provided 19 percent of EU imports. The Union is also the biggest export market for US farm products.

The EU and the US have a high and steadily increasing level of direct investment by their companies in each other's economies. Cumulative direct investment by EU firms stood at $808.3 billion in 2001 (61 percent of the total foreign direct investment in the US), while American firms had investments worth $640.8 billion in the EU. About 3 million jobs on each side depend on that foreign direct investment.

**EU-US Leadership in the Global Economy**

Given the sheer size and impact of transatlantic economic relations, the EU and US are called upon to provide leadership in the global economy. The EU and US worked diligently with partners to launch the new WTO round leading both to liberalizing world trade further and to clarifying, strengthening, and extending WTO rules in meeting the challenges of globalization. These challenges include meeting the needs and acknowledging the priorities of developing countries, responding to the concerns of civil society, and promoting sustainable development. In
addressing transatlantic trade disagreements through the WTO dispute resolution process, the EU and US take care to avoid any collateral damage to the WTO as an institution. (See also Chapter Seven.)

The Transatlantic Consumer Dialogue (TACD) is a forum of US and EU consumer organizations that develops and agrees on joint consumer policy recommendations for the US Government and European Union to promote the consumer interest in EU and US policy making. December 2000: EU-US Summit leaders meet with TACD members.

**Counterterrorism and Multilateral Cooperation**

The New Transatlantic Agenda and successive EU-US summits have highlighted the need for the EU and US to work together in addressing global challenges. The pursuit of terrorists and the fight against the root causes of terrorism have added a new dimension to and re-energized this common agenda.

The EU joined the US to work closely in the areas of aviation and other transport security; police and judicial co-operation; denial of financing of terrorism; export controls and non-proliferation; and travel document security. The EU’s adoption of the European Framework Regulation to freeze assets of terrorist entities, the European Arrest Warrant and other measures occurred at a very rapid pace.

US Secretary of State Powell acknowledged EU contributions following September 11, saying:  
"The European Union's swift and resolute support for the United States reflects the powerful and enduring bonds between our societies and the bedrock values that we share. You are our staunchest foul weather friend and we know it."

With its own origins and development based in the concept of pooled sovereignty, the EU is also well equipped to address social and political challenges arising from globalization. The EU has accordingly taken the lead in a range of matters requiring international cooperation, such as multilateral trade negotiations, coordinating the reconstruction and stabilization of the Balkans, and addressing global climate change. The EU’s international credibility and capacity to exert leadership, sometimes together with and sometimes separately from the United States, adds value and brings strengths to the transatlantic partnership.

As Chris Patten, European Commissioner for External Relations, has noted:

"It is vital that we persuade the US to embrace and maintain its multilateral commitments. And we in the EU can help to do this by facing up to our own responsibilities and following through
our commitments with our financial assistance and other policy instruments. When the US and the EU work together, we set the international agenda. If we are divided, the opportunity for international progress is often lost.”

For additional information, please see: http://www.eurunion.org/partner/home.htm.
Chapter 6: Building the New Europe: The EU and Its Neighbors

As new member countries joined in the seventies, eighties, and nineties, the European Union grew from six to fifteen member countries in its first four decades. Looking ahead, the Union expects to grow to nearly thirty member countries in the immediate future and will include more than a half-billion people. For the first time in history, nearly all the people of Europe will be joined in a single Union by free and democratic consent. The European Union is also forging stronger relations with its neighbors to the east, west, and south, whether or not they will eventually join the Union. The goal is to improve prosperity, political stability, security, and respect for democracy, the rule of law, and human rights in the European region as a whole. The final architecture of Europe is not yet set, nor is the European Union the only entity helping to shape the new Europe. But the EU plays a pivotal role in shaping post-cold war Europe. As it continues to deepen and widen, the Union will likely play an ever more prominent role on the continent in the twenty-first century.

![Map of Europe showing the European Union, Economic and Monetary Union, EFTA, and candidate countries.]
Toward EU Membership

**June 1989:** Western Economic Summit (G7) asks European Commission to coordinate all Western aid to develop democracy and market economies in Central and Eastern Europe. Commission also launches PHARE, the world's largest grant program for the region.

**December 1991:** Europe Agreements (association agreements, paving way to free trade and eventual full EU membership) signed with Poland, Hungary, and Czechoslovakia. Agreements with Bulgaria, Romania, Estonia, Latvia, Lithuania, and Slovenia follow.

**December 1992:** Separate Europe Agreements signed with Czech Republic and Slovakia, following breakup of Czechoslovakia. This brings to ten the number of EU membership applicants from Central and Eastern Europe (CE 10).

**June 1993:** Copenhagen summit pledges membership for eligible applicants (demonstrating stable democracy, respect for human rights, rule of law, functioning market economy, readiness for obligations of EU membership).

**December 1994:** Essen summit adopts "pre-accession strategy" to intensify efforts to prepare CE 10 for membership. Pre-accession package sets up a structured dialogue, improves market access, and directs more PHARE funds to support investment projects.

**May 1995:** Commission White Paper outlines measures to bring laws, standards, and product certification systems in CE 10 into conformity with EU single market.

**July 1997:** Commission releases Agenda 2000, with opinions on the readiness of each of the candidates and recommendations for internal EU reforms and expenditures.

**December 1997:** Luxembourg summit decides on accession strategy based on Agenda 2000, including launching actual negotiations and convening a European conference among all candidate countries on pan-European issues.

**March 1998:** European conference launched, followed by formal opening of negotiations with five CE countries and Cyprus and accession partnerships for all CE 10.

**October 1998:** Malta reactivates its membership application, frozen since 1996.

**November/December 1998:** Publication of first annual reports on progress toward accession by each of the candidate countries; regular reports endorsed by Vienna Council.

**March 1999:** Berlin Council adopts 2000-2006 funding, including pre-accession and accession-related expenditure.

**December 1999:** Helsinki summit decides to open negotiations on EU membership with five more CE countries and Malta and to treat Turkey as a candidate on the same terms as others.

**December 2000:** Treaty of Nice embodies the necessary reforms to EU institutions to prepare for EU enlargement.

**June 2001:** Göteborg summit declares intention to complete negotiations with a first group of applicants, provided they are ready, in time to allow them to participate as EU members in the June 2004 European Parliament elections.

**December 2002:** Copenhagen summit declares that Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovak Republic, and Slovenia will become EU members by May 1, 2004.

**April 2003:** Treaty of Accession for ten new members (above) signed in Athens, Greece.

**May 2004:** Ten new members join the European Union.

**2007:** Following the conclusions of the European Council in Brussels and depending on further progress in complying with the membership criteria, the EU hopes to welcome Bulgaria and Romania as members of the European Union.
In March 1998 the EU opened talks on full membership with six countries: Cyprus, the Czech Republic, Estonia, Hungary, Poland, and Slovenia. Two years later, in February 2000, negotiations began with six other applicant countries: Bulgaria, Latvia, Lithuania, Malta, Romania, and Slovakia. At the Helsinki European Council in December 1999, when this decision was made, it was also decided to grant Turkey full candidate status (see below). Joining a highly integrated Union is inherently complex, and most of the applicant countries were compelled to make far-reaching economic, political, and social adjustments following the end of Communism. Negotiations with each applicant proceed on their own merits and as quickly as possible. As decided by the Copenhagen European Council in December 2002, as of May 1, 2004, the European Union has ten new members: Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovak Republic, and Slovenia. This brings EU membership to twenty-five nations in time for the next elections to the European Parliament in June 2004. The accession treaty, signed in Athens in April 2003, was first to be ratified in each of the ten candidate countries and in each of the then-fifteen EU member states before the ten states became formal EU members in 2004.

US Secretary of State Colin Powell, on the occasion of the signing of the 2003 Treaty of Accession, said: “The embrace of ten new members attests to the European Union’s institutional strength and to its confidence in itself. It also testifies to the essential role the Union plays as a force for democracy, prosperity and a force for stability throughout Europe and well beyond Europe.”

Following the conclusions of the European Council in Brussels and depending on further progress in complying with the membership criteria, the EU hopes to welcome Bulgaria and Romania as members of the European Union in 2007.

Agenda 2000 reinforced the pre-accession strategy under which candidate countries received increased aid, participated in certain EU programs, and adapted to EU procedures in anticipation of membership. EU and member state aid to Central and Eastern Europe alone totaled $85 billion for the period 1990-1999. In today’s dollars, this is approximately equivalent to the $13.2 billion in US Marshall Plan aid for the reconstruction of Europe after World War II. This process continues for Bulgaria and Romania, slated for EU membership in 2007—according, again, to the December 2002 Copenhagen European Council. Turkey’s accession position has been strengthened.

In July 1997, the Commission completed an exhaustive review of the state of readiness of the applicant countries for full membership, publishing its findings in a three-volume report, known as Agenda 2000: For a Stronger and Wider Union. At the time, the Commission concluded that none of the ten Central and East European applicants was ready for full membership under criteria adopted at the 1993 Copenhagen European Council, but five were sufficiently advanced along the path to open negotiations.

In addition, Cyprus (see below) was offered negotiations in this round.

The purpose of Agenda 2000 was twofold: to prepare the candidate countries for membership and to prepare the EU and its institutions for the biggest and most challenging enlargement in its history. After two years of intensive debate, EU leaders meeting in Berlin in March 1999 approved the Agenda 2000 strategy. This included reforms of the Common Agricultural Policy (CAP), the Structural Funds, the EU decision-making procedures, and a financial package totaling $230 billion for the years 2000-2006 for the Central and East European applicants in preparation for the enlargement. Pre-accession financial assistance to Cyprus and Malta extended through 2004.

Cyprus, Malta, and Turkey
Negotiations with Cyprus for EU membership began in March 1998, along with five countries from Central and Eastern Europe. The European Council had decided in 1995 that the next phase of EU enlargement would include Cyprus and Malta. The EU wanted representatives of both communities in Cyprus to take part in the accession negotiations and hoped that the negotiations would contribute to efforts under United Nations auspices to resolve the dispute dividing the island. However, given the still-divided status of Cyprus at the time, the December 2002 Copenhagen summit stated: “The European Council has decided that, in the absence of a settlement, the application of the acquis to the northern part of the island shall be suspended, until the Council decides unanimously otherwise, on the basis of a proposal by the Commission. Meanwhile, the Council invites the Commission, in consultation with the government of Cyprus, to consider ways of promoting economic development of the northern part of Cyprus and bringing it closer to the Union.”

Although the EU has decided that Turkey does not yet meet all the criteria for full membership of the Union, it has frequently reaffirmed Turkey's eligibility for EU membership. Turkey applied for full membership in 1987. But the Commission recommended an alternate path, including steadily closer economic relations—a strategy that both sides are implementing. Since 1995, the EU and Turkey have been joined in a customs union that provides for enhanced economic cooperation. Pre-accession financial assistance, comparable to that available to other candidate countries, is being provided to Turkey. In August 1999, following a devastating earthquake in Turkey, the EU responded immediately with humanitarian assistance.

At the December 1999 Helsinki European Council, Turkey was declared a candidate on the same terms as the twelve other then-applicants. An Accession Partnership with Turkey was adopted in March 2001. As a candidate country, Turkey benefits from a pre-accession strategy and partnership with the EU that aims to stimulate and support its political and economic reforms. A closer political dialogue with the Union is sought as well. The timing of Turkey's accession depends upon its progress toward meeting the membership criteria, which are equally stringent for all candidate nations. The December 2002 Copenhagen European Council stated: “The Union encourages Turkey to pursue energetically its reform process. If the European Council in December 2004, on the basis of a report and a recommendation from the Commission, decides that Turkey fulfils the Copenhagen political criteria, the European Union will open accession negotiations with Turkey without delay.”

Norway and Switzerland

In referenda, Norway decided against EU membership in 1973 and 1994. Switzerland has applied for EU membership in the past, though not actively pursued it. One day perhaps both may reactivate their applications.

Croatia

On February 21, 2003, Croatia presented its application for EU membership. European Commission President Romano Prodi said at the time: “This is a powerful signal of hope in future development, stability and growth and for peaceful coexistence throughout the region. It shows that this region, which is an integral part of Europe, is resolved to set behind it forever the dramas and traumas of its recent past. Only once the Balkan countries are members can the Union's enlargement and Europe's reorganisation be considered complete, and only then will the founding fathers' vision of peace and prosperity have come true, perhaps even beyond their wildest dreams.”

Former Yugoslav Republic of Macedonia (FYROM)

On March 22, 2004, FYROM applied for EU membership. The External Relations Council said, “On the day of the presentation of the application by the former Yugoslav Republic of Macedonia for membership of the European Union, the Council recalled the decisive contribution of the late
President Boris Trajkovski to reconciliation and to the consolidation of democracy. It called on all political forces to continue to work constructively in the period ahead towards his vision of a stable, multiethnic, unitary country, moving closer to European integration...."

For additional information, please see: http://europa.eu.int/comm/enlargement/index.htm.
Russia and Its Neighbors

The EU is forging a network of far-reaching partnerships with countries of the former Soviet Union and is at the forefront of international efforts to support them in carrying out political and economic reforms. Accordingly, the EU has concluded Partnership and Cooperation Agreements (PCAs) with Russia, Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Turkmenistan, Ukraine, and Uzbekistan. All but the two PCAs with Belarus and Turkmenistan have entered into force. (No PCA is envisioned yet with Tajikistan, given its present instability.) These agreements provide for political, economic, and trade relations and lay the basis for cooperation in the social, financial, scientific, technological, and cultural fields. The Partnership and Cooperation Agreement with Russia entered into force in December 1997. The first Cooperation Council under the new agreement was held in January 1998, yielding agreement on a comprehensive work plan for the short and medium terms. Summits with the Russian Federation are held at approximately six-month intervals, as are meetings of the Cooperation Council.

The PCA with Russia provides for talks on the possibility of free trade as part of the EU's vision of liberalizing trade throughout the continent. Building on the PCA, the European Council adopted a common strategy toward Russia in June 1999, which brings greater focus to the EU's political and economic actions.

The EU is the major trading partner for Russia and most of the newly independent states, accounting for 40 to 50 percent of their global trade. In 2001, EU imports from Russia totaled $42.9 billion, versus $6.3 billion for the US, while EU exports to Russia totaled $25.2 billion, versus $2.7 billion for the US.

The EU continues to support democracy and economic reform in Central and Eastern Europe through PHARE, which is the largest technical assistance program in the region. By 1999, some $11 billion had been committed for projects related to government and private sector reform. For the period 2000-2006, PHARE committed some $10 billion. Since 1991, TACIS has also provided aid to twelve countries of the former Soviet Union, plus Mongolia (see box).
Projecting Stability in Southeast Europe

As a product of the reconstruction and reconciliation that followed World War II, the EU is a model for Southeast Europe (SEE). For more than a decade, the EU has been helping countries in the region to rebuild their economies and rejoin the mainstream of European development.

Following the September 2000 elections in Yugoslavia, which brought to power a democratically elected coalition with a reform mandate, the EU provided emergency aid for the winter, totaling $184 million, and convened together with the World Bank an international donors conference in June 2001 at which $1.2 billion was pledged for the reconstruction of Yugoslavia.

To promote long-term peace and prosperity in Southeast Europe, the EU is pursuing a two-pronged strategy including: a regional approach aimed at building cooperation among the five former Yugoslav republics plus Albania; and a long-term Stabilization and Association Process, to which the EU committed itself at the Zagreb summit with the countries of the region in November 2000. The EU hopes to draw these countries closer to the EU through Stabilization and Association Agreements (SAA). These aim at developing existing trade ties, reforming political and economic institutions in the SEE countries, and preparing them for eventual EU membership. Croatia applied for EU membership on February 21, 2003, and the Former Yugoslav Republic of Macedonia (FYROM) applied on March 22, 2004. The June 21, 2003, EU Western Balkans Summit participants confirmed the EU intention of extending membership to these nations and resolved to meet periodically to review progress.

“As the people and countries of the Balkans move closer to Europe, it is only natural that Europe assume increasing leadership and responsibility. I welcome the European Union's commitment to play a leading role in the stabilization and development of the region. I similarly welcome the willingness of our allies to provide the bulk of the NATO task force poised to collect the insurgents' weapons after a peaceful settlement in Macedonia. The cooperation of the United States, NATO, and the EU in Macedonia is a model that we can build upon in the future.”

President George W. Bush
July 24, 2001

The first Stabilization and Association Agreement was signed with the Former Yugoslav Republic of Macedonia (FYROM) on March 3, 2001, and the second with Croatia on July 9, 2001. When interethnic fighting erupted in Macedonia in February 2001, the EU played a leading role
alongside NATO and the United States in forging a peace agreement which was signed in August 2001. This followed the EU’s successful peace initiative in partnership with NATO in Southern Serbia’s Presevo Valley following ethnic fighting in that area earlier in 2001.

Multilaterally, the EU plays a leading role in the Stability Pact for Southeastern Europe, which began as an EU initiative and involves other international partners including the United States and the countries of the region. In the international effort to rebuild Kosovo, together with the World Bank, the Commission assessed the reconstruction needs and hosted a First Donors Conference in Brussels in July 1999. More than half of the $2.1 billion in aid pledges came from the EU and its member states. EU support was $500 million a year for 2000-2002. The European Agency for Reconstruction (EAR), created after the Kosovo bombing campaign, implements such aid.

A new aid instrument, CARDS was adopted on December 5, 2000 (see box). Program funding for 2000-2006 is $4.3 billion.

**European Economic Area (EEA)**

Special arrangements are in force for West European countries outside the Union. The European Economic Area (EEA) extends the EU single market to members of the European Free Trade Association (EFTA). Created in 1994, the EEA is a single market of the EU and three European Free Trade Association countries. The EU and EFTA act separately in cases concerning anti-dumping and trade sanctions and in international trade negotiations.

EEA members share the EU's single market legislation for the removal of physical, technical, and fiscal barriers to trade and abide by EU legislation in such fields as competition policy (antitrust, mergers, public procurement, and state aids), company law, consumer protection, environment, research and development, education, social policy, mutual recognition of professional qualifications, and contributions to EU structural funds.

EFTA was formed in 1960. The EEA included six of its member countries, three of which joined the EU as full members in 1995. EFTA’s remaining members are Iceland, Liechtenstein, Norway, and Switzerland. In a 1992 referendum, Switzerland decided not to join the EEA.

**The Mediterranean and the Middle East**

The European Union drew up a comprehensive Mediterranean strategy at a major conference with its southern neighbors in Barcelona in November 1995. This strategy supports the Mediterranean countries (see chart) in their efforts to transform the region into an area of peace, stability, democracy, and prosperity and also seeks to create a Euro-Mediterranean free trade area by 2010. The Union committed over $5 billion in 1995-2002 for economic development in the Mediterranean region, with lending of the same magnitude provided by the European Investment Bank (EIB).

The Euro-Arab Dialogue launched in 1975 covered such areas as technology transfer, investment incentives, trade cooperation, agricultural development, labor problems, and cultural exchanges. More recently, the EU-Gulf Cooperation Council (GCC) Joint Councils have furthured EU cooperation with the Arab states of the Gulf. The EU is also the largest donor to the Middle East peace process. From 1994 to 1998, the EU and its member states provided $2.3 billion in aid and technical assistance to the Palestinian Authority and the United Nations Relief and Works Agency. In 2001, EU imports from the twelve Euro-Mediterranean partners listed below totaled $63.31 billion, versus $20.1 billion for the US (excluding the Palestinian Authority), while EU exports to the twelve Euro-Mediterranean partners listed below totaled $69.3 billion, versus $17.3 billion for the US (excluding the Palestinian Authority).
### Mediterranean and Middle East Countries

**Euro-Mediterranean Partnership**
- Algeria
- Cyprus*
- Egypt
- Israel
- Jordan
- Lebanon
- Libya (observer status)
- Malta*
- Morocco
- Palestinian Authority
- Syria
- Tunisia
- Turkey*

**Gulf Cooperation Council (GCC)**
- Bahrain
- Kuwait
- Oman
- Qatar
- Saudi Arabia
- United Arab Emirates

*Applicant countries for EU membership

For additional information, please see:  
Chapter 7:  
Europe in the World

The European Union plays an increasingly important role in world affairs. The historical evolution of the EU has led to a multifaceted external relations capacity, including economic, trade, development, diplomatic, and security capabilities. These developments are in part a response to the far-reaching economic and political changes taking place on the Union’s doorstep, and in other parts of the world, that require coherent European action.

Asserting the EU's Role in the World – CFSP

While the EU has always had relations with other countries, a Common Foreign and Security Policy (CFSP) did not exist until 1993 when the Maastricht Treaty took effect. In the early days of the Union, external relations were largely the consequence of trade or, in the case of former territories and colonies, of development aid programs that have since been expanded to cover most developing countries. Foreign policy matters were handled in a purely intergovernmental process called European Political Cooperation (EPC). Although largely declaratory, EPC was an important step. In more recent decades, the EU has forged a dense network of international relationships whose purpose extends well beyond commercial ties and development cooperation to include, for example, political dialogue, support for democracy, and investment cooperation.

Deeper EU integration over the past decade has given the Union new statutory responsibilities in world affairs as well as tools for exercising them. With the creation of the Common Foreign and Security Policy in 1993, member states can now coordinate policy that is consistent and that asserts the EU's inherent political identity.

CFSP decision-making procedures are intergovernmental and therefore different from those governing external economic relations. Heads of state and government in the European Council agree on common strategies and objectives to be achieved in areas where member states have important shared interests. Foreign ministers of the member states decide the specifics. The European Commission participates in all discussions, can make proposals, and has a right (but not the sole right) of initiative. The European Parliament is regularly consulted but has no direct powers.

Launched as the Balkan crisis unfolded, the CFSP has faced tough challenges—and some criticism—from the outset. The Amsterdam Treaty introduced significant improvements to its functioning:

- The appointment of a High Representative, Javier Solana (pictured below), sometimes known as “Mr. CFSP.” He is also Secretary General of the Council, where the CFSP is formulated;
• The creation of a new policy unit to assist the Council. It is staffed by officials from the Council, the Commission, and the member states;

• The introduction of majority voting for CFSP in some areas;

• Member states not willing to participate in a particular foreign policy or security action might stand aside without holding back the rest of the Union ("constructive abstention").

Under the Treaty of Nice, a unanimous decision, which follows from the agreement (or abstention) of all member states, is required in several areas of importance to the development of the Union, including common foreign and security policy. In order to make the mechanism for closer cooperation more workable, the Treaty of Nice removed the right of each member state to veto the launch of enhanced cooperation. It requires a minimum of eight member states for establishing enhanced cooperation and provides for the possibility of enhanced cooperation in the field of common foreign and security policy (CFSP), except as regards defense. It ensures that enhanced cooperation occurs within the framework of the European Union, respects the role of the institutions and allows the member states that do not participate immediately to join in whenever they wish.

Under the CFSP, the EU has taken many initiatives in the former Yugoslavia (see Chapter Six), providing the lion's share of aid, launching diplomatic efforts for peace, sending monitors, and providing peacekeeping troops from member states. Together with the United States, the EU helped forge the Bosnia peace settlement in 1995 and plays a leading role in the international reconstruction effort there, in Kosovo, and in the Federal Republic of Yugoslavia (FRY) (see Chapter Six). Aid from the EU to the FRY was crucial in the winter months immediately following the ouster of Milosevic. The High Representative and other EU representatives have also worked with US counterparts to halt civil conflict in the Former Yugoslav Republic of Macedonia.

Together with the World Bank, the European Commission has organized Donors Conferences for Kosovo and the FRY. The EU is also playing a leading role in the Stability Pact for Southeastern Europe, an initiative of the German EU presidency launched officially in Sarajevo in July 1999. Following Amsterdam, the EU adopted common strategies toward Russia, the Western Balkans, and other regions.

The EU is also intimately involved in Iraqi reconstruction and humanitarian aid provision.

**European Security and Defense Policy**
At the Cologne summit in June 1999, EU leaders decided to put in place decision-making procedures for an EU Security and Defense Policy within the context of CFSP and to develop capacities to undertake operations. The Amsterdam Treaty provided for security roles such as peacekeeping, monitoring, and conflict prevention to be carried out by the Western European Union (WEU), whose crisis management functions had been assumed by the EU itself.

The December 2000 Nice summit completed as planned the work begun at Cologne and pursued at the Helsinki and Feira summits to create the European Security and Defense Policy (ESDP). The ESDP encompasses humanitarian and rescue tasks, peacekeeping, and combat forces in crisis management, including peacemaking. The “headline goal” for the ESDP was the military Rapid Reaction Force of 60,000 troops, deployable within sixty days and sustainable in the field for one year. Use of the Rapid Reaction Mechanism came with an EU Police Mission in Bosnia and Herzegovina (EUPM), an EU Military Operation in FYROM (the Former Yugoslav Republic of Macedonia) (Concordia), and then an EU Military Operation in Congo-Brazzaville (Artemis).

The Treaty of Nice amended Article 17 of the Treaty on European Union by removing the provisions defining the relations between the Union and the WEU. In addition, the political and security committee (“PSC,” a new designation of the political committee) may be authorized by the Council, in order to manage a crisis and for the duration of that crisis, to itself make the appropriate decisions under the second pillar in order to ensure the political control and strategic leadership of the crisis management operation.

For security operations where NATO as a whole is not engaged, the EU will use NATO assets or the separate military assets of EU member states. For the EU member states concerned, NATO remains the basis for collective defense of its members. Institutional mechanisms have been established to provide for close EU consultations with NATO. Institutional arrangements for ESDP include:

- A Political and Security Committee (COPS) to assist the Council in the monitoring of the international situation, propose policy opinions, monitor the implementation of agreed policies, and—if authorized by the Council in order to manage a crisis and for the duration of that crisis—to itself make appropriate decisions under the second pillar in order to ensure the political control and strategic leadership of the crisis management operation;
- A military body composed of member state chiefs of defense staff or their representatives;
- An EU satellite center;
- Military staff and a military committee, drawn from member state service personnel; and
- An Institute for Security Studies.

The Commission, under the responsibility of the Council, assumes political control and strategic direction of crisis management operations.

Please see [http://ue.eu.int/solana/securityStrategy.asp](http://ue.eu.int/solana/securityStrategy.asp) for more information.

Leadership in the Global Economy

The EU has always been a strong advocate of free trade. EU customs duties on industrialized goods are among the lowest in the world. The EU's capacity to play a leadership role in global negotiations to liberalize world trade over the last thirty years has been crucially shaped by its common commercial policy. The Treaty of Rome required member states to adopt common tariffs, liberalization, export promotion, and trade policies. They have had to speak with one voice
during all of the most important developments in international trade over the last thirty years. Other countries have listened.

**World Trade Organization (WTO):** The EU negotiated a series of trade packages under the General Agreement on Tariffs and Trade’s (GATT’s) Uruguay Round, implemented in 1995 and including the creation of the WTO. Following the “battle in Seattle” in 2000, Trade Commissioner Pascal Lamy steadfastly pursued the launch of a comprehensive new round of liberalization talks to recognize the concerns of developing countries and our own civil societies. At the WTO Ministerial meeting in Doha, Qatar, in November of 2001, this round became a reality. Commissioner Lamy at the time said, “The WTO is back on track and the train has left the station. We’ll be travelling at speeds that take account of the diversity of the 142 passengers who’ve climbed aboard and we’ve committed the single undertaking to pulling into the station together…”

“In short, we have made major strides towards realising sustainable development; we have a proper balance between regulation and market access; and most of all, we have a negotiating equilibrium between systemic benefits to the WTO, EU interests, and the interests of developing countries.”

The EU has also taken a lead, along with the US, in helping to forge global agreements to liberalize telecommunications, financial services, and technology trade. The EU worked with other industrialized nations in the Group of 8 (G8) talks initiated in the 1970s, as well.

**Japan:** This relationship has been dominated for years by the Union's trade deficit with Tokyo. Japan exports to Europe almost 50 percent more than Europe exports to Japan. While keeping up pressure on Japan to remove nontariff barriers, the Union has also sought to deepen and extend cooperation beyond the field of trade. Cooperation now takes place across a wide range of areas, including science and technology, competition policy, development assistance, environmental policy, industrial policy, industrial cooperation, macroeconomic and financial affairs, and transport. The July 2002 EU-Japan summit addressed progress on the 2001 EU-Japan Action Plan and the strengthening of overall bilateral relations, including economic and trade relations, anti-terrorism efforts, sustainable development, and cooperation in multilateral settings.

**Canada:** Links between Europe and Canada have traditionally been close. Bilateral trade exceeded $90 billion in 2002, and the EU is the second most popular destination for Canadian foreign investment after the United States. In 1976, a commercial and economic agreement, the first with an industrialized country, established mechanisms for cooperation in areas such as trade, industry, and science. The Joint Political Declaration on EU-Canada Relations and Joint EU-Canada Action Plan adopted in December of 1996 address a broad range of bilateral and multilateral issues.
Cooperation with Developing and Newly Industrialized Countries

The EU is strongly committed to providing aid and technical assistance for economic development. The Union and its member states are now by far the largest aid donors in the world. Trade relations are characterized by the generalized system of preferences (GSP) under which developing countries are allowed duty-free exports of a large range of finished and semifinished goods to the Union. In 2001, a regulation commonly known as “everything but arms” amended the GSP legislation and extended duty-free access without any quantitative restrictions to products originating in the poorest developing countries.

**Africa, Caribbean, and Pacific:** The Cotonou Agreement, successor to the Lomé Conventions of the past several decades, links the EU to seventy-seven African, Caribbean, and Pacific (ACP) countries, which act as a group in a stable legal framework for development cooperation and dialogue. This newest agreement—which entered into force on April 1, 2003—is valid for twenty years, subject to revision every five years. Funding for the initial five-year period amounts to nearly $16 billion with which the Community will support ACP governments’ attempts to create a balanced macroeconomic context, expand the private sector, and improve both the quality and coverage of social services.

Under the Fourth Lomé Convention, aid from the EU and its member states approached $19 billion for 1996-2000 and amounted to $15 billion for 1990-1995. The previous system of trade preferences granted by the Community will be replaced gradually by a series of new economic partnerships based on the progressive and reciprocal removal of trade barriers. These agreements will be designed as part of a broader strategy to improve the ACP countries’ abilities to attract private investment. The Convention frees the ACP countries from customs duties on 94 percent of their exports to the EU, with no reciprocal concessions for EU exports to ACP countries. The arrangement has also set up systems for the stabilization of export earnings (STABEX) and the maintenance of ACP countries’ mineral export potential (SYSMIN).

**Asia:** EU policy is embodied in a set of recommendations intended to stimulate a more coordinated, proactive strategy, published by the Commission under the title *Towards a New Asia Policy* and endorsed by the European Council at Essen in December 1994. A September 2001 follow-up report entitled *Europe and Asia: a Strategic Framework for Enhanced Partnerships* proposes strengthening the EU’s political and economic presence in Asia through specific objectives:
• Contribute to the region’s (and global) peace and security by broadening EU engagement with the region;

• Further strengthen mutual trade and investment flows with the region;

• Promote the development of the region’s less prosperous countries, addressing the root causes of poverty;

• Contribute to the protection of human rights and to the spreading of democracy, good governance, and the rule of law;

• Build global partnerships and alliances with Asian countries in appropriate international fora to help address both the challenges and opportunities of globalization and to strengthen joint efforts on global environmental and security issues;

• Help strengthen awareness of Asia in Europe and vice versa.

Asia as a whole accounts for 23.2 percent of the EU’s exports, compared to 28 percent for NAFTA. A significant share of EU foreign investment flows to Asia, while certain Asian countries are important investors in the EU. The EU was at the forefront of international efforts to resolve the Asian financial crisis, and Europe's role has increased since the launch of the euro in 1999.

ASEM (Asia-Europe Meeting) summits are held biennially: ASEM 1, Bangkok in March 1996; ASEM 2, London in April 1998; ASEM 3, Seoul in October 2000; ASEM 4, Copenhagen in September 2002.

ASEAN (Association of Southeast Asian Nations): The EU is ASEAN's second largest export market and third largest trading partner after Japan and the US. Through the ASEAN Regional Forum established in 1994, the EU and other dialogue partners join the ten members of the Association of Southeast Asian Nations in constructive exchange on political and security issues in the Asia-Pacific region. The tenth ASEAN Regional Forum Ministerial Meeting: Phnom Penh, June 18, 2003.

China: The EU's China strategy is laid out in Building a Comprehensive Partnership with China, a Commission proposal endorsed by the EU's then-fifteen governments in June 1998. It emphasizes the importance of engaging China, a relatively new WTO member, further through an upgraded political dialogue and advocates the gradual integration of China into the world economy, together with the promotion of democracy, the rule of law, and human rights.

Reconstructing Afghanistan: Following overthrow of the Taliban, the overall aim of EU aid to Afghanistan has been: to promote stability; to reduce poverty – in particular through the promotion of rural recovery, where over 80% of the population live; to improve the availability and access to food, countering the chronic food insecurity that has resulted from drought and war, as well as providing alternatives to poppy production; to help tackle key cross-cutting issues that are critical to Afghanistan’s future including de-mining, the sustainable return of refugees, the role of women, and reducing opium poppy production. From September 11, 2001 to the end of 2001, the EU contributed some $60 million in aid; in 2002, EU aid totaled $194.75 million; for 2003-2004, the EU committed $400 million for reconstruction and recovery and an additional $55 million for humanitarian aid.

Iraq: During the war in Iraq, the EU committed approximately $21 million in humanitarian aid. To monitor the situation in Iraq, please go to: http://europa.eu.int/comm/world/iraqisl/.

Latin and Central America: The EU is a leading trading partner and source of development aid to Latin and Central America. Taking 20 percent of the region's exports, it has trade and
economic cooperation agreements with several Latin and Central American countries and has instituted political dialogues to promote democracy, peace, and economic development in Central and South America. The EU is currently negotiating free trade agreements with the countries of MERCOSUR (Argentina, Brazil, Paraguay, and Uruguay). In 2001, EU imports from MERCOSUR totaled $22.1 billion versus $17.7 billion for the US, while EU exports to MERCOSUR totaled $21.9 billion, versus $20.6 billion for the US.

Negotiations on a Political Dialogue and Cooperation Agreement between the Andean Community (Bolivia, Colombia, Ecuador, Peru and Venezuela, with observer Panama) and the EU have been opened. An Association Agreement with Chile was signed on November 18, 2002.

In 1984 the EU and Central American countries set up the San José Dialogue at a ministerial meeting in Costa Rica. Essentially a forum for political discussion, the purpose of the dialogue was to support progress towards democratization and progress in the various Latin American peace processes. Since then ministerial meetings of the San José Group have taken place on an annual basis and the forum has been extended to other fields of political co-operation, as enshrined in the EU-Central America Framework Co-operation Agreement (1993). The EU also strongly supports the progressive creation of the CACM (Central America Common Market) initiated in 1993 between all Central American countries. At the May 2003 San José ministerial, negotiations for a Political Dialogue and Co-operation Agreement were opened.

The Economic Partnership, Political Coordination, and Cooperation Agreement between the EU and Mexico entered into force October 1, 2000. This comprehensive agreement institutionalizes a regular political dialogue at the highest level and extends bilateral cooperation that existed in the 1991 Framework Agreement. The centerpiece of the EU-Mexico economic relationship is a free trade area in goods and services.

In June 1999, the first Rio Summit brought together leaders from the EU, Latin America, and the Caribbean for the creation of a new political dialogue, strengthening of economic and trade ties, and cooperation on cultural, education, and human rights issues within Latin America and the Caribbean. These efforts were reinforced by the Madrid Summit, May 16-18, 2002.

The EU is the leading donor of development assistance to Latin America, providing approximately $450 million annually in grant aid or 55 percent of all development aid to Latin America. The EU has also actively supported the peace process in Colombia.
EU-UN Relations

In addition to the active participation of the EU member states, the European Union has been a permanent observer at the United Nations since the mid-1970s. Both organizations share common goals in encouraging international peace and humanitarian development. The EU has joined the UN in a number of programs promoting international peace and security; developing stronger relations among nations; and cooperating in solving international, economic, social, cultural, human rights, trade, and humanitarian problems. As with the transatlantic partnership, the EU-UN relationship will become increasingly important as the result of the EU’s political development.

The EU contributes to the entire spectrum of UN programs, including development policy, peacemaking, humanitarian assistance, environment, human rights, and culture. The EU member states are the largest financial contributor to the UN system, paying about 37 percent of the UN’s regular budget, compared to the 23 percent paid by the United States. The EU contributes 40 percent to UN peacekeeping operations and 50 percent to UN funds and operations.

The EU continues to develop new capabilities to enable it to support the UN more effectively in its mission. One is the Rapid Reaction Force of 60,000 troops. This allows the EU to assist the UN better in peacekeeping operations, crisis management, and conflict prevention. Use of the Rapid Reaction Mechanism came with an EU Police Mission in Bosnia and Herzegovina (EUPM), an EU Military Operation in FYROM (the Former Yugoslav Republic of Macedonia) (Concordia), and then an EU Military Operation in Congo-Brazzaville (Artemis). Another goal enhancing EU-UN relationships in the area of development and humanitarian affairs, building on the EU’s close relationship with the seventy-seven African, Caribbean, and Pacific (ACP) countries. The EU’s “everything but arms” initiative also provides duty-free access for the products (except arms) of the least developed countries.

For additional information, please see: [http://europa.eu.int/comm/world/](http://europa.eu.int/comm/world/).
Milestones on the Road to European Integration

May 9, 1950
Robert Schuman proposes pooling Europe's coal and steel industries.

April 18, 1951
European Coal and Steel Community (ECSC) Treaty signed in Paris.

March 25, 1957
European Economic Community (EEC) and European Atomic Energy Community (EURATOM) Treaties signed in Rome.

April 8, 1965
Treaty merging the institutions of the three European Communities signed.

July 1, 1968
Customs union completed eighteen months early.

January 1, 1973
Denmark, Ireland, and the United Kingdom join the Community.

February 28, 1975
First Lomé Convention with African, Caribbean, and Pacific (ACP) countries signed.

March 13, 1979
European Monetary System (EMS) becomes operational.

January 1, 1981
Greece joins the European Community.

June 29, 1985

January 1, 1986
Spain and Portugal join the Community.

July 1, 1987
Single欧洲 Act (SEA) enters into force.

June 26-27, 1989
Madrid European Council endorses plan for Economic and Monetary Union (EMU).

October 3, 1990
The five Länder of the former German Democratic Republic enter the Community as part of a united Germany.

October 21, 1991
European Community and European Free Trade Association (EFTA) agree to form the European Economic Area (EEA).

December 11, 1991
Maastricht European Council agrees on Treaty on European Union.

December 16, 1991
Poland, Hungary, and Czechoslovakia sign first Europe Agreements on trade and political cooperation.

January 1, 1993
European single market is achieved on time.

November 1, 1993
Treaty on European Union (Maastricht Treaty) enters into force after ratification by the member states.

January 1, 1995
Austria, Finland, and Sweden join the European Union.

June 17, 1997
Treaty of Amsterdam is concluded.

March 12, 1998
European conference in London launches Europe-wide consultations on issues related to Common Foreign and Security Policy (CFSP) and Justice and Home Affairs (JHA).

March 30-31, 1998
EU opens membership negotiations with Cyprus, Czech Republic, Estonia, Hungary, Poland, and Slovenia.

May 2, 1998
Eleven EU member states qualify to launch the euro on January 1, 1999.

June 1, 1998
European Central Bank (ECB) inaugurated in Frankfurt, Germany.

January 1, 1999
EMU and euro launched in eleven EU countries.

May 1, 1999
Treaty of Amsterdam enters into force.

September 15, 1999
European Parliament approves new European Commission led by Romano Prodi.

December 10-11, 1999
European Council meeting in Helsinki decides to open accession negotiations with Bulgaria, Latvia, Lithuania, Malta, Romania, and the Slovak Republic and to recognize Turkey as a candidate country.

June 23, 2000
A new partnership agreement (2000-2020) between the EU and the ACP countries is signed in Cotonou, Benin.

December 7 – 11, 2000
European Council agrees on Treaty of Nice (to be ratified by all member states).
EU leaders formally proclaim the Charter of Fundamental Rights of the European Union.

January 1, 2001
Greece joins the euro area.

February 26, 2001
Regulation adopted establishing the Rapid Reaction Force.

January – February 2002
The euro becomes legal tender and permanently replaces national currencies in EMU countries.

December 12 – 13, 2002
Copenhagen European Council declares that Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovak Republic, and Slovenia will become EU members by May 1, 2004.

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

April 16, 2003
Treaty of Accession (2003) is signed in Athens.

May 1, 2004
Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovak Republic, and Slovenia become EU member states.
Websites, Publications, and Other Information Sources

- Overview of Information Resources
- Offices of the European Commission in the United States
- Bernan: Official US distributor of EU publications and subscriptions
- European Document Research: Sales agent for legislative documents
- European Union Studies Association: US organization for the study of the EU
- Network of European Union Centers
- Teaching Resources for the EU
- A to Z Index of EU Websites
- Free EU Publications
- Free EU Educational Videos
Agencies and Other Bodies
(http://europa.eu.int/agencies/index_en.htm)

Committee of European Securities Regulators (CESR)
17 place de la Bourse
F - 75082 Paris Cédex 02, France
(33) 1-53-45-63-61 Fax (33) 1-53-45-63-60
E-mail: secretariat@europefesco.org

Committee of the Regions (COR) (http://www.cor.eu.int/en/index.html)
Rue Montoyer, 92 - 102
B-1000 Brussels, Belgium
(322) 282-2211 Fax (322) 282-2325
E-mail: Info@cor.eu.int

Community Plant Variety Office (CPVO) (http://www.cpvo.eu.int/)
P. O. Box 2141
F-49021 Angers Cédex 02, France
(33) 2-41-25-64-00 Fax (33) 2-41-25-64-10
E-mail: cpvo@cpvo.eu.int

ECHO - Humanitarian Aid Office (http://europa.eu.int/comm/echo/index_en.htm)
Rue de la Loi, 200
B-1049 Brussels, Belgium
(322) 299-1111 Fax (322) 295-4544
E-mail: Echo-Helpdesk@cec.eu.int

EUROJUST (http://www.eurojust.eu.int/)
Maanweg 174
N-2516 AB The Hague, Netherlands
(3170) 412-5000 (Fax) (3170) 412-5555
E-mail: info@eurojust.eu.int

European Agency for Reconstruction (EAR) (http://www.ear.eu.int/)
Egnatia 4
Thessaloniki 54626, Greece
(30) 31 505 100 Fax (30) 31 505 172
E-mail: info@ear.eu.int

European Agency for Safety and Health at Work (OSHA) (http://europe.osha.eu.int/)
Gran Vía 33
E-48009 Bilbao, Spain
(34) 94-479-43-60 Fax (34) 94-479-43-83
E-mail: information@osha.eu.int

European Agency for the Evaluation of Medicinal Products (EMEA) (http://www.emea.eu.int/)
7 Westferry Circus
Canary Wharf
London E14 4HB, United Kingdom
(44 20) 7418-8400 Fax (44 20) 7418-8416
E-mail: mail@emea.eu.int
European Aviation Safety Agency (EASA) (http://www.easa.eu.int)
rue de Genève 12
B-1140 Brussels – Evere, Belgium
Postal Address:
G-12 03/54
B-1049 Brussels, Belgium
Fax (322) 298-6649
E-mail: tren-easa-info@cec.eu.int

European Central Bank (ECB) (http://www.ecb.int/)
Kaiserstraße 29
D-60311 Frankfurt am Main
Postal address:
Postfach 16 03 19
D-60066 Frankfurt am Main, Germany
(49 69) 1344 0 Fax (49 69) 1344 6000
E-mail: info@ecb.int

European Center for the Development of Vocational Training (CEDEFOP) (http://www.cedefop.eu.int/)
Europe 123
GR-57001 Thessaloniki (Pylea),
Mailing Address:
P. O. Box 22427 – Thessaloniki
GR-55102 Thessaloniki, Greece
E-mail: info@cedefop.eu.int

European Court of Auditors (ECA) (http://www.eca.eu.int/index_en.htm)
12, rue Alcide de Gasperi
L-1615 Luxembourg
(352) 4398-45410 Fax (352) 4398-46430
E-mail: euraud@eca.eu.int

European Economic and Social Committee (ESC) (http://www.esc.eu.int/pages/en/home.asp)
Rue Ravenstein 2
B-1000 Brussels, Belgium
(32 2) 546-9011 Fax (32 2) 513-4893
E-mail: info@esc.eu.int

European Environment Agency (EEA) (http://www.eea.eu.int/)
Kongens Nytorv 6
D-1050 Copenhagen, Denmark
(45 33) 367 100 Fax (45 33) 367 199
E-mail: eea@eea.eu.int

European Food Safety Authority (EFSA) (http://www.efsa.eu.int/)
rue de Genève 10
B-1140 Brussels – Evère, Belgium
(322) 337-2110
E-mail: info@efsa.eu.int

European Foundation for the Improvement of Living and Working Conditions (E.FOUND) (http://www.eurofound.eu.int/)
Wyattville Road
County Dublin, Ireland
(353 1) 2043100 Fax (353 1) 2826456; (353 1) 2824209
E-mail: postmaster@eurofound.eu.int

**European Investment Bank (EIB)** ([http://www.eib.org/](http://www.eib.org/))
Information and Communications Department
100, boulevard Konrad Adenauer
L-2950 Luxembourg
(352) 4379-3122 Fax (352) 4379-3189
E-mail: info@eib.org

rue de Genève 12
B-1140 Brussels – Evere, Belgium
E-mail: tren-ems-info@cec.eu.int

Rua da Cruz de Santa Apolónia 23-25
PT-1149-045 Lisbon, Portugal
(351) 21-811-3000 Fax (351) 21-813-1711
E-mail: info@emcdda.org

**European Monitoring Center on Racism and Xenophobia (EUMC)** ([http://www.eumc.eu.int/](http://www.eumc.eu.int/))
Rahlgasse 3
A-1060 Vienna, Austria
(43-1) 580 30-0 Fax (43-1) 580 30-99
E-mail: office@eumc.eu.int

**European Network and Information Security Agency (ENISA)** ([http://www.enisa.eu.int/](http://www.enisa.eu.int/))
Permanent location: Greece
Temporary contact information:
European Commission
Office: BU33 02/56
Information Society Directorate General/A
B-1049 Brussels, Belgium
(322) 296-8111 or (322) 296-3344 Fax (322) 296-8363
E-mail: ENISA-info@cec.eu.int

**European Ombudsman** ([http://www.europarl.eu.int/ombudsman/home/en/default.htm](http://www.europarl.eu.int/ombudsman/home/en/default.htm))
1 avenue du Président Robert Schuman
B. P. 403
F-67001 Strasbourg Cédex, France
(33) 3 88 17 40 01 Fax (33) 3 88 17 90 62
E-mail: euro-ombudsman@europarl.eu.int

**European Police Office (EUROPOL)** ([http://www.europol.eu.int/index.asp](http://www.europol.eu.int/index.asp))
Raamweg 47
The Hague,
Postal Address:
P. O. Box 90850
NL-2509 LW The Hague, Netherlands
European Training Foundation (ETF) (http://www.etf.eu.int/etfweb.nsf/)
Villa Gualino
viale Settimo Severo 65
I-10133 Turin, Italy
(39 11) 630-2222 Fax (39 11) 630-2200
E-mail: info@etf.eu.int

European Union Institute for Security Studies (EUISS) (http://www.iss-eu.org/)
43 Avenue du Président Wilson
F-75775 Paris, Cédex, France
(33) 5689-1930 Fax (33) 5689-1931
E-mail: institute@iss-eu.org

European Union Satellite Centre (EUSC) (http://www.eusc.org)
Apdo. de Correos, 511
Torrejón de Ardoz
E-28850 Madrid, Spain
(34) 91 678 6000 Fax (34) 91 678 60 06
E-mail: info@eusc.org

Food and Veterinary Office (FVO) (http://europa.eu.int/comm/food/fs/inspections/index_en.html)
Grange
Dunsany, County Meath, Ireland
(353-46) 617 00 Fax: (353-46) 618 79
E-mail: Sanco-Fvo-Helpdesk@cec.eu.int

Office for Harmonization in the Internal Market (OHIM) (http://www.oami.eu.int/)
Avenida de Europa, 4
Apartado de Correos 77
E-03080 Alicante, Spain
(34) 965-139-100 Fax (34) 965-139-173
E-mail: information@oami.eu.int

Translation Center for Bodies in the European Union (CDT)
(http://www.cdt.eu.int/)
Bâtiment Nouvel Hémicycle
1 rue du Fort Thüngen
L-1499 Luxembourg Kirchberg
(352) 42-17-11-1 Fax (352) 42-17-11-220
E-mail: cdt@cdt.eu.int
Euro Quiz

Now that you've read our guide from cover to cover, or byte to byte, try your hand at the Euro Quiz.
The correct answers appear below.

1. Who is the President of the European Commission?
   a. Romano Prodi
   b. Jacques Delors
   c. Martti Ahtisaari
   d. Jacques Chirac

2. Who was named the first President of the European Central Bank?
   a. Alan Greenspan
   b. Wim Duisenberg
   c. Jean Monnet
   d. Claude Monet

3. The European Parliament now may have how many members under the Treaty of Nice?
   a. 435
   b. 270
   c. 732
   d. 586

4. How many Commissioners are there until the 2004 elections?
   a. 15
   b. 20
   c. 25
   d. 30

5. Which country was not eligible for the 2003/2004 accession?
   a. Slovenia
   b. Poland
   c. Estonia
   d. Ukraine

6. What does QMV stand for?
   a. Quotient Mathematical Voting
   b. Qualified Majority Voting
   c. Qualified Minority Voting
   d. Quick Moving Vehicles

7. The euro area accounts for more than what percent of world GDP?
   a. 16 percent
   b. 21 percent
   c. 11 percent
   d. 26 percent

8. When did Switzerland join the EU?
   a. 1957
   b. 1973
   c. 1981
   d. never

9. Subsidiarity is the:
   a. process for regulating foreign subsidiaries in the EU
   b. principle for determining the purity and alcoholic content of beer
   c. principle of making decisions at the lowest practical level of government
   d. maximum level of residue permitted in red wine

10. Who is "Mr. CFSP"?
    a. Felipe Gonzalaz
    b. Javier Solana
    c. Jacques Cousteau
11. The Transatlantic Consumer Dialogue (TACD) is:
   a. a listserver that allows EU and US consumers to exchange ideas, opinions, and product warnings
   b. a consumer forum developing and agreeing on joint EU/US consumer policy recommendations
   c. an open forum held once a year at which EU and US officials announce consumer policy developments
   d. a videoconferencing and calling plan for US and EU consumers
   e. an EU/US soap opera

12. What is ECHO?
   a. EU policy on aircraft hush-kits
   b. European Chamber Orchestra (Berlin)
   c. EU Humanitarian Aid Office
   d. European Confederation of Horticulturists and Ornithologists

13. The United States and the European Union together account for more than:
   a. 15 percent of world trade
   b. 45.75 percent of world trade
   c. 65 percent of world trade
   d. 30 percent of world trade

14. The European Central Bank (ECB) is located in:
   a. London
   b. Frankfurt
   c. Berlin
   d. Florence

How do you rank?
- 11-14: Euro whiz
- 6-10: Euro conscious
- 0-5: Euro unconscious

         10.b 11.b 12.c 13.d 14.b
ANNEX

Acronyms and Abbreviations
(http://europa.eu.int/eurodicautom/login.jsp)

ACP-African, Caribbean and Pacific countries
ASEAN-Association of Southeast Asian Nations
ASEM-Asia-Europe Meeting
CACM-Central American Common Market
CAP-Common Agricultural Policy
CARDS-Community Assistance for Reconstruction Development and Stabilization
CCP-Common Commercial Policy
CDT-Translation Centre for the Bodies of the European Union
CE 10-Ten Central and East European EU applicant countries
CEDEFOP-European Center for the Development of Vocational Training
CESR-Committee of European Securities Regulators
CFSP-Common Foreign and Security Policy
COPS-Political and Security Committee
COR-Committee of the Regions
COREPER-Council's Committee of Permanent Representatives
CPVO-Community Plant Variety Office
DG-Directorate-General
EAEC-European Atomic Energy Community (also EURATOM)
EAGGF-European Agricultural Guidance and Guarantee Fund
EAR-European Agency for Reconstruction
EASA-European Aviation Safety Agency
EC-European Community
ECA-European Court of Auditors
ECB-European Central Bank
ECHO-Humanitarian Aid Office
ECJ-European Court of Justice
ECOFIN-Economic and Finance Council
ECSC-European Coal and Steel Community
ECU-European Currency Unit, replaced by the euro
EDC-European Defense Community
EEA-European Economic Area
EEA-European Environment Agency
EEC-European Economic Community
E.FOUND-European Foundation for the Improvement of Living and Working Conditions
EFSA-European Food Safety Authority
EFTA-European Free Trade Association
EIB-European Investment Bank
EITO-European Information Technology Observatory
EJN-European Judicial Network
EMCDDA-European Monitoring Center for Drugs and Drug Addiction
EMEA-European Agency for the Evaluation of Medicinal Products
EMSA-European Maritime Safety Agency
EMI-European Monetary Institute
EMS-European Monetary System
EMU-Economic and Monetary Union
ENISA-European Network and Information Security Agency
EPC-European Political Cooperation
EP-European Parliament
ERDF-European Regional Development Fund
ERM—Exchange Rate Mechanism
ESC—European Economic and Social Committee
ESCB—European System of Central Banks
ESDP—European Security and Defense Policy
ESF—European Social Fund
ETF—European Training Foundation
EU—European Union
EUISS—European Union Institute for Security Studies
EUMC—European Monitoring Center on Racism and Xenophobia
EUPM—European Union Police Mission
EUR—The euro
EURATOM—European Atomic Energy Community (also EAEC)
EUREKA—Cooperation between European firms and research institutes in the field of advanced technologies
EUROPOL—European Police Office
EUSC—European Union Satellite Centre
FIFG—Financial Instrument for Fisheries Guidance
FRY—Federal Republic of Yugoslavia
FSC—Foreign Sales Corporations
FVO—Food and Veterinary Office
FYROM—Former Yugoslav Republic of Macedonia
G7 or G8—Group of seven or eight major industrialized democracies
GATT—General Agreement on Tariffs and Trade
GCC—Gulf Cooperation Council
GDP—Gross Domestic Product
GMO—Genetically Modified Organism
GSP—Generalized System of Preferences
IGC—Intergovernmental Conference
ISO—International Standards Organization
ILSA—Iran and Libya Sanctions Act
ISPA—Instrument for Structural Policies for Pre-accession Programs
JHA—Justice and Home Affairs
JRC—Joint Research Center
KEDO—Korean Energy Development Organization
MEP—Member of the European Parliament
MERCOSUR—Argentina, Brazil, Paraguay, and Uruguay
MRA—Mutual Recognition Agreement
NAFTA—North American Free Trade Agreement
NATO—North Atlantic Treaty Organization
NTA—New Transatlantic Agenda
OBNOVA—Emergency support program for the western Balkans, replaced by CARDS
OHIM—Office of Harmonization in the Internal Market
OSHA—Occupational Safety and Health Administration (European Agency for Safety and Health at Work)
PCA—Partnership and Cooperation Agreement
PHARE—Originally: Action Plan for Coordinated Aid to Poland and Hungary for Economic Reconstruction; now: a pre-accession instrument to assist the Central European applicant countries
QMV—Qualified Majority Voting
R&D—Research and Technological Development
SAA—Stabilization and Association Agreements
SAPARD—Special Accession Program for Agriculture and Rural Development
SEA—Single European Act
SEE—Southeast Europe
STABEX—Stabilization of Export Earnings
SYSMIN—System for Safeguarding and Developing Mineral Production
TACD-Transatlantic Consumer Dialogue
TACIS-Technical Assistance to the Commonwealth of Independent States
TCAA-Transatlantic Common Aviation Area
TEMPUS-Trans-European Mobility Scheme for University Students
TEN-Trans-European Networks
TEP-Transatlantic Economic Partnership
UNMIK-United Nations Mission in Kosovo
WEU-Western European Union
WTO-World Trade Organization

Directorates-General and Responsible European Commissioners
(http://europa.eu.int/comm/dgs_en.htm)

Secretariat-General-Romano Prodi, President, European Commission
Agriculture-Franz Fischler
Budget-Michaele Schreyer
Competition-Mario Monti
Development-Poul Nielson
Economic and Financial Affairs-Pedro Solbes Mira
Education and Culture-Viviane Reding
Employment and Social Affairs-Anna Diamantopoulou
Energy and Transport-Loyola de Palacio del Valle-Lersundi, Vice President, European Commission
Enlargement-Günter Verheugen
Enterprise-Erkki Liikanen
Environment-Margot Wallström
European Parliament Relations-Loyola de Palacio del Valle-Lersundi
External Relations-Chris Patten
Finance Control-Michaele Schreyer
Fisheries-Franz Fischler
Health and Consumer Protection-David Byrne
Humanitarian Aid-Poul Nielson
Information Society-Erkki Liikanen
Internal Market-Frits Bolkestein
Joint Research Centre-Philippe Busquin
Justice and Home Affairs-Antonio Vitorino
Personnel and Administration-Neil Kinnock, Vice President, European Commission
Regional Policy-Michel Barnier
Research-Philippe Busquin
Rural Development-Franz Fischler
Taxation and Customs Union-Frits Bolkestein
Trade-Pascal Lamy