

## **Jean Monnet Centre of Excellence for EU-Australia Economic Cooperation**

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### **The EU and Trade**

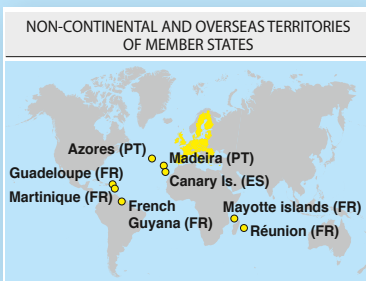
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# The European Union

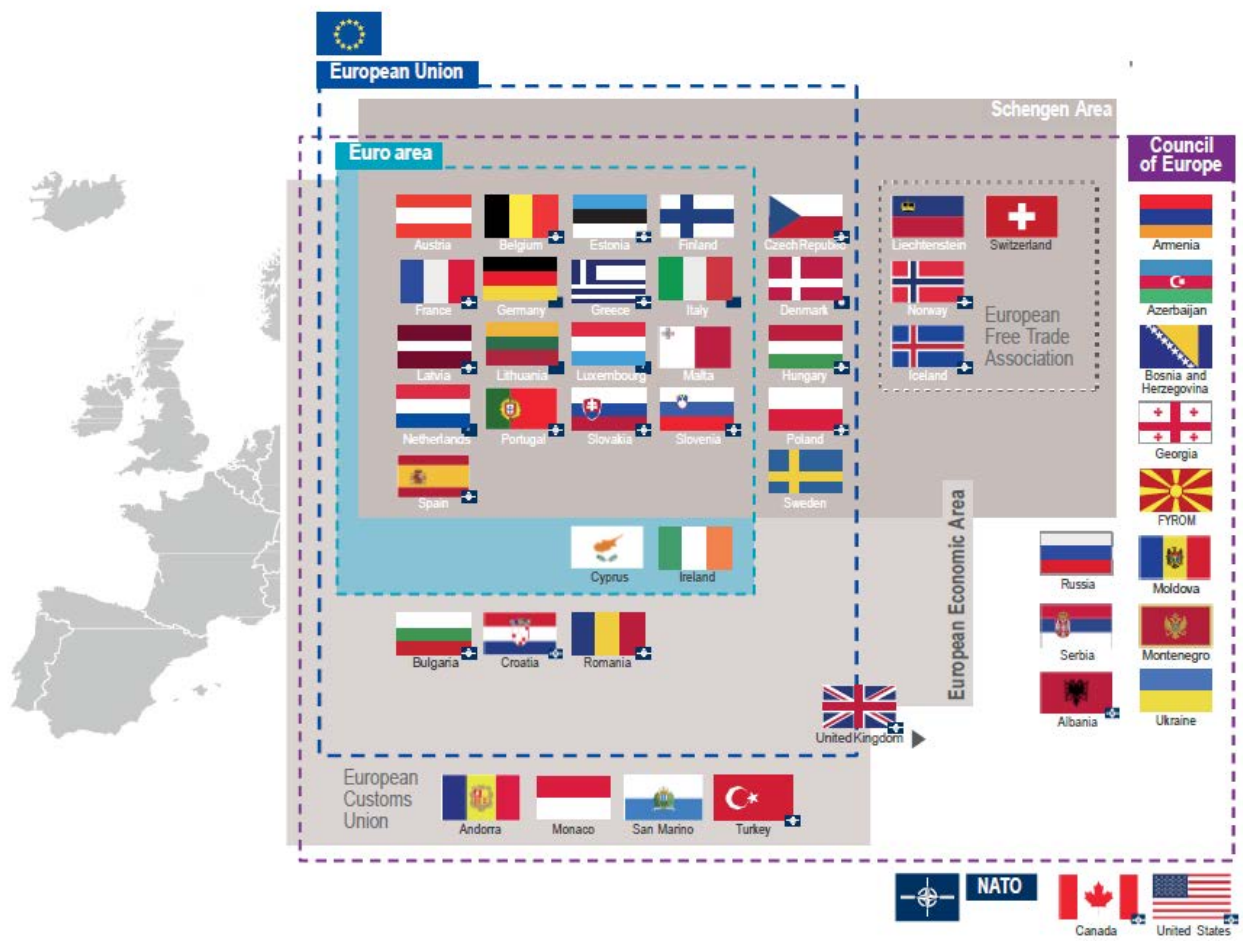


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## Europe today



# **The European Union**

**This section is an abridged and edited version of a longer package prepared by the European Commission. The full package can be found at <http://bookshop.europa.eu/en/how-the-european-union-works-pbNA0414810/>. Physical copies can also be found at the ANU Centre for European Studies. Further information on specific topic areas, such as trade or agriculture, can be found at [https://europa.eu/european-union/topics\\_en](https://europa.eu/european-union/topics_en).**

## **The EU treaties**

Every action taken by the EU is founded on treaties that have been approved voluntarily and democratically by all EU countries. The treaties are negotiated and agreed by all the EU Member States and then ratified by their parliaments or by referendum. The treaties lay down the objectives of the European Union, the rules for EU institutions, how decisions are made and the relationship between the EU and its Member States. They have been amended each time new Member States have joined. From time to time, they have also been amended to reform the European Union's institutions and to give it new areas of responsibility.

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

The Treaty on Stability, Coordination and Governance in the Economic and Monetary Union is an intergovernmental treaty which was signed by all EU Member States except the Czech Republic and the United Kingdom in March 2012 and entered into force on 1 January 2013 in all Member States which completed the ratification process. It is not an EU treaty, but an intergovernmental treaty and the intention is to bring it into EU law eventually. It is designed to foster budgetary discipline, strengthen the coordination of economic policies and to improve the governance of the euro area. At present 17 EU countries use the euro as their currency

## **Who takes the decisions?**

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

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

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

## **What types of legislation are there?**

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

- A regulation is a law that is applicable and binding in all Member States directly. It does not need to be passed into national law by the Member States although national laws may need to be changed to avoid conflicting with the regulation.
- A directive is a law that binds the Member States, or a group of Member States, to achieve a particular objective. Usually, directives must be transposed into national law to become effective. Significantly, a directive specifies the result to be achieved: it is up to the Member States individually to decide how this is done.
- A decision can be addressed to Member States, groups of people, or even individuals. It is binding in its entirety. Decisions are used, for example, to rule on proposed mergers between companies.
- Recommendations and opinions have no binding force.

### **How is legislation passed?**

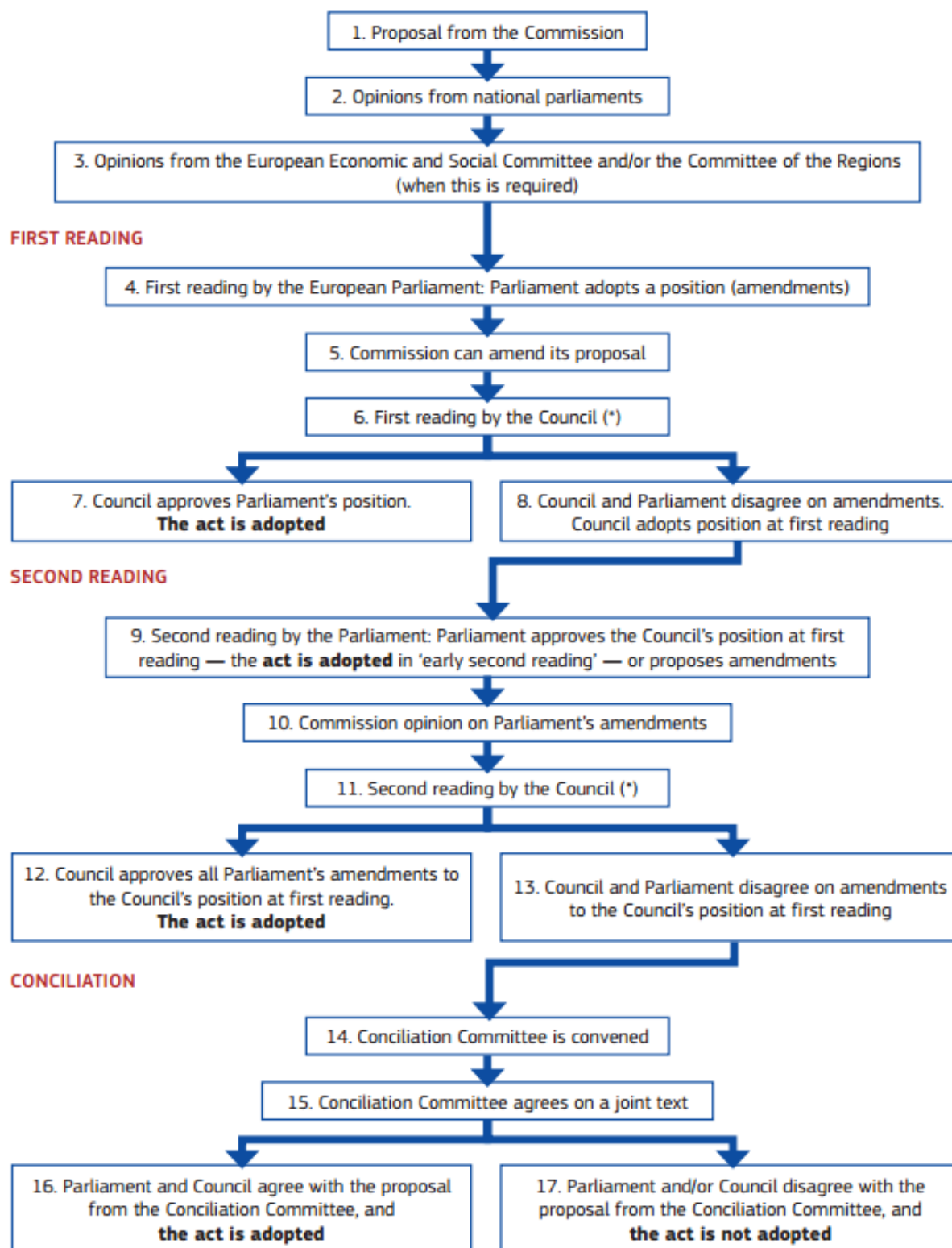
Every European law is based on a specific treaty article, referred to as the ‘legal basis’ of the legislation. This determines which legislative procedure must be followed. The treaty sets out the decision-making process, including Commission proposals, successive readings by the Council and Parliament,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

### **The Ordinary Legislative procedure**

The procedure begins with the Commission. When considering launching a proposal for action, the Commission often invites views on the topic from governments, business, civil society organisations and individuals. The opinions collected feed into a Commission proposal that is presented to the Council and Parliament. The proposal may have been made at the invitation of the Council, the European Council, the Parliament or European citizens, or it may have been made on the Commission’s own initiative.

The Council and the Parliament each read and discuss the proposal. If no agreement is reached at the second reading, the proposal is put before a ‘conciliation committee’ comprising equal numbers of Council and Parliament representatives. Commission representatives also attend the committee meetings and contribute to the discussions. Once the committee has reached an agreement, the agreed text is then sent to Parliament and the Council for a third reading, so that it can finally be adopted as law. In most cases, the Parliament votes on proposals by simple majority and the Council by qualified majority voting, whereby each Member State has a certain number of votes in line with its size and population. In some cases, unanimous voting is required in the Council.





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

## Special procedures

Special legislative procedures are available depending on the subject of the proposal. In the Consultation Procedure, the Council is required to consult Parliament on a proposal from the Commission, but is not required to accept Parliament's advice. This procedure is only applicable in a few areas, such as internal market exemptions and competition law. In the Consent procedure, Parliament may accept or reject a proposal, but may not propose amendments. This procedure can be used when the proposal concerns the approval of an international treaty that has



been negotiated. In addition, there are limited cases where the Council and the Commission, or the Commission alone, can pass legislation.

### **Who is consulted, who can object?**

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

These bodies are:

- the European Economic and Social Committee, which represents civil society groups such as employers, trades unions and social interest groups;
- the Committee of the Regions, which ensures that the voice of local and regional government is heard.

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

### **Citizens' participation**

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

### **National oversight**

National parliaments receive draft legislative acts at the same time as the European Parliament and the Council. They can give their opinion to ensure that decisions are taken at the most appropriate level. EU actions are subject to the principle of subsidiarity — which means that, except in the areas where it has exclusive powers, the Union only acts where action will be more effective at EU level than at national level. National parliaments therefore monitor the correct application of this principle in EU decision-making.

### **What decisions are taken?**

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

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

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

### **Economic coordination**

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

- Monetary policy — which deals with price stability and interest rates — is managed independently by the European Central Bank (ECB) in the euro area, i.e. in those 17 countries which use the euro as their currency.
- Fiscal policy — which concerns decisions about taxation, spending and borrowing — is the responsibility of the 28 Member State governments. So are the policies about labour and welfare. However, as fiscal decisions taken by one euro area Member State can have an impact throughout the euro area, these decisions must conform to rules set at EU level. Therefore, the coordination of sound public finances and structural policies is necessary for the EMU to function effectively and to ensure stability and growth. In particular, the economic crisis that began in 2008 highlighted the need to strengthen economic governance in the EU and in the euro area, by means of inter alia closer policy coordination, monitoring and supervision.

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

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

### **The EU and foreign relations**

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

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

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

## The European Union Budget ([https://europa.eu/european-union/topics/budget\\_en](https://europa.eu/european-union/topics/budget_en))

The budget is known as the multiannual financial framework (MFF), and usually lasts seven years. The budget must always balance, as the EU cannot take debt. At the beginning of each new MFF period, all EU Member States must decide by consensus on the types and maximum amounts of own resources that the EU may raise during a year as well as on the method for calculating them. The own resources are of three types.

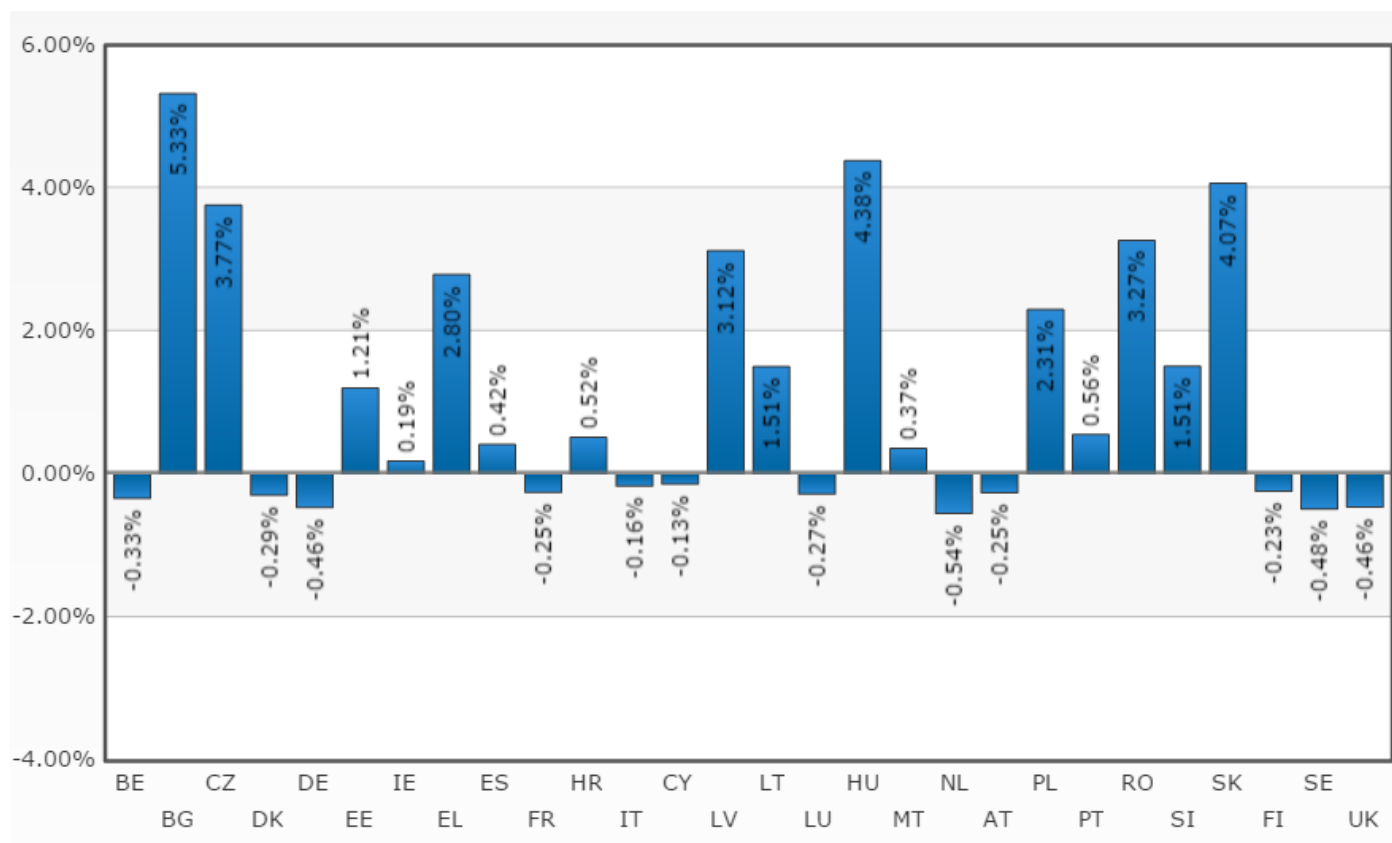
- Traditional own resources — these mainly consist of customs duties on imports from outside the EU and sugar levies. Member States keep a fixed percentage of the amounts as collection costs.
- Own resource based on value added tax (VAT) — this is a uniform rate of 0.3 % which is, with some exceptions, applied to Member States' harmonised VAT base.
- Own resource based on GNI — each Member State transfers a certain percentage of its wealth (expressed in GNI, in 2013 it was 0.84321 %) to the EU budget. Although designed as a balancing item, this system has become the largest source of revenue of the EU budget. It accounted for 73.8 % of total revenue in 2013.

Other sources of revenue (around 5.8 % in 2013) include tax and other deductions from EU staff remunerations, bank interest, contributions from non-EU countries to certain programmes, interest on late payments and fines.

### Net beneficiaries and contributors

Member States' operating budgetary balances are calculated based on data on the allocation of EU expenditure by Member State and on Member States' contributions to the EU budget. This accounting allocation is non-exhaustive and gives no indication of the many other benefits arising from EU policies such as those relating to the single market and economic integration, as well as political stability and security.

### Operating budgetary balance 2015 (% of GNI)



## **The Institutions**

### **The European Parliament** (<http://www.europarl.europa.eu/>)

Members of the European Parliament (MEPs) are directly elected by EU citizens to represent their interests. Elections are held every five years and some 380 million people are entitled to vote. The Parliament has 751 MEPs from all 28 Member States. The official seat of the European Parliament is in Strasbourg (France), although the institution has three places of work: Strasbourg, Brussels (Belgium) and Luxembourg. The main meetings of the whole Parliament, known as ‘plenary sessions’, take place in Strasbourg 12 times per year. Additional plenary sessions are held in Brussels. Committee meetings are also held in Brussels.

#### **Composition of the European Parliament**

The seats in the European Parliament are allocated among the Member States on the basis of their share of the EU population. The total number of MEPs is 751. Most MEPs are associated with a national political party in their home country. In the European Parliament the national parties group into EU-wide political groupings and most MEPs belong to one of these. For the composition of the Parliament, see

<http://www.europarl.europa.eu/meps/en/hemicycle.html> (updated regularly).

#### **What the European Parliament does**

The Parliament has three main roles.

##### **1. The Power to Legislate**

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

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

##### **2. The Power of Supervision**

Parliament exercises democratic supervision over the other European institutions. It does so in several ways. Firstly, when a new Commission is to be appointed, Parliament holds auditions of all the prospective new members and President of the Commission (nominated by the Member States). They cannot be appointed without Parliament’s approval. Furthermore, the Commission is politically answerable to Parliament, which can pass a ‘motion of censure’ calling for its mass resignation. More generally, Parliament exercises control by regularly examining reports sent to it by the Commission and asking written and oral questions. The Commissioners attend plenary sessions of Parliament

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

Parliament also monitors the work of the Council: MEPs regularly ask the Council written and oral questions, and the Council Presidency attends the plenary sessions and takes part in important debates. For some policy areas, which include common foreign and security policy, the Council alone is responsible for decision-making. But the Parliament nonetheless works closely with the Council in these areas. Parliament can also exercise democratic control by examining petitions from citizens and setting up special committees of inquiry. Finally, Parliament provides input to every EU summit (the European Council meetings). At the opening of each summit, the President of Parliament is invited to express Parliament's views and concerns about topical issues and the items on the European Council's agenda.

### **3. The Power of the Purse**

The EU's annual budget is decided jointly by Parliament and the Council of the European Union. Parliament debates it in two successive readings, and it does not come into force until it has been signed by the President of Parliament. Its Committee on Budgetary Control monitors how the budget is spent, and each year Parliament decides whether to approve the Commission's handling of the budget for the previous financial year. This approval process is technically known as 'granting a discharge'.

#### **How the Parliament works**

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

Parliament's work is divided into two main stages.

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

#### **The European Council** (<http://www.consilium.europa.eu/en/european-council/>)

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

#### **What the European Council does**

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

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

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

### **President of the European Council**

The work of the European Council is coordinated by its President, who is responsible for convening and chairing European Council meetings and driving forward its work. The European Council President also represents the Union to the outside world. Together with the High Representative of the Union for Foreign Affairs and Security Policy, he or she represents Union interests in foreign affairs and security matters. The President is elected by the European Council for a once-renewable term of two and a half years. The Presidency of the European Council is a full-time job; the President may not simultaneously hold a national office.

### **How the European Council takes its decisions**

The European Council takes most of its decisions by consensus. In a number of cases, however, qualified majority applies, such as the election of its President, and the appointment of the Commission and of the High Representative for Foreign Affairs and Security Policy. When the European Council decides by vote, only the Heads of State or Government may cast a vote.

### **Euro summit**

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

The meetings are an opportunity to discuss the governance of the euro area, as well as major economic policy reforms. The euro summit is formally established by the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (TSCG) that was signed by 25 Member States in 2012 and entered into force on 1 January 2013. The President of the euro summit is appointed by the Heads of State or Government of euro area members. The appointment takes place at the same time as that of the President of the European Council, and has the same duration. The two positions can be held by the same person.

In some cases, the leaders of the countries which have ratified the TSCG but do not use the euro as their currency also take part in euro summit discussions. When these countries are not eligible to participate, the President of the euro summit keeps them and the other EU Member States closely informed of the preparation and outcome of the summits.

### **A confusion of Councils: which is which?**

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

#### **► The European Council**

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

#### **► The Council**

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

#### **► The Council of Europe**

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

### **The Council** (<http://www.consilium.europa.eu/en/home/>)

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

### **What the Council does**

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

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

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

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



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

**The Council has five key responsibilities.**

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

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

**1. Legislation**

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

**2. Coordinating Policies of Member States**

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

**3. Common Foreign and Security Policy (CFSP)**

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

**4. Concluding International Agreements**

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

**5. Approving EU Budget**

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

**There are 10 different Council configurations. For a full list, see <http://www.consilium.europa.eu/en/council-eu/configurations/>**

## **How the Council works**

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

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

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

The role of Coreper is to prepare the work of the Council, with the exception of agricultural issues which are handled by the Special Committee on Agriculture. Coreper is assisted by a number of working groups made up of officials from the national administrations.

## **How many votes per country?**

Decisions in the Council are taken by vote. The Council decides by double majority voting, except where the treaties require a different procedure, e.g. a unanimous vote in the fields of taxation and foreign policy. Under double majority voting, proposed EU laws require a majority not only of the EU's member countries (55%) but also of the EU population (65%). This is accompanied by a mechanism whereby at least four Member States representing at least 35% of the EU population can block a decision. Where this mechanism is used, the Council is required to do everything in its power to reach a satisfactory solution within a reasonable time period.

## **General Secretariat of the Council**

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

## **The Eurogroup**

All Member States participate in Economic and Monetary Union (EMU), meaning they coordinate their economic policymaking and treat economic decisions as a matter of common concern to all. However, not all Member States have joined the euro area and adopted the single currency — the euro. Some have chosen not to join at present, while others are still preparing their economies to meet the criteria for euro area membership. Euro area Member States need to cooperate closely, and are also subject to the single monetary policy run by the European Central Bank. Therefore, the euro area Member States require a forum to discuss and decide on policies for the euro area. This cannot be the Economic and Financial Affairs Council (Ecofin) as this comprises all Member States. The solution is the Eurogroup, which consists of the ministers of economy and finance of the euro area members.

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

representing euro area members vote on Eurogroup matters. The Commissioner for Economic and Monetary Affairs and the President of the European Central Bank also attend Eurogroup meetings. The members of the Eurogroup elect a President for a term of two and a half years. The General Secretariat of the Council provides administrative support for Eurogroup meetings.

### **The common foreign and security policy (CFSP)**

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

Responsibilities for the CFSP are as follows.

- The European Council, chaired by the President, defines the common foreign and security policy taking into account the strategic interests of the Union, including matters with defence implications.
- The Council, in particular the Foreign Affairs Council, then takes the decisions needed to define and implement the CFSP following the European Council guidelines. The High Representative for Foreign Affairs and Security Policy chairs the meeting of the Foreign Affairs Council.
- The High Representative, together with the Member States, then puts the CFSP into effect, ensuring its implementation is consistent and effective. To do this, he or she can call on national and Union resources.

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

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

As well as driving forward the CFSP, the High Representative also represents the Union's foreign and security policy worldwide, conducting political dialogue with non-EU countries and partners and expressing the EU's position in international organisations and meetings. At the level of Heads of State or Government, the Union is represented by the President of the European Council.

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

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

### **The European Commission** ([http://ec.europa.eu/index\\_en.htm](http://ec.europa.eu/index_en.htm))

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

### **What is the Commission?**

The term 'Commission' is used in two senses. Firstly, it refers to the 'Members of the Commission' — i.e. the team of men and women appointed by the Member States and Parliament to run the institution and take its decisions. Secondly, the term 'Commission' refers to the institution itself and to its staff. Informally, the Members of the Commission are known as 'Commissioners'. They have all held political positions and many have been government ministers, but as members of the Commission they are committed to acting in the interests of the Union as a whole and not taking instructions from national governments. The Commission has several Vice-Presidents, one of whom is also the High Representative for Foreign Affairs and Security Policy and thus has a foot in both the Council and the Commission camps.

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

The day-to-day work of the Commission is done by its administrative officials, experts, translators, interpreters and secretarial staff. Commission officials — like the staff of other EU bodies — are recruited via the European Personnel Selection Office (EPSO): [europa.eu/epso](http://europa.eu/epso). They are citizens from every EU country, selected by means of open competitive examinations. There are approximately 33000 people working for the Commission. That may sound a lot, but in fact it is fewer than the number of staff employed by most medium-sized city councils in Europe.

### **What the Commission does**

The European Commission has four main roles:

#### **1. Proposing New Legislation**

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

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

The Commission will propose action at EU level only if it considers that a problem cannot be solved more efficiently by national, regional or local action. This principle of dealing with things at the lowest possible level is called the 'subsidiarity principle'. If, however, the Commission concludes that EU legislation is needed, then it drafts a proposal that it believes will deal with the problem effectively and satisfy the widest possible range of interests. In order to get the technical details correct, the Commission consults the experts who make up its various committees and expert groups.

## **2. Implementing EU Policies and Budget**

As the European Union's executive body, the Commission is responsible for managing and implementing the EU budget and the policies and programmes adopted by Parliament and the Council. Most of the actual work and spending is done by national and local authorities but the Commission is responsible for supervising it. The Commission handles the budget under the watchful eye of the Court of Auditors. Both institutions aim to ensure good financial management. Only if it is satisfied with the Court of Auditors' annual report does the European Parliament grant the Commission discharge for implementing the budget.

## **3. Enforcing European law**

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

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

## **4. Representing the EU on the International Stage**

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

## **How the Commission works**

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

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

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

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

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

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

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

### **The National Parliaments**

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

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

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

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

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

### **The Court of Justice** ([http://curia.europa.eu/jcms/jcms/j\\_6/en/](http://curia.europa.eu/jcms/jcms/j_6/en/))

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

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

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

### **What the Court does**

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

#### **1. The Preliminary Ruling**

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

#### **2. Infringement Proceedings**

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



### 3. Proceedings for Annulment

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

### 4. Proceedings for Failure to Act

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

### **How the Court works**

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

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

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

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

**The European Central Bank** (<http://www.ecb.europa.eu/home/html/index.en.html>)

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

### **What the ECB does**

The ECB was set up in 1998, when the euro was introduced, to manage monetary policy in the euro area. The primary objective of the ECB is to maintain price stability. This is defined as a consumer price inflation rate of less than, but close to, 2% per annum. The ECB also acts to support employment and sustainable economic growth in the Union. To carry out its lending operations, the ECB holds and manages the official foreign reserves of the euro area members. Other tasks include conducting foreign exchange operations, promoting efficient payment systems in support of the single market, approving the production of euro banknotes by the euro area members and collating relevant statistical data from the national central banks. The President of the ECB represents it at relevant high-level EU and international meetings.

### **How the ECB works**

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

- The General Council of the European System of Central Banks comprises the governors of the 28 national central banks, together with the ECB President and Vice-President.
- The Executive Board of the ECB consists of the President, the Vice-President and four other members — all appointed by the European Council, acting by a qualified majority, for eight-year terms of office. The Executive Board is responsible for implementing monetary policy, the bank's day-to-day operations and preparing Governing Council meetings as well as exercising certain powers delegated to it by the Governing Council.
- The Governing Council of the ECB comprises the six members of the ECB Executive Board and the Governors of the national central banks of the 17 euro area members: together they form the Eurosystem. The Governing Council is the main decision-taking body of the ECB and meets twice a month. As a rule, at its first meeting each month, the Governing Council assesses economic and monetary developments and takes its monthly monetary policy decisions. At its second meeting, the Council mainly discusses issues related to other tasks and responsibilities of the ECB.

For the current members of the Eurogroup, see [http://ec.europa.eu/economy\\_finance/euro/index\\_en.htm](http://ec.europa.eu/economy_finance/euro/index_en.htm)

### **Other**

Aside from these key institutions and mechanisms, the EU has several other important bodies, though their relevance is dependent on your area of expertise, work and interest. There is also a vast array of agencies that have been created

by the EU for a range of reasons, though generally to support the implementation of specific policies. A searchable list of these agencies can found at [https://europa.eu/european-union/about-eu/agencies\\_en](https://europa.eu/european-union/about-eu/agencies_en).

**The European Court of Auditors** - The European Court of Auditors (ECA) is the independent external audit institution of the European Union. It checks that the Union's income has been received correctly, that its expenditure has been incurred in a legal and regular manner, and that financial management has been sound. It performs its tasks independently from the other EU institutions and governments. (<http://www.eca.europa.eu/en/Pages/ecadefault.aspx>)

**The European Economic and Social Committee** - The European Economic and Social Committee (EESC) is an advisory body of the European Union. It is made up of representatives of organisations of employers, of the employed and of other civil society representatives, notably in socioeconomic, civic, professional and cultural areas. Representing the general interest, the Committee delivers opinions to the Commission, the Council and the European Parliament. The members of the EESC are not bound by any mandatory instructions and work in the Union's general interest. The EESC thus acts as a bridge between the aforementioned EU institutions and EU citizens, promoting a more participatory, more inclusive and therefore more democratic society in the European Union. (<http://www.eesc.europa.eu/?i=portal.en.home>)

**The Committee of the Regions** - The Committee of the Regions (CoR) is an advisory body composed of representatives of Europe's regional and local authorities. It gives the regions of Europe a say in EU policymaking and checks that regional and local identities, competences and needs are respected. The Council and the Commission must consult the CoR on matters that concern local and regional government, such as regional policy, the environment, education and transport. (<http://cor.europa.eu/en/Pages/home.aspx>)

**The European Ombudsman** - The European Ombudsman investigates complaints about cases of poor or failed administration (maladministration) by the EU institutions. The Ombudsman receives and investigates complaints from EU citizens, residents, businesses and institutions. (<http://www.ombudsman.europa.eu/en/home.faces>)

**The European Data Protection Supervisor** - In the course of their work, the European institutions may store and process personal information on EU citizens and residents in electronic, written or visual format. The European Data Protection Supervisor (EDPS) is charged with protecting this personal data and people's privacy, and with promoting good practice in this field among the EU institutions and bodies. (<https://secure.edps.europa.eu/EDPSWEB/edps/EDPS/cache/offonce?lang=en>)

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

INSTITUTION	MEMBERSHIP	FUNCTION
European Council	Leaders of the 28 member states	Makes broad policy decisions. Intergovernmental. Represents interests of member states
European Commission	Headed by 28-member College appointed by leaders of the member states. Divided into directorates-general and services staffed by career European bureaucrats	Develops proposals for new laws and policies. Supranational. Represents EU interests
Council of the EU	Government ministers from the member states, membership changing according to topics under review. Preparatory work undertaken by diplomatic representatives working in the Committee of Permanent Representatives (Coreper)	Makes final decisions on Commission proposals, in conjunction with Parliament. Intergovernmental. Represents interests of member states
European Parliament	751 representatives elected directly by European voters	Works with Council of Ministers on amending proposals. Supranational. Represents interests of EU citizens
European Commission		Oversees implementation of laws and policies, working through national bureaucracies
European Court of Justice	28 judges appointed to six-year renewable terms by the member states	Ensures conformity of national and EU laws with treaties. Supranational. Represents EU interests

Figure 4.2 *The institutional structure of the EU*

J. McCormick. "Understanding the European Union". 6<sup>th</sup> Edition. (Palgrave: NY, 2014)

On 26 July 2016, following the UK decision to relinquish the Council presidency in the second half of 2017, the Council decided to bring forward by six months the order of presidencies, starting from 1 July 2017. It also decided to add Croatia, which was not yet a member state at the time of the original decision, for the period January-June 2020.

Malta	January-June	2017
Estonia	July-December	2017
Bulgaria	January-June	2018
Austria	July-December	2018
Romania	January-June	2019
Finland	July-December	2019
Croatia	January-June	2020
Germany	July-December	2020
Portugal	January-June	2021
Slovenia	July-December	2021
France	January-June	2022
Czech Republic	July-December	2022
Sweden	January-June	2023
Spain	July-December	2023
Belgium	January-June	2024
Hungary	July-December	2024
Poland	January-June	2025
Denmark	July-December	2025
Cyprus	January-June	2026
Ireland	July-December	2026
Lithuania	January-June	2027
Greece	July-December	2027

# The EU and Trade

# **The European Union and Trade**

## **How the EU develops trade policy**

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

## **How free trade agreements are reached**

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

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

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

Source: <http://bookshop.europa.eu/en/trade-pbNA0216154/>

## **Useful sources for trade policy and issues**

The EU's trade policy website: <http://ec.europa.eu/trade/policy/>

For an explanation of EU trade policy, from the Commission's 'EU Explained' series: <http://bookshop.europa.eu/en/trade-pbNA0216154/>

For a regularly updated summary of the EU's ongoing trade negotiations: [http://trade.ec.europa.eu/doclib/docs/2006/december/tradoc\\_118238.pdf](http://trade.ec.europa.eu/doclib/docs/2006/december/tradoc_118238.pdf)

For the EU Commission's 2017 Communication on trade strategy (Australia is mentioned on 32, and the region is discussed from pages 31-32): [http://trade.ec.europa.eu/doclib/docs/2015/october/tradoc\\_153846.pdf](http://trade.ec.europa.eu/doclib/docs/2015/october/tradoc_153846.pdf)



The Trade Commissioner's guidelines:

[https://ec.europa.eu/commission/commissioners/sites/cwt/files/commissioner\\_mission\\_letters/malmstrom\\_en.pdf](https://ec.europa.eu/commission/commissioners/sites/cwt/files/commissioner_mission_letters/malmstrom_en.pdf)

The EU Commission's trade page on Australia: <http://ec.europa.eu/trade/policy/countries-and-regions/countries/australia/>

## **The EU and the WTO**

The WTO has 162 members composed of governments and customs territories. It is a member-driven organisation with decisions mainly taken on a consensus basis. The European Commission negotiates at the World Trade Organisation on behalf of all EU Member States. The 28 therefore speak with one voice for WTO purposes. Every EU country is a WTO member in its own right but the countries work together to act and vote as a single block. The EU itself is also a member.

The Commission (the Trade Commissioner) represents the EU in the WTO General Council. The Commission also represents the EU in the other formations of the General Council which meet on a regular basis, such as the Dispute Settlement Body or the Trade Policy Review Body, and subsidiary WTO bodies such as the Council for Trade in Goods or the Committee for Trade and the Environment.

The Commission coordinates with the EU Member States through the Trade Policy Committee and conducts EU policy following guidelines set down by the Member States in the Council of Ministers. The Commission also regularly informs the European Parliament of key WTO issues by reporting to the International Trade Committee (INTA). When an agreement is negotiated at the WTO, the Commission needs the formal authorisation of the Council and European Parliament to sign the agreement on behalf of the EU. The Commission also consults with other interested groups in the formulation of policy.

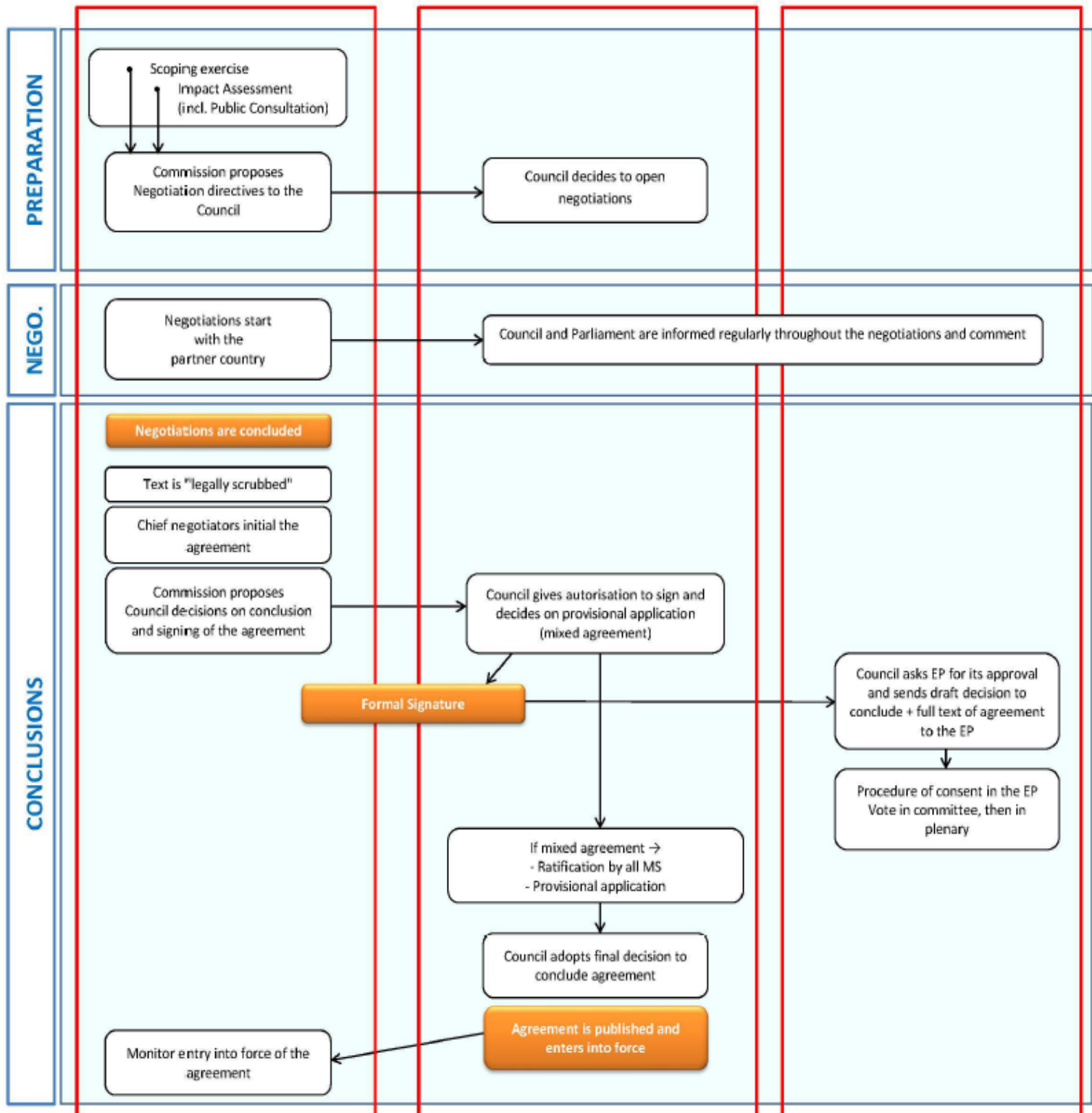
The EU's stated objectives for the Doha Round were: lowering tariffs on industrial goods in developed and emerging economies; further liberalisation of subsidies; reform of agricultural protectionism in line with Common Agricultural Policy reform; new market access opportunities in services trade; a new global package of aid for trade; enhanced global rules in a range of areas; and improved protection of geographical indications.

Particularly since the Global Europe trade strategy was agreed (2007) the EU has pursued bilateral trade agreements with key trade partners.

Sources and further information:

<http://ec.europa.eu/trade/creating-opportunities/eu-and-wto/working-with-the-wto/>  
[http://www.eeas.europa.eu/delegations/wto/eu\\_wto/index\\_en.htm](http://www.eeas.europa.eu/delegations/wto/eu_wto/index_en.htm)  
<http://ec.europa.eu/trade/creating-opportunities/eu-and-wto/doha/>  
[http://trade.ec.europa.eu/doclib/docs/2013/april/tradoc\\_150988.pdf](http://trade.ec.europa.eu/doclib/docs/2013/april/tradoc_150988.pdf)

## How the EU negotiates an FTA



## What did the Lisbon Treaty change?

The Lisbon treaty introduced 3 main changes in trade policy:

### Greater powers for the European Parliament

Parliament's powers have increased significantly – it is now co-legislator with the Council on trade matters:

- All basic EU trade legislation (on e.g. anti-dumping, trade preferences) must pass through the Parliament (the "ordinary legislative procedure") before being adopted or amended by the Council.
- All trade agreements must be approved by Parliament to be ratified.
- Status of trade negotiations – the Commission must transmit documents and report regularly on this to the European Parliament (*a degree of parliamentary scrutiny unparalleled in the field of international negotiations*).

### Clarified/increased powers for the EU

- The Lisbon treaty creates a more solid basis for the EU to adopt **autonomous** acts on trade in services and commercial aspects of intellectual property (i.e. that go beyond international agreements).
- Trade in **cultural/audiovisual, educational and social/health services** are now an EU power, subject, in certain cases, to specific voting rules.
- **Foreign direct investment** is now an EU power under trade policy, i.e. the EU can both conclude international agreements and adopt autonomous measures on FDI.

### Qualified majority voting for most trade issues

Qualified majority voting becomes the general rule in Council for **all aspects of trade policy**, Unanimity is required only in the following specific circumstances:

- where commitments on **cultural/audiovisual services** risk undermining the EU's cultural and linguistic diversity
- where commitments on **social, educational or health services** risk seriously disturbing the national organisation of these services and impeding member governments' ability to deliver them
- where **unanimity** is required for the adoption of internal rules



# THE STATE OF EU TRADE

2017

- 
- EU & Customs union (Andorra, Monaco, San Marino, Turkey)
  - European Economic Area (Norway, Iceland, Liechtenstein)
  - Preferential trade agreement in place (FTA, EPA, DCFTA)
  - Preferential agreement awaiting adoption/ ratification
  - Preferential trade agreement being negotiated
  - Potential for free trade partnership
  - Stand-alone investment agreement being negotiated
  - Preferential agreement in the process of modernisation





Australian Government

Department of Foreign Affairs and Trade

# EUROPEAN UNION



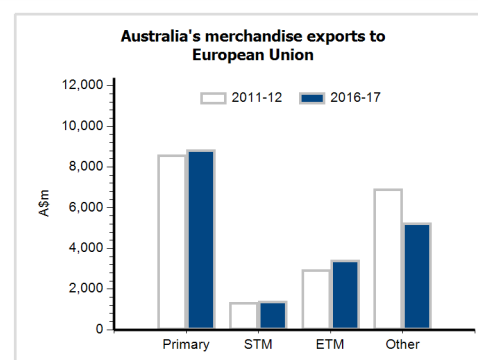
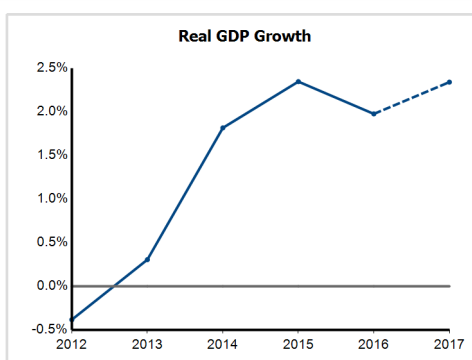
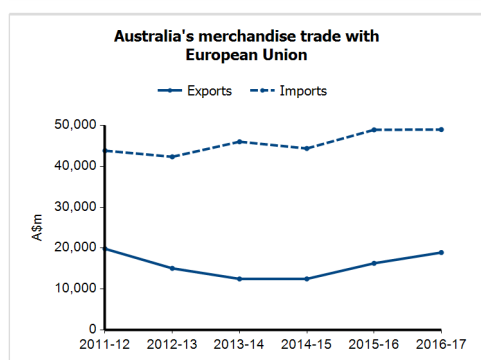
Fact sheets are updated biannually; June and December

## General information

<b>Capital:</b>	Brussels	<b>President of the European Commission</b>
<b>Land area:</b>	4,236,562 sq km	Mr Jean-Claude Juncker
<b>Population:</b>	508.8 million (2016)	<b>President of the European Council</b>
<b>Currency:</b>	Euro	Mr Donald Tusk
<b>Members:</b>	Austria*, Belgium*, Bulgaria, Croatia, Cyprus*, Czech Republic, Denmark, Estonia*, Finland*, France*, Germany*, Greece*, Hungary, Ireland*, Italy*, Latvia*, Lithuania*, Luxembourg*, Malta*, Netherlands*, Poland, Portugal*, Romania, Slovak Republic*, Slovenia*, Spain*, Sweden, United Kingdom (* denotes Eurozone).	

## Economic indicators (a)

	2012	2013	2014	2015	2016	2017
<b>GDP (US\$b) (current prices)</b>	17,288.2	18,009.2	18,626.3	16,371.3	16,447.5	17,112.9
<b>GDP per capita (US\$)</b>	34,355.0	35,708.5	36,842.3	32,280.1	32,328.0	33,553.6
<b>GDP PPP (Int'l \$b)</b>	17,769.5	18,107.9	18,764.3	19,397.3	20,030.9	20,854.8
<b>GDP per capita PPP (Int'l \$)</b>	35,311.5	35,904.4	37,115.1	38,246.5	39,371.0	40,890.8
<b>Real GDP growth (% change yoy)</b>	-0.4	0.3	1.8	2.3	2.0	2.3
<b>Current account balance (US\$b)</b>	203.8	300.5	310.2	359.9	359.7	404.9
<b>Current account balance (% GDP)</b>	1.2	1.7	1.7	2.2	2.2	2.4
<b>Inflation (% change yoy)</b>	2.6	1.5	0.5	0.0	0.2	1.7
<b>Unemployment (% labour force)</b>	10.5	10.9	10.2	9.4	8.6	na



## Australia's trade and investment relationship with European Union (b)

Australian merchandise trade with European Union, 2016-17 (A\$m)		Totals share	Rank	Growth (yoy)
Exports to European Union	18,982	6.5%	..	16.5%
Imports from European Union	49,007	17.6%	..	0.1%
Total merchandise trade (exports + imports)	67,989	11.9%	..	4.2%

### Major Australian exports, 2016-17 (A\$m)

Coal	4,206
Gold	3,986
Oil-seeds & oleaginous fruits, soft	1,874
Lead	591

### Major Australian imports, 2016-17 (A\$m)

Passenger motor vehicles	6,682
Medicaments (incl veterinary)	4,689
Pharm products (excl medicaments)	2,430
Goods vehicles	1,038

### Australia's trade in services with European Union, 2016-17 (A\$m)

Exports of services to European Union	11,558
Imports of services from European Union	20,008

Total share	Rank	Growth (yoy)
14.2%	..	0.6%
23.7%	..	-7.0%

### Major Australian services exports, 2016-17 (A\$m)

Personal travel excluding education	5,052
Education-related travel	1,514

### Major Australian services imports, 2016-17 (A\$m)

Personal travel excluding education	8,310
Transport	3,318

### Australia's investment relationship with European Union, 2016 (A\$m)

	Total	FDI
Australia's investment in European Union	610,978	104,911
European Union's investment in Australia	1,072,240	164,822

## European Union's global merchandise trade relationships

### European Union's principal export destinations, 2016

1 United States	20.6%
2 China	9.6%
3 Switzerland	8.1%
15 Australia	1.8%

### European Union's principal import sources, 2016

1 China	20.1%
2 United States	14.4%
3 Switzerland	7.1%
26 Australia	0.8%

Compiled by the Statistics Section, DFAT, using the latest data from the ABS, the IMF and various international sources

(a) Economic indicators data is from the IMF WEO where available, the EIU or other reputable source. Data may include forecasts or projections for recent years. GNI may be shown in lieu of GDP for countries where GDP data is unavailable. (b) Merchandise trade data is based on published and unpublished ABS data. May exclude confidential items of trade. Totals may not add up due to rounding. Investment data is stocks as at end December.

All data may be subject to future revisions.

GDP - Gross Domestic Product PPP - Purchasing power parity GNI - Gross National Income na - Data is not available np - Data is not published .. - Data is not meaningful Primary - Primary goods STM - Simply transformed manufactures ETM - Elaborately transformed manufactures Other - Other goods including non-monetary gold f.c.f. - Fresh, chilled or frozen nes - Not elsewhere specified

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