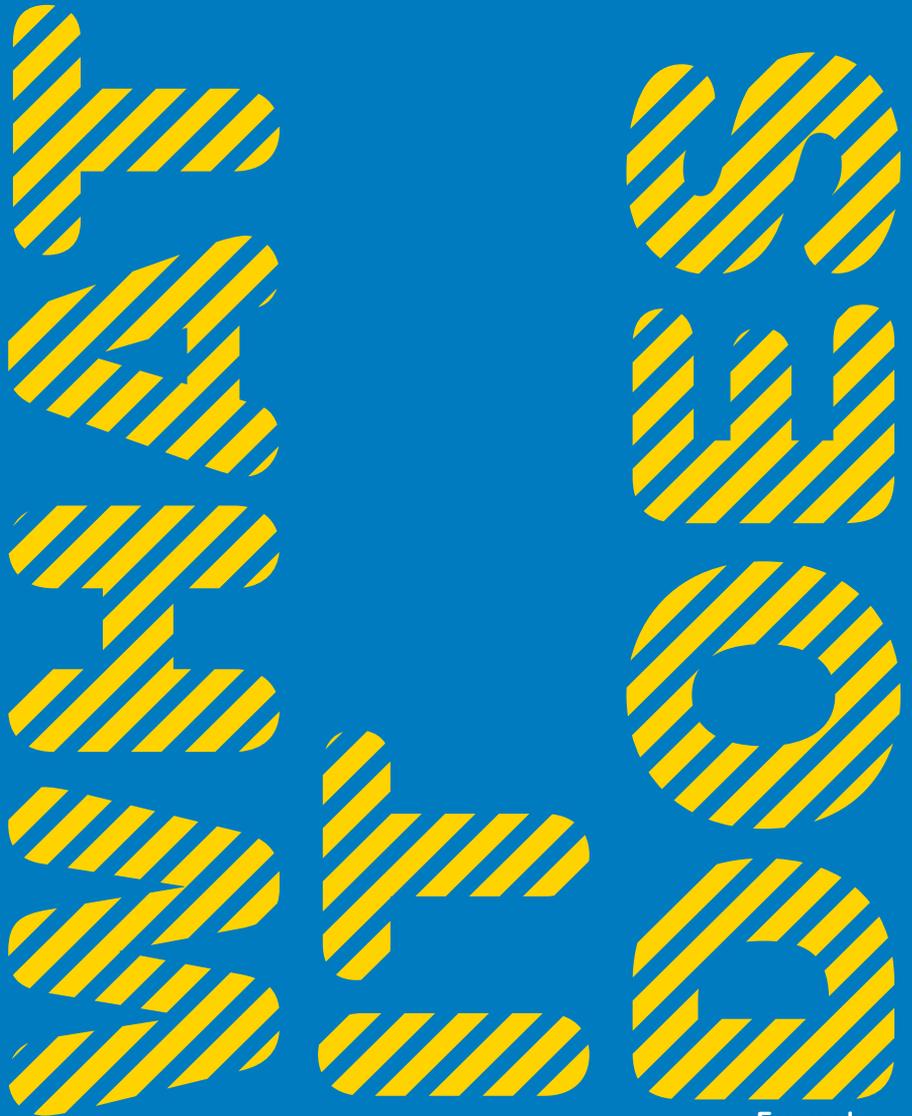




The European Union:



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NATIONAL FORUM ON EUROPE



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Introduction

This booklet sets out some of the policies and gives an overview of the main activities of the European Union. It does not try to be comprehensive and is offered with a view to de-mystifying and clarifying key issues to help people understand how European Union policies impact on Ireland.

WHY THE EUROPEAN UNION?

The six countries that led the way to found the European Union - Germany, France, Italy, Belgium, Netherlands and Luxembourg - had been both victims and aggressors, invaders and invaded, winners and losers during two World Wars. Coal and steel were the strategic resources countries required to conduct war. Following World War II these six countries agreed to take collective decisions about coal and steel using an innovative institutional structure which included not only a Council of the Member States but also a Commission and a Court of Justice.

By pooling their sovereignty over coal and steel, while ensuring that national interests were represented in the Council, by placing the right to propose legislation in the hands of an independent Commission, which was required to act in the **community or common interest**, the six Member States hoped that cooperation, rather than their former rivalry, would thrive and the likelihood of a future war between them would recede. Over sixty years later, it seems that they were right. Enlargement from six to twenty-seven Member States is an indication of the European Union's success in bringing peace and prosperity. These achievements made it attractive to many countries, including Ireland, and more recently to those countries that remained outside the democratic framework following World War II.

THE FOUR FREEDOMS

Following the success of the European Coal and Steel Community of 1952, the Treaty establishing the European Economic Community – the Treaty of Rome – was signed in 1957. Here the six founding members of the European Union broadened the areas where they were willing to share sovereignty. In principle they agreed to the free movement of people, goods, capital and services across their frontiers: the four freedoms. However, it was to take many years for the practical application of these principles to take effect. The Treaty of Rome provided the legal framework to enable these four

freedoms to be given effect. It was up to the Member States, the European Commission and the European Court of Justice to make these four freedoms a reality. Even today, the European Union is dealing with the practical effects of these Four Freedoms.

Through successive Treaties the Member States of the European Union added to the areas where they were willing to share their sovereignty or cooperate to achieve common aims. For example, the Single European Act of 1986 paved the way for completing the Single Market; the Treaty on European Union of 1992 provided for economic and monetary union and for greater cooperation in common foreign and security policies; the Treaty of Amsterdam of 1997 provided for greater cooperation in justice and home affairs, and the Treaty of Nice of 2001 made provision for a Union of up to twenty-seven Member States.

Freedom of Movement for Goods

It took forty years for the European Union to create a single market. And there are still some remaining barriers to trade.

First came a customs union: tariffs and duties were abolished by 1968. But then came recession and growing protectionism among the Member States. It wasn't until 1986, when the European Commission published a White Paper showing that the European Union could gain approximately €2 billion annually by eliminating barriers to trade, that the Member States were spurred to action. They adopted the Single European Act in 1986 and agreed to complete the single market by 1992. Trade Unions, businesses and the professions all played a significant part in making this happen. The single market resulted in a wider range of goods becoming available, and prices became more competitive across the European Union.

The European Commission plays a vital role in the single market for goods in ensuring, for example, that big businesses do not **prevent, restrict or distort competition**. In addition to proposing the draft legislation to bring down barriers to trade, the Commission can impose a fine on any business or Member State that breaks the competition rules. The European Commission also plays a critical role in the World Trade Organisation and negotiates international trade agreements on behalf of the Member States under a mandate agreed by them.

The benefits of the single market for Irish businesses are that they can sell and import goods to and from any country in the Single Market without paying duties and tariffs, or facing other barriers. Individual Irish people can also shop in another European Union country without paying import tax as long as the item is for personal use.

The impact of the European Union and the development of the Single Market on Ireland's trade patterns have been very significant and has allowed Ireland to diversify its trading base. For example, in the mid-1970s more than half Ireland's exports were to the United Kingdom with 30 per cent to other European Union countries. Thirty-five years later, the share of our exports going to the United Kingdom had fallen to 18 per cent with exports to European Union countries growing to over 45 per cent and exports to the United States growing from 7 to 18 per cent.

Freedom of Movement for Capital and A Single Currency

Economic and Monetary Union was first proposed in 1969 as a way to promote growth and stability. However, it was achieved only in 1999 with the full implementation of the Treaty on European Union. The euro was introduced in 2002 and is the concrete manifestation of Economic and Monetary Union. Participation in the euro zone is open to every Member State which meets certain criteria; currently 15 Member States are in the euro zone and Slovakia will join in 2009.

Monetary policy, that is setting interest rates and managing the supply of money, is now made by the European Central Bank for the Member States, including Ireland, who are members of the Eurogroup. One result is that Ireland enjoyed lower interest rates set by the European Central Bank. At the same time key areas of **economic policy** – such as the setting of income and corporate tax rates and the allocation of resources to social services – remain at national level, but subject to the Stability and Growth Pact.

Freedom of Movement for Services

Free movement of services received a lot of attention with the adoption of a draft Services Directive in 2006. This Directive is designed to make it easier for a range of services to be provided across the European Union while ensuring service quality and protecting a range of specific services

eg financial, healthcare, audio visual services. The Directive was adopted after detailed discussions between the Council, the Parliament and the Commission. The services that would be affected include construction, agriculture, consultancy, franchising and sales and marketing.

Services now account for the bulk of the European economy. In Ireland nearly 70 per cent of employment is in the services sector. With a 2.7 per cent share of world services exports, Ireland has a very significant stake in the export services sector also.

The Services Directive, as now amended, aims to enable people who provide a service in one Member State to provide that service in another; it aims to protect workers from exploitation and to strengthen the rights of consumers as users of services, and it will establish legally-binding obligations for effective administrative cooperation between Member States so the rules can be monitored and enforced in a transparent way.

Originally, the European Commission draft law proposed that service providers be subject to the laws of their own country rather than the country where the service was provided – the so-called country of origin approach. However, there was widespread fear – including in Ireland – that this approach would lead to an erosion of social protection and a loss of workers' rights in the host country. The European Parliament proposed revisions which addressed many of these concerns and which excluded education and health services from the scope of the draft. Most of these revisions were accepted by the European Commission and by the Member States in the Council of Ministers.

Member States must now give effect to the Directive by the end of 2009. Already, some services are freely available. Restrictions on air travel and on telephone services have been removed. The results are cheaper air fares and telephone calls. Work is also underway to eliminate roaming charges for cross-border mobile telephone calls.

Freedom of Movement for People

The free movement of people within the European Union is, perhaps, the most fundamental and the most sensitive of all the four freedoms.

In principle any Irish person is free to travel to any Member State of the European Union to live, work, study and retire there. In practice there may be a number of barriers. Some of these barriers are obvious like the temporary labour market restrictions imposed by some Member States on newly acceding countries or the need to know the local language for particular jobs. Other barriers are not so obvious as some countries, or groups within those countries, may place employment restrictions on entry to a profession, for example. Or, the rules for setting up a business in some countries may be so cumbersome that people feel that it is not worth the trouble to try to move. To help resolve this issue, the Member States of the European Union have agreed to a range of measures where they will mutually recognise each others' qualifications, known as the Bologna Process. The Services Directive is another measure which aims to enable greater freedom of movement of people within the Union.

Whenever the European Union has enlarged, people have been fearful that very large numbers of people from the new Member States will be willing to work for less pay and fewer social benefits. There have been a number of high-profile cases where this has indeed been the case. However, in practice most economists agree that the free movement of people to take up employment has benefited the host country as people tend to move to where there is growth and where there are insufficient numbers of people to fill job vacancies. Experience of Irish emigration over many decades has shown that people tend to return to their country of birth when the economy there picks up.

In addition, the European Union has encouraged the movement of people to stimulate cultural exchange and to provide educational and training opportunities. Nearly two million people across the Union have taken advantage of these opportunities in programmes such as Leonardo da Vinci, Socrates, Erasmus and Youth Action. In the period to 2007, 26,000 Irish students have taken part in the Erasmus *student exchange programmes* which involves spending time at a college in another European country. Over 35,000 European Union nationals from outside Ireland have travelled here to attend third level colleges under the programme.

However, there are risks in the free movement of people. Removal of barriers to the free movement of goods, money, services and people means that criminals – including organised gangs and terrorists – can exploit these

freedoms for their own ends. The trafficking of people from outside the European Union has become a widespread concern at the moment. And illegal drug smuggling continues to be a scourge.

That is why the Member States of the European Union are developing the means to combat crime. In view of the sensitivity of the issues – such as arrest procedures and evidence rules which touch the fundamental freedoms of citizens – decisions in this area are normally taken unanimously by the Member States. For other issues, such as *immigration and asylum*, for example, decisions can be taken in the Council of Ministers by qualified majority voting.

ENLARGEMENT

Enlargement has sometimes been called the European Union's most successful policy. The European Union's expansion since 1957 has allowed an area of prosperity and stability to emerge which now includes 486 million people and twenty-seven Member States. The following table shows the Member States, when they joined and how the population of the European Union has increased:

YEAR JOINED	NAME OF STATE	TOTAL POPULATION (MILLIONS)
1957	Belgium, France, Germany, Italy, Luxembourg, Netherlands	174
1973	Denmark, Ireland, United Kingdom	252
1981	Greece	269
1986	Portugal, Spain	320
1990	Germany reunited	341
1995	Austria, Finland, Sweden	371
2004	Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia	456
2007	Bulgaria, Romania	493

Croatia and Turkey are in negotiation to join the European Union. The FYR Macedonia is also a candidate for future membership.

THE STRUCTURAL FUNDS

From the early days of the European Union there was an understanding that market driven forces would help some regions and groups of people but not necessarily others. As a result the Union developed regional and social policies to help redress imbalances. Ireland has been a very significant beneficiary of these policies and the funds that were transferred to implement them. Taken together with the very significant transfers under the Common Agricultural Policy, Ireland has received over €60 billion from European Union fund transfers. In addition the European Union has provided a programme for *peace and reconciliation in Northern Ireland and the border regions of Ireland* designed to underpin the peace process.

Solidarity

The European Union made transfers to Ireland in a spirit of solidarity: those who were better off were willing to make a contribution to help Ireland catch up. As Ireland has increased its wealth it is increasingly in a position to make a contribution to assist those, especially among the newer Member States, who need assistance to catch up to the European Union average. In the end this is seen to be to our advantage. Assisting one Member State out of a spirit of solidarity is an investment in the future both in terms of stability and increased trade. The Regional and Social Funds and the Cohesion Fund are the main instruments the European Union uses to put solidarity into practice.

COMMON AGRICULTURAL POLICY

The Common Agricultural Policy is, perhaps, the best-known policy of the European Union in Ireland. Since our accession to the European Union in 1973, Ireland received €38 billion through this mechanism. The policy still accounts for approximately 40 per cent of the European Union's budget.

Over the years the Common Agricultural Policy has changed from giving farmers guaranteed prices for production to one where farmers are guaranteed a fixed income when they comply with food safety, environment and animal welfare standards. The Common Agricultural Policy has been particularly important for Ireland in its transition from an economy which was highly agriculture based to one that is now largely services and knowledge based.



ENVIRONMENT POLICY

In 1973 the European Commission published an environmental action plan which defined the general principles of environmental policy as being prevention, action at source and the polluter pays. These principles were radical at the time and remain at the core of European Union environmental policy today. The eighty beaches in Ireland that achieved blue flag status in 2007 according to criteria agreed at European Union level are an example of how environmental policies have practical impacts. Another example is the set of rules agreed to ensure that drinking water meets high standards across the European Union.

In addition to continuing a focus on its internal environmental policies and raising the standards there, the European Union is also a global environmental player. It was largely thanks to the strength of European Union resolve, for example, that the Kyoto Protocol, which seeks to halt global warming, came into effect. The *Kyoto Protocol* remains the global yardstick in the fight against climate change.

DEVELOPMENT ASSISTANCE

There is a widespread view in Ireland and throughout Europe that solidarity also requires a greater focus to be placed on the poorer countries of the world. Many countries in the European Union have very close relations with countries in the developing world through imperial or colonial ties. Like Ireland, others have ties especially in Africa, through missionary or voluntary development work.

The European Union – through its Member States and through European Commission funding – is the largest provider of official development assistance in the world. Together in 2007, they committed nearly €48 billion which represents over 50 per cent of global development assistance. The European Union institutions will channel approximately 20 per cent of this aid. Through its development policies the European Union overarching aim is to assist in the *eradication of poverty* with a particular focus on Africa. The European Union works with multilateral bodies, including the United Nations, and supports the UN Millennium Development Goals.

SOCIAL POLICY

The European Union has a limited role in the social policy area which is normally a matter for the Member States themselves. Where the Union has a role this generally arises out of aspects of employment practice where the European Union has acted to prevent discrimination, for example in equal pay between men and women, or to encourage a particular policy, for example employment for people with disabilities. Generally, however, the European Union will get involved in a policy only where there are cross-border implications. When social policy issues with cross border implications come up in the Council of Ministers – for example on issues such as social security coordination, the employment of third country nationals or the right to strike – voting is mainly by unanimity.

THE LISBON AGENDA

The European Union has agreed a policy framework to promote *jobs, growth, social cohesion and the protection of the environment* which is known as the Lisbon Agenda (not to be confused with the Lisbon Treaty). This joined-up approach, involving the institutions of the European Union and the Member States – including through an innovative open method of co-ordination – is an attempt to address the challenges of globalisation. Considerable emphasis has been placed on increasing investment in research and development so that people in Europe can optimise the benefits of the knowledge economy.

Question: Can the European Union tell Ireland how many hospitals it can have or what text books to use in its schools?

Answer: No. That's a matter for Ireland alone. There are no Treaty provisions to allow it. In order for the European Union to have a role in these matters all the Member States, including Ireland, would have to give their agreement unanimously. Member States generally hold the view that European Union powers or competencies should be limited to where there is a cross-border aspect.

At the same time, the Member States do cooperate, exchange information and consider best practice in the health and education sectors. And European Union funds are provided to encourage cross-border cultural exchanges.

Question: Can the European Union do something about avian 'flu or foot and mouth disease?

Answer: Yes. Because avian 'flu and foot and mouth disease do not recognise borders and the Member States have agreed that in order to protect citizens better it makes sense to give the European Union a role in this public health issue.

JUSTICE AND HOME AFFAIRS

Successive polls show that European citizens are concerned about cross-border crimes such as *drug smuggling, people trafficking and terrorism*. In response the European Union has developed a range of measures to better tackle these problems. The 2004 Hague Programme aims to facilitate the free movement of citizens throughout the European Union while at the same time fighting terrorism and organised crime, strengthening security and ensuring that criminals cannot evade justice by fleeing from one Member State to another.

EXTERNAL POLICIES

The European Union with 493 million people has evolved into a global player. It has expanded in a fifty-year period from six to twenty-seven Member States. It now shares new borders with new neighbours, some of whom wish to join. Its influence has naturally increased with its size and many countries outside the European Union now look to the Union to give the lead on a range of issues, including trade, development, humanitarian aid, human rights, disarmament, the environment and security. In addition, the European Union works to agree policies on a range of regional issues such as the Middle East conflict.

Ireland looks primarily to the United Nations to guarantee international peace and security. In recent times the UN has called on the European Union to do more to help it and the Union has responded by providing forces in the Balkans as well as other regions in the world. Because of the sensitivity of foreign policy issues of this nature the European Union Member States must agree unanimously before engaging in peace keeping missions.

Each Member State decides for itself whether to commit troops to serve abroad. Before Ireland will send troops abroad there must be a Government decision, Dáil approval and UN authorisation – the so-called 'triple lock'. At present Ireland has troops serving in *peacekeeping missions* in many parts of the world including in Afghanistan, Bosnia, Chad, the Congo, Ivory Coast and Kosovo.

WHAT THE EUROPEAN UNION CAN AND CAN'T DO

The European Union can act only when the Member States have given it the power to act. The Member States do this by agreeing, unanimously, to what the European Union can do and by putting this into binding treaties.

In some areas the Member States have given the Union *exclusive competence* to act on their behalf. These areas include: customs, competition in the internal market, euro countries monetary policy, conservation of marine biological resources and international trade.

In other areas the Member States *share competence* with the Union. These areas include: the internal market, certain aspects of social policy, cohesion, agriculture, fisheries, environment, consumer protection, transport, trans-



European networks, energy, security and justice and common safety concerns in public health.

In still other areas the Union can act only to *co-ordinate* or *supplement* action taken by the Member States. These areas include: public health, industry, culture, tourism, education, youth, sport, vocational training, civil protection and administrative cooperation between national authorities.

Co-operation and Pooling Sovereignty

There is a difference between international co-operation and pooling sovereignty. In certain areas the Member States have decided to co-operate only and to retain sovereignty. These areas are sensitive policies, for example, taxation, social services, justice and home affairs and foreign and security policy. For these policies the Union, in principle, must get unanimous agreement in the Council of Ministers before it can act and the European Commission and the European Parliament play only a limited role.

In other areas, such as international trade, the single market and agriculture, the Member States have agreed to confer competence in full or in part on the European Union. In these areas the European Commission has a much greater role. And in the Council of Ministers, which represents the Member States, decisions are normally by qualified majority voting.

Should the European Union do more?

From time to time there are calls by some for the European Union to do more in certain areas. The European Commission and the Council have responded to calls recently, for example, to draw up a European Union *energy policy* in view of the escalating costs of energy and the possibility of insecure supplies.

Should the European Union do less?

At the same time, many believe that for the Member States to give the European Union competence in some very sensitive areas – for example in health and education – would be to create the beginnings of a super-state. Most people agree that action should be taken at the most appropriate level: the European Union is more effective at policies with cross-border implications, while the Member State is better at looking after

its own taxation and social policies, for example. *Subsidiarity* is the rather cumbersome name given to this principle. It means that, where it does not have exclusive competence, the European Union will take action where action at national, regional or local level would be insufficient.

THE BUDGET OF THE EUROPEAN UNION

The European Union's budget underpins all its policies. Revenue is raised by the European Union from a contribution from each Member State related to its gross national product (GNP), a portion of each Member State's VAT revenue and from duties and levies on trade with non-member states. In 2007 the European Union's total budget was €126 billion, or 1.08 per cent of the European Union's GNI. Ireland's national budget for the same period was €44.6 billion or 34 per cent of GNP.

The European Union has a multi-annual budget of over €860 billion for the period from 2007 to 2013. Particular emphasis will be placed during this period on ensuring that the European Union enhances its competitiveness through growth and employment, promotes cohesion, preserves and manages its natural resources, promotes security and good citizenship and can act as a global player.

TIMELINE WITH TREATIES AND COMPETENCES

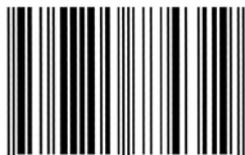
- 1952 *The European Coal and Steel Community (ECSC) Treaty (Treaty of Paris)* pooled coal and steel production
- 1957 *The Treaty of Rome* principles of freedom of movement of goods, services, capital and people agreed
- 1987 *The Single European Act* paved the way for completing the single market by 1992. It extended qualified majority voting in the Council of Ministers in a range of areas and set out new procedures for foreign policy cooperation
- 1993 *The Treaty on European Union (Maastricht Treaty)* provided for economic and monetary union and established the European Union on a three pillar structure: (1) community method including the single market (2) common foreign and security policy and (3) justice and home affairs. Each pillar uses a different decision-making procedure with unanimity more common in the second and third pillars.
- 1999 *The Treaty of Amsterdam* extended the European Union's competences especially in justice and home affairs.
- 2003 *The Treaty of Nice* adjusted the European Union decisionmaking structure to accommodate a Union then expected to grow to twenty-seven Member States.

To find out more

- Europe Direct, a free telephone and email enquiry service has been in operation since 2000:
Freephone from any Member State: 00 800 6 7 8 9 10 11
Email via: <http://europa.eu.int/europedirect/>
- The official website of the European Union is www.europa.eu
- The website of the European Commission Representation in Ireland is www.euireland.ie
Email: eu-ie-info-request@ec.europa.eu
Telephone: (01) 634 1111
- SOLVIT is an on-line problem solving network in which European Union Member States work together to solve, without legal proceedings, problems caused by the misapplication of Internal Market law by public authorities. There is a SOLVIT centre in every European Union Member State each handling complaints from both *citizens* and *businesses*. <http://europa.eu.int/solvit/>
- The Forum website www.forumoneurope.ie carries debate and information on the latest issues on the European Union Agenda



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