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# The European Union: Questions and Answers

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## The European Union: Questions and Answers

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The European Union (EU) is a political and economic partnership that represents a unique form of cooperation among sovereign countries. The EU is the latest stage in a process of integration begun after World War II, initially by six Western European countries, to foster interdependence and make another war in Europe unthinkable. The EU currently consists of 27 member states, including most of the countries of Central and Eastern Europe, and has helped to promote peace, stability, and economic prosperity throughout the European continent.

### How the EU Works

The EU has been built through a series of binding treaties. Over the years, EU member states have harmonized laws and adopted common policies on an increasing number of economic, social, and political issues. EU members share a customs union; a single market in which capital, goods, services, and people move freely; a common trade policy; and a common agricultural policy. Nineteen EU member states use a common currency (the euro), and 22 members participate in the Schengen area of free movement in which internal border controls have been eliminated. In addition, the EU has been developing a Common Foreign and Security Policy (CFSP), which includes a Common Security and Defense Policy (CSDP), and pursuing cooperation in the area of Justice and Home Affairs (JHA) to forge common internal security measures. Member states work together through several EU institutions to set policy and to promote their collective interests.

### Challenges Facing the EU

The EU is generally considered a cornerstone of European stability and prosperity, but it faces a number of internal and external challenges. Managing the Coronavirus Disease 2019 (COVID-19) pandemic and its economic repercussions is preoccupying EU leaders' time and attention. Other key issues for the EU include democratic backsliding in some member states (including Poland and Hungary), the presence of populist and to some extent anti-EU political parties throughout the bloc, managing relations with the United Kingdom (UK) following its exit from the EU in January 2020 (*Brexit*), ongoing political and societal pressures related to migration, and a range of challenges posed by both Russia and China. Many of these challenges could have implications for the EU's future shape and character.

### U.S.-EU Relations

Successive U.S. Administrations and many Members of Congress have supported the European integration project since its inception in the 1950s as a means to prevent another catastrophic conflict on the European continent and to foster democratic allies and strong trading partners. Today, the United States and the EU have a dynamic political partnership and share a huge trade and investment relationship. U.S. and EU officials traditionally have viewed the partnership as mutually beneficial.

During the Trump Administration, U.S.-EU relations came under considerable strain. EU officials were taken aback by what they regarded as former President Trump's unprecedented skepticism of the EU, his vocal support for Brexit, and his contention that the EU engages in unfair trade practices that are detrimental to the United States. Many in the EU also were uneasy with Administration policies on numerous issues, including aspects of relations with Russia and China, Syria, the Israeli-Palestinian conflict, and the role of multilateral institutions. The EU opposed the Administration's decisions to withdraw from the 2015 nuclear deal with Iran and the Paris Agreement on combatting climate change. COVID-19-related travel bans; competition for medical equipment, supplies, and the research and development of vaccines and treatments; and U.S. steps to withdraw from the World Health Organization generated additional frictions in U.S.-EU relations.

With the entrance into office of the Biden Administration, the EU hoped to renew and strengthen relations with the United States. President Biden has committed to partnering with the EU on a wide range of global challenges. At the same time, U.S.-EU differences have persisted on a range of issues (including trade and China), and new tensions have emerged, especially in relation to the U.S. troop withdrawal in Afghanistan and security policy in the Indo-Pacific. Some in the EU continue to question whether the United States will remain a credible international leader and reliable partner in the long term and argue that the EU must be better prepared to address both regional and global challenges on its own.

This report serves as a primer on the EU. It also discusses U.S.-EU relations that may be of interest to the 117<sup>th</sup> Congress. For additional background, see CRS Report R45745, *Transatlantic Relations: U.S. Interests and Key Issues*, and CRS Report R44249, *The European Union: Ongoing Challenges and Future Prospects*.

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## What Is the European Union?

The European Union (EU) is a unique political and economic partnership that currently consists of 27 member states (see the map in the **Appendix**).<sup>1</sup> Built through a series of binding treaties, the EU is the latest stage in a process of integration begun after World War II to promote peace and economic recovery in Europe. Its founders hoped that by creating specified areas in which member states agreed to share sovereignty—initially in coal and steel production, trade, and nuclear energy—it would promote interdependence and make another war in Europe unthinkable.

Since the 1950s, this European integration project has expanded to encompass other economic sectors; a customs union; a single market in which capital, goods, services, and people move freely (known as the “four freedoms”); a common trade policy; a common agricultural policy; many aspects of social and environmental policy; and a common currency (the euro) that is used by 19 member states. Since the mid-1990s, EU members have also taken steps toward political integration, with decisions to develop a Common Foreign and Security Policy (CFSP) and efforts to promote cooperation in the area of Justice and Home Affairs (JHA). Twenty-two EU members participate in the Schengen area of free movement, which allows individuals to travel without passport checks among most European countries.

The EU is generally considered a cornerstone of European stability and prosperity, but it faces internal and external challenges. Managing the Coronavirus Disease 2019 (COVID-19) pandemic and its economic repercussions has tested the EU. Other key issues include democratic backsliding in some member states (including Poland and Hungary), the presence of populist and to some extent anti-EU political parties throughout the bloc, managing future relations with the United Kingdom (UK) following its exit from the EU in January 2020 (*Brexit*), ongoing political and societal pressures related to migration, and a range of challenges posed by both Russia and China. During the Trump Administration, the EU also grappled with numerous foreign policy and economic disputes with the United States. The overall tenor of U.S.-EU relations improved with the start of the Biden Administration, but U.S.-EU tensions on several issues have persisted (including trade and China), and new rifts have emerged. This report serves as a primer on the EU and discusses U.S.-EU relations that may be of interest to the 117<sup>th</sup> Congress.

## How Does the EU Work?

EU member states work together through common institutions (see “How Is the EU Governed?”) to set policy and promote their collective interests. Decisionmaking processes and the role of the EU institutions differ depending on the subject under consideration. On a multitude of economic, social, and internal security policies, member states have pooled their sovereignty to varying degrees and EU institutions hold decisionmaking authority. EU legislation in such areas often has a supranational quality, because it is subject to a complex majority voting system among member states as well as European Parliament approval and is legally binding on member governments.

In certain other areas—especially foreign and security policy—member states have agreed to cooperate but retain full sovereignty. Decisionmaking in such fields is intergovernmental and requires the unanimous agreement of all EU countries; any one national government can veto a decision. EU institutions generally play a more limited role in the decisionmaking process in such policy areas but may be involved in implementation and oversight.

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<sup>1</sup> The current 27 members of the EU are Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, and Sweden.

## How Is the EU Governed?

The EU is governed by several institutions. They do not correspond exactly to the traditional branches of government or divisions of power in representative democracies. Rather, they embody the EU's dual supranational and intergovernmental character:

- The *European Council* acts as the strategic guide for EU policy. It is composed of the Heads of State or Government of the EU's member states and the President of the European Commission; it meets several times a year in what are often termed "EU summits." The European Council is headed by a President, who organizes the Council's work and facilitates consensus.
- The *European Commission* upholds the common interest of the EU as a whole and serves as the EU's executive. It implements and manages EU decisions and common policies, ensures that the provisions of the EU's treaties are carried out properly, and has the sole right of legislative initiative in most policy areas. It is composed of 27 Commissioners, one from each EU country. Commissioners serve five-year terms; one Commissioner serves as Commission President, while the others hold distinct portfolios (e.g., agriculture, energy, trade). On many issues, the commission handles negotiations with outside countries.
- The *Council of the European Union* (also called the *Council of Ministers*) represents the national governments. The Council enacts legislation, usually based on proposals put forward by the commission, and agreed to (in most cases) by the European Parliament. Different ministers from each country participate in Council meetings depending on the subject under consideration (e.g., foreign ministers would meet to discuss the Middle East, agriculture ministers to discuss farm subsidies). Most decisions are subject to a complex majority voting system, but some areas—such as foreign and defense policy, taxation, or accepting new members—require unanimity. The Presidency of the Council rotates among the member states, changing every six months; the country holding the Presidency helps set agenda priorities and organizes most of the work of the Council.
- The *European Parliament* represents the citizens of the EU. It currently has 705 members who are directly elected for five-year terms (the most recent elections were in May 2019). Each EU country has a number of seats roughly proportional to the size of its population. Although the Parliament cannot initiate legislation, it shares legislative power with the Council of Ministers in many policy areas, giving it the right to accept, amend, or reject the majority of proposed EU legislation in a process known as the "ordinary legislative procedure" or "co-decision." The Parliament also decides on the allocation of the EU's budget jointly with the Council. Members of the European Parliament (MEPs) caucus according to political affiliation, rather than nationality; there are seven political groups and several dozen nonattached MEPs in the Parliament currently.<sup>2</sup>
- Other institutions also play key roles. The *Court of Justice* interprets EU laws, and its rulings are binding; a *Court of Auditors* monitors financial management; the *European Central Bank* manages EU monetary policy and the euro; and *advisory committees* represent economic, social, and regional interests.

Also see the text box below on "Key EU Positions and Current Leaders."

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<sup>2</sup> Also see CRS In Focus IF11211, *The European Parliament and U.S. Interests*, by Kristin Archick.

## What Is the Lisbon Treaty?

On December 1, 2009, the EU's latest institutional reform endeavor—the Lisbon Treaty—came into force following its ratification by all of the EU's then-27 member states. It is the final product of an effort begun in 2002 to reform the EU's governing institutions and decisionmaking processes. It amends, rather than replaces, the EU's two core treaties—the Treaty on European Union (TEU) and the Treaty on the Functioning of the EU (TFEU). Changes introduced by the Lisbon Treaty seek to

- enable the EU to function more effectively;
- enhance the EU's role as a foreign policy actor; and
- increase democracy and transparency within the EU.

To help accomplish these goals, the Lisbon Treaty established two new leadership positions:

- The President of the European Council, a single individual who chairs the meetings of the EU Heads of State or Government, serves as coordinator and spokesman for their work, seeks to ensure policy continuity, and strives to forge consensus among the member states.
- A dual-hatted position of High Representative of the Union for Foreign Affairs and Security Policy to serve essentially as the EU's chief diplomat. The High Representative is both an agent of the Council of Ministers—and thus speaks for the member states on foreign policy issues—as well as a Vice President of the European Commission, responsible for managing most of the commission's diplomatic activities and foreign assistance programs.

Other key measures in the Lisbon Treaty included the following:

- Simplifying the EU's qualified majority voting system and expanding its use to policy areas previously subject to member state unanimity in the Council of Ministers. This change was intended in part to speed EU decisionmaking, but member states still tend to seek consensus as much as possible.
- Increasing the relative power of the European Parliament by strengthening its role in the EU's budgetary process and extending the use of the “co-decision” procedure to more policy areas, including agriculture and home affairs issues.<sup>3</sup> As such, the treaty gives the European Parliament a say equal to that of the member states in the Council of Ministers over the vast majority of EU legislation (with some exceptions, such as most aspects of foreign and defense policy).

For the first time in the EU's history, the Lisbon Treaty also introduced an “exit clause”—Article 50 of the TEU—which outlines procedures for a member state to leave the EU. A member state that decides to leave would invoke Article 50 by notifying the European Council of its intentions, which would trigger a two-year period for withdrawal negotiations to be concluded; the EU may also decide to extend the time for negotiations.

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<sup>3</sup> The Lisbon Treaty technically renames the “co-decision” procedure as the “ordinary legislative procedure.”

### Key EU Positions and Current Leaders

The current **President of the European Council** is Charles Michel, a former prime minister of Belgium. The president is appointed by the member states for a 2½-year term (renewable once).

The current **President of the European Commission** is Ursula von der Leyen of Germany, a former German defense minister. The commission president is appointed by agreement among the member states, subject to the approval of the European Parliament. In selecting the commission president, member states must take into account the results of the most recent European Parliament elections.

Slovenia holds the **Presidency of the Council of Ministers** (often termed the *EU Presidency*) from July to December 2021; France will hold the presidency from January to July 2022.

Every 2½ years (twice per 5-year parliamentary term), Members of the European Parliament (MEPs) elect the **President of the European Parliament**. In July 2019, Italian MEP David Sassoli was elected as president of the parliament; Sassoli is from the center-left Socialists and Democrats parliamentary group.

The current **High Representative of the Union for Foreign Affairs and Security Policy** is Josep Borrell of Spain. The high representative is chosen by agreement among the member states but, like the other members of the European Commission, must be approved by the European Parliament.

## What Are the Euro and the Eurozone?

Nineteen of the EU's current 27 member states use a common single currency, the euro, and are often collectively referred to as "the eurozone."<sup>4</sup> The gradual introduction of the euro began in January 1999 when 11 EU member states became the first to adopt it and banks and many businesses started using the euro as a unit of account. Euro notes and coins replaced national currencies in participating states in January 2002. Eurozone participants share a common central bank—the European Central Bank (ECB)—and a common monetary policy. However, they do not have a common fiscal policy, and member states retain control over decisions about national spending and taxation, subject to certain conditions designed to maintain budgetary discipline.

In 2009-2010, a serious crisis in the eurozone developed, beginning in Greece. Over the previous decade, the Greek government had borrowed heavily from international capital markets to pay for its budget and trade deficits. As investors became increasingly nervous during 2009 about Greece's high sovereign (or public) debt level amid the global financial crisis, markets demanded higher interest rates for Greek bonds, which drove up Greece's borrowing costs. By early 2010, Greece risked defaulting on its public debt. Market concerns quickly spread to several other eurozone countries with high, potentially unsustainable levels of public debt, including Ireland, Portugal, Italy, and Spain (the latter two being the eurozone's third- and fourth-largest economies, respectively). The debt problems of these countries also posed a risk to the European banking system, slowed economic growth, and led to rising unemployment in many eurozone countries.

European leaders and EU institutions responded to the crisis and sought to stem its contagion with a variety of policy mechanisms. To avoid default, Greece, Ireland, Portugal, and Cyprus received loans from the EU and the International Monetary Fund (IMF) but were required to impose strict austerity measures. Eurozone leaders also approved a recapitalization plan for Spanish banks. Other key initiatives included creating a permanent EU financial assistance facility (the European Stability Mechanism) to provide emergency support to eurozone countries and a single bank supervisor for the eurozone, as well as ECB efforts to calm the financial markets by purchasing large portions of European sovereign debt and providing significant infusions of credit into the European banking system.

<sup>4</sup> The 19 members of the EU that use the euro are Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain.

The eurozone crisis began to abate in late 2012, as market confidence became more positive and the situation started to stabilize in most eurozone countries. Ireland exited the EU-IMF financial assistance program in December 2013; Portugal did so in May 2014, and Cyprus did so in March 2016. EU aid to Spanish banks ceased in January 2014. Nevertheless, many member states continued to experience weak economic growth and high unemployment. Greece's economy and banking system remained in particular distress.

In the first half of 2015, prospects grew that Greece might exit the eurozone (dubbed *Grexit*) as the Greek government sought further financial aid from its eurozone creditors but also demanded debt relief and an easing of austerity. For months, negotiations foundered. While France and Italy emphasized the political importance of the eurozone, Germany and others (including the Netherlands, Finland, Slovakia, and Slovenia) opposed debt relief and stressed that all members, including Greece, must adhere to eurozone fiscal rules. In June 2015, Greece failed to make a payment to the IMF, and the government closed the banks and imposed capital controls. In July 2015, however, the Greek government acceded to EU demands for more austerity and economic reforms in exchange for the badly needed financial assistance. Between 2010 and 2018, Greece received a total of \$330 billion in loans from the EU, the ECB, and the IMF.<sup>5</sup> Greece officially exited the EU-IMF financial assistance program in August 2018.

From its start, the eurozone crisis generated tensions among member states over the proper balance between imposing austerity measures and stimulating growth and the need for greater EU fiscal integration. Traditionally fiscally conservative member states largely opposed integration steps that might lead to “bailing out” more indebted countries in the future. Eurozone leaders have discussed additional measures to improve the eurozone's economic governance and stability, but proposals such as establishing a common eurozone budget have long been controversial.<sup>6</sup>

Analysts suggest the COVID-19-related economic crisis may open the door to further EU economic integration in the longer term. In July 2020, EU leaders (acting in the European Council) reached political agreement on a €750 billion recovery fund consisting of both grants and loans for member states, attached to a €1.1 trillion EU budget for 2021-2027.<sup>7</sup> Financing for the COVID-19 recovery fund is to include the unprecedented issuing of EU bonds backed jointly by member states. Many EU officials, including ECB President Christine Lagarde, maintain that the plan to provide grants (as well as loans) and to issue common EU debt represents a “one-off response to exceptional circumstances.”<sup>8</sup> At the same time, Lagarde asserts that the EU should consider keeping the recovery fund arrangements in the EU's “toolbox” for possible use in future economic crises.<sup>9</sup> The EU formally approved the 2021-2027 budget in December 2020 and finalized the recovery fund in February 2021.

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<sup>5</sup> Bart Oosterveld and Alextrini Tsiknia, “This Greek Tragedy Is Not Over Just Yet,” Atlantic Council, August 21, 2018.

<sup>6</sup> Pierre Briancon, “Three Fudges and a Funeral for Eurozone Reform,” *Politico Europe*, June 21, 2018; Sam Fleming and Mehreen Khan, “EU Finance Ministers Approve Separate ‘Eurozone Budget’ Tool,” *Financial Times*, October 10, 2019; and Magnus G. Schoeller, “Preventing the EU Budget: Issue Replacement and Small State Influence in the EMU,” *Journal of European Public Policy*, July 24, 2020.

<sup>7</sup> In current prices, the recovery fund (known as NextGenerationEU) is €807 billion (about \$940 billion), and the EU's 2021-2027 budget (the EU's Multiannual Financial Framework, or MFF) is €1.2 trillion (roughly \$1.4 trillion). European Commission, *The 2021-2027 EU Budget – What's New?*, at [https://ec.europa.eu/info/strategy/eu-budget/long-term-eu-budget/2021-2027/whats-new\\_en](https://ec.europa.eu/info/strategy/eu-budget/long-term-eu-budget/2021-2027/whats-new_en).

<sup>8</sup> As quoted in Bjarke Smith-Meyer, “European Central Bank President Dismisses News Reports and Calls the Pandemic Recovery Fund a One-off,” *Politico Europe*, September 28, 2020.

<sup>9</sup> Bojan Pancevski and Laurence Norman, “How Angela Merkel's Change of Heart Drove Historic EU Rescue Plan,” *Wall Street Journal*, July 21, 2020;Carolynn Look, “Lagarde Urges EU to Consider Recovery Fund as Permanent Tool,” *Bloomberg.com*, October 19, 2020.

## Why and How Is the EU Enlarging?

The EU has long viewed the enlargement process as an extraordinary opportunity to promote stability and prosperity in Europe. The EU began as the European Coal and Steel Community in 1952 with six members (Belgium, France, Germany, Italy, Luxembourg, and the Netherlands). In 1973, Denmark, Ireland, and the United Kingdom joined what had then become the European Community. Greece joined in 1981, followed by Spain and Portugal in 1986. In 1995, Austria, Finland, and Sweden acceded to the present-day European Union. In 2004, the EU welcomed eight former communist countries—the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia—plus Cyprus and Malta as members. Bulgaria and Romania joined in 2007. Croatia became the EU’s newest member on July 1, 2013.

To be eligible for EU membership, countries must first meet a set of established criteria, including having a functioning democracy and market economy. Once a country becomes an official candidate, accession negotiations are a long and complex process in which the applicant must adopt and implement a massive body of EU laws and regulations. Analysts contend that the carefully managed process of enlargement is one of the EU’s most powerful policy tools and that, over the years, it has helped to transform many European countries into more democratic and affluent societies. At the same time, EU enlargement is also a political process. Most significant steps on the path to accession require the unanimous agreement of the EU’s existing member states. Thus, a prospective candidate’s relationships or conflicts with individual members may influence a country’s accession prospects and timeline.

The EU currently recognizes five countries as official candidates for membership. Of these, four are in the Western Balkans—Albania, Montenegro, North Macedonia, and Serbia. Turkey is also an official candidate country. All five candidates are at different stages of the accession process. Montenegro and Serbia are the farthest along in their accession negotiations. The EU approved opening accession negotiations with Albania and North Macedonia in March 2020, but these talks have yet to begin officially. EU accession negotiations with Turkey are stalled amid heightened EU concerns about democratic backsliding in Turkey and other tensions in EU-Turkey relations. The EU regards Bosnia and Herzegovina and Kosovo as potential future candidates for EU membership (see the **Appendix**).

The EU maintains that the enlargement door remains open to any European country that fulfills the EU’s political and economic criteria for membership. Nevertheless, some European leaders and publics are cautious about additional expansion, especially to Turkey (given its large size, predominantly Muslim culture, and relatively less prosperous economy) or countries farther east, such as Ukraine or Georgia, in the longer term. Apprehensions about continued EU enlargement range from fears of unwanted migrant labor to the implications of an ever-expanding EU on the bloc’s institutions, finances, and overall identity. Experts also point to assessments of weakening rule of law in several existing EU members—including Poland and Hungary—and questions about some EU aspirants’ ability to implement EU democratic standards as contributing to decreased political and public enthusiasm for further enlargement. In early 2020, following pressure from France and several other member states, the EU revised some aspects of the enlargement process, partly in response to criticism that the accession process was falling short of its goal of entrenching democratic reforms in candidate countries.<sup>10</sup>

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<sup>10</sup> For more information, see CRS Report RS21344, *European Union Enlargement*, by Kristin Archick and Sarah E. Garding.

## Does the EU Have a Foreign Policy?

The EU has a Common Foreign and Security Policy (CFSP), in which member states adopt common policies, undertake joint actions, and pursue coordinated strategies in areas in which they can reach consensus. CFSP was established in 1993; the eruption of hostilities in the Balkans in the early 1990s and the EU's limited tools for responding to the crisis convinced EU leaders that the Union had to improve its ability to act collectively in the foreign policy realm. Previous EU attempts to further such political integration had foundered for decades on member state concerns about protecting national sovereignty and different foreign policy prerogatives.

CFSP decisionmaking is dominated by the member states and requires unanimous agreement of all national governments. Member states must also ensure that national policies are in line with agreed EU strategies and positions (e.g., imposing sanctions on a country). However, CFSP does not preclude individual member states pursuing their own national foreign policies or conducting their own national diplomacy.

CFSP remains a work in progress. Although many view the EU as having made considerable strides in forging common policies on a range of international issues, from the Balkans to the Israeli-Palestinian conflict to Iran, others argue that the credibility of CFSP too often suffers from an inability to reach consensus. Others note that some differences in viewpoint are inevitable among a multitude of countries that have different historical relationships and often different national interests when it comes to foreign policy.

The EU's Lisbon Treaty sought to bolster CFSP by increasing the EU's visibility on the world stage and making the EU a more coherent foreign policy actor. As noted, the treaty established a High Representative of the Union for Foreign Affairs and Security Policy to serve essentially as the EU's chief diplomat. The Lisbon Treaty also created an EU diplomatic corps (the European External Action Service) to support the High Representative.

In recent years, many European leaders have renewed calls for the EU to become a more assertive, independent global actor—often referred to as *strategic autonomy*. Although this concept initially described the need for greater EU action in the security and defense fields, the EU has recently widened it to include other areas, such as trade, digital technology, and climate change, among others.<sup>11</sup> For some EU officials, ensuring the EU's position as a robust international leader reflects concerns about the future trajectory of the U.S.-EU partnership.

## Does the EU Have a Defense Policy?

Since 1999, with political impetus initially from the UK and France, the EU has been working to develop a Common Security and Defense Policy (CSDP), formerly known as the European Security and Defense Policy (ESDP). CSDP seeks to improve the EU's ability to respond to security crises and to enhance European military capabilities. The EU has created three defense decisionmaking bodies and has developed a rapid reaction force and multinational "battlegroups." Such EU forces are not a standing "EU army" but rather a catalogue of troops and assets at appropriate readiness levels that may be drawn from existing national forces for EU operations.

CSDP operations focus largely on tasks such as peacekeeping, crisis management, and humanitarian assistance. Many CSDP missions to date have been civilian, rather than military, in nature, with objectives such as police and judicial training ("rule of law") or security sector

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<sup>11</sup> EU High Representative for Foreign Affairs and Security Policy and Vice-President of the European Commission Josep Borrell, "Why European Strategic Autonomy Matters," European External Action Service, December 3, 2020.

reform. The EU is or has been engaged in CSDP missions in regions ranging from the Balkans and the Caucasus to Africa and the Middle East.

However, improving European military capabilities has been difficult, especially given many years of flat or declining European defense budgets. Serious capability gaps exist in strategic air- and sealift, command and control systems, intelligence, and other force multipliers. Also, a relatively low percentage of European forces are deployable for expeditionary operations. Some analysts have suggested pooling assets among several member states and the development of national niche capabilities as possible ways to help remedy European military shortfalls. In 2004, the EU established the European Defense Agency to help coordinate defense-industrial and procurement policy in an effort to stretch European defense funds farther.

Recently, many EU officials and national leaders have supported increased defense spending and advocated for further EU defense integration. Such calls have been driven by both the new security challenges facing Europe, including a resurgent Russia, and a desire to bolster the EU project in light of Brexit. Some analysts contend that Brexit could make closer EU defense cooperation more likely because the UK traditionally opposed certain measures—such as an EU military headquarters—that it viewed as infringing too much on national sovereignty or the primacy of NATO as the main guarantor of European security. Commentators also suggest that European concerns about the former Trump Administration’s commitment to NATO and transatlantic security provided additional impetus for renewed EU defense efforts.

Since 2016, EU leaders have announced several new initiatives to bolster EU security and defense cooperation, including a European Defense Fund (EDF) to support joint defense research and development activities. In 2017, the EU launched a new defense pact (known officially as Permanent Structured Cooperation, or PESCO) aimed at spending defense funds more efficiently, jointly developing military capabilities, and increasing military interoperability. EU leaders insist that efforts such as EDF and PESCO do not represent the first steps toward an EU army and that member states will retain full control over national military assets and over defense procurement and investment decisions.<sup>12</sup>

Many in the EU argue that concerns raised by the withdrawal of U.S. and European forces from Afghanistan in August 2021 demonstrate the need for more robust EU defense capabilities. Some in the EU have renewed calls for establishing an active EU rapid reaction force, as well as for changes to certain EU decisionmaking procedures to allow such a force to be deployed quickly in a crisis.<sup>13</sup> The EU also has identified strengthening its partnership with NATO as a key pillar of its strategy to improve European defense capabilities and EU security cooperation (see next question). At the same time, implementing EU security and defense initiatives, including PESCO, and improving European military capabilities remain challenging.<sup>14</sup>

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<sup>12</sup> European Commission Fact Sheet, “European Defense Action Plan—FAQs,” November 30, 2016; Council of the EU, “Defense Cooperation: Council Establishes Permanent Structured Cooperation (PESCO), with 25 Member States Participating,” press release, December 11, 2017.

<sup>13</sup> EU High Representative for Foreign Affairs and Security Policy and Vice-President of the European Commission Josep Borrell, “Europe, Afghanistan Is Your Wake-up Call,” *New York Times*, September 1, 2021; Robin Emmott and Sabine Siebold, “EU Should Enable Military Coalitions to Tackle Crises, Germany Says,” Reuters, September 2, 2021.

<sup>14</sup> See, for example, Martin Quencez and Sophia Besch, “The Challenges Ahead for EU Defense Cooperation,” German Marshall Fund of the United States, January 22, 2020; Jacopo Barigazzi, “EU Military Projects Face Delays, Leaked Document Shows,” *Politico Europe*, July 12, 2021.

## What Is the Relationship of the EU to NATO?

Since its inception, the EU has asserted that CSDP is intended to allow the EU to make decisions and conduct military operations “where NATO as a whole is not engaged,” and that CSDP is not aimed at supplanting NATO’s collective defense role. The United States has supported EU efforts to develop CSDP, provided that it remains tied to NATO and does not rival or duplicate NATO structures or resources. Advocates of CSDP argue that more robust EU military capabilities will also benefit NATO given that 21 countries currently belong to both organizations.<sup>15</sup> The Berlin Plus arrangement—which was finalized in 2003 and allows EU-led military missions access to NATO planning capabilities and common assets—was designed to help ensure close NATO-EU links and prevent a wasteful duplication of European defense resources. Two Berlin Plus missions have been conducted in the Balkans, and NATO and the EU have sought to coordinate their activities on the ground in operations in Afghanistan and various hot spots in Africa.

At the same time, NATO-EU relations have been somewhat strained for years. More extensive NATO-EU cooperation at the political level on a range of issues—from countering terrorism or weapons proliferation to improving coordination of crisis management planning and defense policies—has been stymied largely by EU tensions with Turkey (in NATO but not the EU) and the ongoing dispute over the divided island of Cyprus (in the EU but not NATO).<sup>16</sup> Bureaucratic rivalry and varying views on both sides of the Atlantic regarding the future roles of NATO and the EU’s CSDP also have contributed to frictions between the two organizations.

The emergence of new security threats in Europe, however, has prompted some recent progress toward enhanced NATO-EU cooperation. In 2016, NATO and the EU concluded two new arrangements—one on countering migrant smuggling in the Aegean Sea and another on cyber defense—and issued a joint declaration to “give new impetus and new substance” to their strategic partnership.<sup>17</sup> Among other measures outlined, NATO and the EU agreed to boost their common ability to counter hybrid threats, expand operational cooperation on migration (especially in the Mediterranean), and further strengthen coordination on cybersecurity and cyber defense. In 2018, NATO leaders reaffirmed the importance of the NATO-EU partnership and both organizations pledged to improve military mobility in Europe.<sup>18</sup>

Some U.S. experts remain concerned that a minority of EU member states (traditionally led by France) would like to build an EU defense arm more independent from NATO in the longer term. French officials, joined by some in the EU, have increased calls for greater EU strategic autonomy in the security and defense realm following recent rifts with the Biden Administration over Afghanistan and the Indo-Pacific. Given previous UK support for ensuring that any EU defense efforts remained closely tied to NATO, some U.S. analysts worry that Brexit could embolden the EU to develop a more autonomous EU defense identity.

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<sup>15</sup> Currently, six countries belong to the EU but not to NATO (Austria, Cyprus, Finland, Ireland, Malta, and Sweden); nine other countries belong to NATO but not the EU (Albania, Canada, Iceland, Montenegro, North Macedonia, Norway, Turkey, the United Kingdom, and the United States).

<sup>16</sup> Turkey has long objected to Cypriot participation in NATO-EU meetings on the grounds that Cyprus is not a member of NATO’s Partnership for Peace (PfP) and thus does not have a security relationship with the alliance. The absence of Cyprus from PfP also hinders NATO and the EU from sharing sensitive intelligence information. Meanwhile, Cyprus has reportedly blocked various proposals over the years for enhancing NATO-EU cooperation.

<sup>17</sup> NATO, “Joint Declaration by the President of the European Council, the President of the European Commission, and the Secretary-General of the North Atlantic Treaty Organization,” press release, July 8, 2016.

<sup>18</sup> NATO, “Joint Declaration on EU-NATO Cooperation,” press release, July 10, 2018.

Like its predecessors, Trump Administration officials voiced a degree of support for EU defense initiatives but also raised concerns that they could distract European allies from their NATO commitments or impede U.S.-European defense industrial cooperation.<sup>19</sup> The Biden Administration has sought to encourage EU defense efforts and has joined a PESCO project to improve military mobility in Europe. At the same time, the United States continues to stress that such EU initiatives must be linked to and help to bolster NATO. In a September 2021 statement following a call between President Biden and French President Emmanuel Macron (aimed at easing U.S.-French tensions over a new Australia-UK-U.S. security pact for the Indo-Pacific), the White House asserted that the United States “recognizes the importance of a stronger and more capable European defense, that contributes positively to transatlantic and global security and is complementary to NATO.”<sup>20</sup> (Also, see “How Are Current U.S.-EU Relations?,” below.)

## What Is Justice and Home Affairs?

The Justice and Home Affairs (JHA) field seeks to foster common internal security measures while protecting the fundamental rights of EU citizens and promoting the free movement of persons within the EU. JHA encompasses police and judicial cooperation, migration and asylum policies, fighting terrorism and other cross-border crimes, and combating racism and xenophobia. JHA also includes border control policies and rules for the Schengen area of free movement.

For many years, EU efforts to harmonize policies in the JHA field were hampered by member states’ concerns that such measures could infringe on their legal systems and national sovereignty. The 2001 terrorist attacks on the United States and subsequent attacks in Europe in the 2000s galvanized progress in the JHA area. Among other steps, the EU has established a common definition of terrorism, an EU-wide arrest warrant, and enhanced tools to stem terrorist financing. The EU also has worked to bolster Europol, its joint agency for police cooperation. In recent years, terrorist attacks in France, Belgium, Germany, Spain, and elsewhere have led the EU to devote significant attention to combat those inspired by the Islamic State group (or ISIS/ISIL).<sup>21</sup>

The EU’s Lisbon Treaty gave the European Parliament “co-decision” power over the majority of JHA policy areas. The Treaty also made most decisions on JHA issues in the Council of Ministers subject to the qualified majority voting system, rather than unanimity, in a bid to speed EU decisionmaking. In practice, member states largely continue to strive for consensus on sensitive JHA policies. Moreover, for some issues in the JHA area, the EU added an “emergency brake” that allows any member state to halt a measure it believes could threaten its national legal system and, ultimately, to opt out of the measure. Despite these safeguards, Ireland (along with the UK at the time) negotiated the right to choose those JHA policies that it wished to take part in and to opt out of all others, and Denmark extended its previous opt-out in some JHA areas to all JHA issues. The Lisbon Treaty technically renamed JHA as the Area of Freedom, Security, and Justice.

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<sup>19</sup> Aaron Mehta, “U.S. Cautiously Watching EU Military Proposal,” *DefenseNews.com*, February 13, 2018; Guy Chazan and Michael Peel, “U.S. Warns Against European Joint Military Project,” *Financial Times*, May 14, 2019.

<sup>20</sup> The White House, “Joint Statement on the Phone Call between President Biden and President Macron,” September 22, 2021.

<sup>21</sup> For more information, see CRS Report RS22030, *U.S.-EU Cooperation Against Terrorism*, by Kristin Archick, and CRS In Focus IF10561, *Terrorism in Europe*, by Kristin Archick.

## What Is the Schengen Area?

The Schengen area of free movement encompasses 22 EU member states plus 4 non-EU countries.<sup>22</sup> Within the Schengen area, internal border controls have been eliminated, and individuals may travel without passport checks among participating countries. In effect, Schengen participants share a common external border where immigration checks for individuals entering or leaving the Schengen area are carried out. The Schengen area is founded upon the Schengen Agreement of 1985 (Schengen is the town in Luxembourg where the agreement was signed, originally by five countries). In 1999, the Schengen Agreement was incorporated into EU law. The Schengen Borders Code comprises a detailed set of rules governing both external and internal border controls in the Schengen area, including common rules on visas, asylum requests, and border checks. Provisions also exist that allow participating countries to reintroduce internal border controls for a limited period of time in cases of a serious security threat or exceptional circumstances, such as a conference of world leaders or a major international sporting event.

Along with the abolition of internal borders, Schengen participants agreed to strengthen cooperation between their police and judicial authorities in order to safeguard internal security and fight organized crime. As part of these efforts, they established the Schengen Information System (SIS), a large-scale information database that enables police, border guards, and other law enforcement and judicial authorities to enter and consult alerts on certain categories of persons and objects. Such categories include persons wanted for arrest, missing persons (including children), criminal suspects, individuals who do not have the right to enter or stay in Schengen territory, stolen vehicles and property, lost or forged identity documents, and firearms.

Four EU countries (Bulgaria, Croatia, Cyprus, and Romania) are not yet full Schengen members, but are legally obliged to join once they meet the required security conditions. Ireland has an opt-out from the Schengen free movement area but takes part in some aspects of the Schengen Agreement related to police and judicial cooperation, including access to the SIS.

## Does the EU Have a Trade Policy and Process?

The EU has a common external trade policy, which means that trade policy is an exclusive competence of the EU and no member state can negotiate its own international trade agreement. The EU's trade policy is one of its most well-developed and integrated policies. It evolved along with the common market—which provides for the free movement of goods within the EU—to prevent one member state from importing foreign goods at cheaper prices due to lower tariffs and then re-exporting the items to another member with higher tariffs. The scope of the common trade policy has been extended partially to include trade in services, the defense of intellectual property rights, and foreign direct investment. The European Commission and the Council of Ministers work together to set the common customs tariff, guide export policy, and decide on any trade protection or retaliation measures. EU rules allow the Council to make trade decisions with qualified majority voting, but in practice the Council tends to employ consensus.

The European Commission negotiates trade agreements with outside countries and trading blocs on behalf of the EU as a whole. Both the Council of Ministers and the European Parliament must approve all such trade agreements before they can enter into force. The process for negotiating

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<sup>22</sup> The 22 EU members that belong to the Schengen area of free movement are Austria, Belgium, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, and Sweden. The four non-EU members of the Schengen area are Iceland, Liechtenstein, Norway, and Switzerland.

and concluding a new international trade agreement begins with discussions among all three EU institutions, and the commission initiates an informal scoping exercise with the potential partner country or trade bloc. The commission then requests authorization from the Council to begin negotiations and usually submits to the Council *negotiating directives* (sometimes termed the *negotiating mandate*), which set out the commission's overall objectives for the future agreement. The directives also are shared with the European Parliament.

Provided the Council provides authorization, the commission then launches formal negotiations for the new trade agreement. Within the commission, the department that handles EU trade policy—the Directorate General for Trade (DG Trade)—leads the negotiations. Typically, there are a series of negotiation rounds. The duration of the negotiations varies but can range from two to three years or longer. During the course of negotiations, the commission is expected to keep both the Council and the Parliament apprised of its progress. When negotiations reach the final stage, both parties to the agreement initial the proposed accord. It is then submitted to the Council and the Parliament for review.<sup>23</sup> If the Council approves the accord, it authorizes the commission to formally sign the agreement.

Once the new trade accord is officially signed by both parties, the Council submits it to the Parliament for its consent. Although the Parliament is limited to voting “yes” or “no” to the new accord, it can ask the commission to review or address any concerns. If parts of the trade agreement fall under member state competence, all EU countries must also ratify the agreement according to their national ratification procedures. After Parliament gives its consent and following ratification in the member states (if required), the Council adopts the final decision to conclude the agreement. It may then be officially published and enter into force.<sup>24</sup>

## How Do EU Countries and Citizens View the EU?

Member states have long believed that the EU magnifies their political and economic clout (i.e., the whole is greater than the sum of its parts). Nevertheless, tensions have always existed within the EU between those members that seek an “ever closer union” through greater integration and those that prefer to keep the bloc on a more intergovernmental footing in order to better guard their national sovereignty. As a result, some member states over the years have opted out of certain aspects of integration, including the eurozone and the Schengen area (this included the UK, which traditionally was reluctant to cede too much sovereignty during its tenure as an EU member state). Another classic divide in the EU falls along big versus small state lines; small members often are cautious of initiatives that they fear could allow larger countries to dominate EU decisionmaking.

In addition, different histories and geography may influence member states' policy preferences. The EU's enlargement to the east has brought in many members with histories of Soviet control, which may color their views on issues ranging from EU reform to relations with Russia to migration; at times, such differences have caused frictions with older EU member states. Meanwhile, southern EU countries that border the Mediterranean may have greater political and economic interests in North Africa than EU members located farther north.

The prevailing view among European publics has likewise been historically favorable toward the EU. Many EU citizens value the freedom to easily travel, work, and live in other EU countries. At

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<sup>23</sup> Some trade agreements submitted for Council and Parliament approval are accompanied by Commission legislative proposals needed for implementation, which must also be adopted by both the Council and the Parliament.

<sup>24</sup> For more on the EU process for concluding new trade agreements, see European Commission, “Negotiating EU Trade Agreements,” at [http://trade.ec.europa.eu/doclib/docs/2012/june/tradoc\\_149616.pdf](http://trade.ec.europa.eu/doclib/docs/2012/june/tradoc_149616.pdf).

the same time, there has always been a degree of “euroskepticism”—or anti-EU sentiments—among some segments of the European public. Traditionally, such euroskepticism has been driven by fears about the loss of national sovereignty or concerns about the EU’s “democratic deficit”—a feeling that ordinary citizens have no say over decisions taken in faraway Brussels.

For much of the past decade, however, Europe’s economic difficulties and worries about income inequality, immigration, and globalization have heightened support for populist, antiestablishment parties throughout Europe. Many of these parties also are considered euroskeptic, but they are not monolithic. Although most of these parties are on the right or far right of the political spectrum, a few are on the left or far left. Moreover, they hold a range of views on the future of the EU, with some advocating for EU reforms and others calling for an end to the eurozone or the EU itself.

Austria, Denmark, Finland, France, Germany, Greece, Hungary, Italy, the Netherlands, Poland, Spain, and Sweden are among those EU countries with prominent populist and, to at least some extent, euroskeptic parties. Parties with moderately euroskeptic views lead the governments in Poland and Hungary. In 2017, the euroskeptic, anti-immigrant, right-wing Alternative for Germany party secured enough support in federal elections to enter parliament for the first time, becoming the only far-right German political party to do so since the end of World War II. Such parties have put pressure on mainstream parties to embrace some of their positions on issues such as migration and further EU integration. The UK government’s decision to hold the 2016 public referendum on continued EU membership was driven largely by increasing pressure from hard-line euroskeptics, both within and outside of the governing Conservative Party.

In the May 2019 European Parliament elections, an array of antiestablishment and euroskeptic parties secured up to 25% of seats. Traditionally, however, such parties in the Parliament have struggled to form a cohesive opposition due to competing agendas and diverse views (including on EU reforms, fiscal policy, migration, and Russia). In the current Parliament, some of the most hardline euroskeptic parties on the right of the political spectrum have sought to overcome their political fragmentation and have banded together to forge a larger euroskeptic group. Many experts remain doubtful about the ability of such parties to work together to block or influence legislation. Euroskeptic parties are still a collective minority in the Parliament, and would have to gain support from other groups to have much impact on the legislative process.<sup>25</sup>

Despite concerns about euroskepticism, opinion polls indicate that a majority of EU citizens are supportive of the EU. Some analysts note that euroskeptic parties did not do as well as expected in the 2019 European Parliament elections. The difficulties encountered by the UK as it sought to leave the EU appear to have dampened euroskeptic enthusiasm in other EU countries. Many stridently euroskeptic parties, such as France’s National Rally and the Netherlands’ Freedom Party, have focused more on calling for EU reforms in recent years than on promoting the dissolution of the eurozone or the EU itself. At the same time, experts caution that populism and related euroskeptic sentiments remain potent political forces in Europe. Some suggest that COVID-19’s economic challenges could lead to increased support for antiestablishment, anti-EU parties in the years ahead.<sup>26</sup>

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<sup>25</sup> For more information, see CRS In Focus IF11211, *The European Parliament and U.S. Interests*, by Kristin Archick.

<sup>26</sup> “Populists Fall Short of Expectations in the European Elections,” *Economist*, May 26, 2019; Eurobarometer Survey, *Parlemeter 2019 Heeding the Call Beyond the Vote*, commissioned for the European Parliament, October 2019; Yasmee Serhan, “The Pandemic Isn’t a Death Knell for Populism,” *The Atlantic*, August 22, 2020.

## What Is Brexit, and How Has It Affected the EU?

The UK had long been considered one of the most euroskeptic members of the EU, with many British leaders and citizens traditionally cautious of ceding too much sovereignty to Brussels. Brexit—or the UK’s withdrawal from the EU—stems from a June 2016 public referendum in the UK on whether the country should remain a member of the EU. UK voters favored leaving the EU by 52% to 48%. Several factors heavily influenced this outcome, including economic dissatisfaction, fears about globalization and immigration, and anti-elite and antiestablishment sentiments. The UK government enacted the results of the Brexit referendum in March 2017, when it invoked Article 50—the so-called *exit clause*—of the Treaty on European Union. The UK and the EU subsequently began negotiations on the terms of the UK’s withdrawal.

UK-EU negotiations on the withdrawal agreement proved complicated and lengthy. Challenges related to maintaining an open border between Northern Ireland (part of the UK) and the Republic of Ireland (an EU member state) were key stumbling blocks. In October 2019, the UK and EU agreed that post-Brexit, in order to ensure an open border on the island of Ireland and preserve the peace process, Northern Ireland would effectively remain in the EU’s single market and customs union. This arrangement would eliminate the need for regulatory and customs checks on trade in goods on the Northern Ireland land border, but it also essentially created a customs border in the Irish Sea between Northern Ireland and the rest of the UK (i.e., Great Britain) to safeguard the rules of the EU single market.

Days before the end of the transition period in December 2020, the UK and the EU concluded a 1,200-page Trade and Cooperation Agreement (TCA), along with two other accords on nuclear cooperation and on protecting the security of classified information. Since the post-Brexit arrangements for Northern Ireland took effect in January 2021, however, implementation difficulties have disrupted some trade between Northern Ireland and Great Britain, heightened political and societal divisions within Northern Ireland, and significantly strained UK-EU relations. The EU rejects calls by the UK government and some in Northern Ireland to renegotiate the post-Brexit rules for the region, but the EU is engaged in talks with the UK to overcome the operational challenges and ease tensions in Northern Ireland.

Despite Brexit, EU leaders assert that “the Union of 27 countries will continue.”<sup>27</sup> However, the UK was the bloc’s second-largest economy and, along with Germany and France, was regarded as one of the EU’s “big three.” Many observers view the EU as having taken a tough line in the withdrawal agreement and subsequent trade agreement negotiations—refusing to allow the UK to cherry-pick the benefits of the EU without taking on the required obligations—in part to discourage other member states and euroskeptic publics from contemplating a break with the EU that would further fracture the bloc. Some in the EU continue to express concerns that the UK could become an economic competitor, especially if the UK were to diverge significantly from EU environmental, labor, or state aid standards in ways that could give UK businesses a trade advantage. Other experts argue that Brexit could reduce the EU’s influence on the world stage, given that the EU now finds itself without the UK’s diplomatic, military, and economic clout. At the same time, some contend that Brexit ultimately could lead to a more like-minded EU, able to pursue deeper integration without UK opposition.<sup>28</sup>

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<sup>27</sup> European Council, “Statement by the EU Leaders and the Netherlands Presidency on the Outcome of the UK Referendum,” press release, June 24, 2016.

<sup>28</sup> For more information, see CRS Report R46730, *Brexit: Overview, Trade, and Northern Ireland*, coordinated by Derek E. Mix.

## How Might the EU Evolve in the Future?

In light of Brexit and other challenges, the EU has faced questions about its future shape and character. In June 2016, EU leaders announced the launch of a “political reflection” process to consider the EU’s future.<sup>29</sup> The EU concluded its reflection process in March 2017 during its commemoration of the 60<sup>th</sup> anniversary of the Treaties of Rome (foundational EU treaties). In the 60<sup>th</sup> anniversary Rome Declaration, the leaders of the EU-27 renewed their commitment to the European integration project, acknowledged the challenges facing the EU, and pledged to “make the European Union stronger and more resilient, through even greater unity and solidarity amongst us.”<sup>30</sup> Some experts argue that “more EU” and further integration is necessary to better address the range of political and economic issues confronting the bloc. Others are skeptical that national governments will be inclined to cede more authority to a Brussels bureaucracy viewed as opaque and out of touch with the problems of average Europeans.

Considerable attention since 2016-2017 has focused on developing a “multispeed EU,” in which some member states could agree to greater integration in certain areas and others could opt out. Some European policymakers and analysts suggest that such a multispeed EU already exists in practice, with varying membership on a range of EU initiatives, including the eurozone, Schengen, justice and home affairs issues, and defense policy. Critics contend, however, that making the multispeed concept central to the EU’s identity could be divisive, undermine EU solidarity, and potentially lead to different classes of EU membership.<sup>31</sup>

Although the EU has not made a formal decision to move toward a multispeed EU, momentum exists for greater integration in some areas. In particular, EU leaders have announced several new initiatives to bolster security and defense cooperation (as discussed in “Does the EU Have a Defense Policy?”). For several years, Germany and France have called for eurozone reforms, and some analysts suggest that the July 2020 decision to establish common EU bonds as part of the EU’s COVID-19 recovery plans could spark further EU economic integration. Other experts remain skeptical, however, given ongoing concerns in many member states about maintaining fiscal sovereignty and hesitancy from fiscally conservative member states in particular.<sup>32</sup>

In May 2021, the EU launched a Conference on the Future of Europe to promote dialogue on a wide range of topics among citizens, experts, and EU officials; the Conference is expected to conclude work and offer recommendations in spring 2022.<sup>33</sup> How the EU evolves in the years ahead may be affected by Germany’s September 2021 federal elections and Chancellor Angela Merkel’s impending departure from office.<sup>34</sup> Germany—often in conjunction with France—traditionally plays a key role in EU policymaking, and Merkel has led the EU’s response to major challenges over the past 16 years. The outcome of France’s presidential election scheduled for April 2022 also could have implications for the future of the EU project.

<sup>29</sup> European Council, *Informal Meeting at 27*, June 29, 2016, at <https://www.consilium.europa.eu/media/20462/sn00060-en16.pdf>.

<sup>30</sup> European Council, *The Rome Declaration*, March 25, 2017, at <https://www.consilium.europa.eu/en/press/press-releases/2017/03/25/rome-declaration>.

<sup>31</sup> Maia de la Baume, “Multispeed Europe: The EU’s Loch Ness Monster,” *Politico Europe*, March 10, 2017; Matthew Karnitschnig, “With Plenty of Pomp, Europe’s Leaders Renew Vows,” *Politico Europe*, March 24, 2017.

<sup>32</sup> See, for example, “Judy Asks: Should the Coronavirus Accelerate European Integration?,” *CarnegieEurope.eu*, March 4, 2021; “Europe’s Radical Economic Response to Covid-19,” *The Economist*, March 31, 2021.

<sup>33</sup> Conference on the Future of Europe, *What Is the Conference on the Future of Europe*, at <https://futureu.europa.eu/pages/about>.

<sup>34</sup> See CRS Insight IN11755, *Germany’s September 26 Elections*, by Paul Belkin.

## **Does the United States Have a Formal Relationship with the EU?**

For decades, the United States and the EU (and its predecessor institutions) have maintained diplomatic and economic ties. The 1990 U.S.-EU Transatlantic Declaration set out principles for greater consultation, and established regular summit and ministerial meetings. In 1995, the New Transatlantic Agenda (NTA) and the EU-U.S. Joint Action Plan provided a framework for promoting stability and democracy together, responding to global challenges, and expanding world trade. The NTA also sought to strengthen individual, people-to-people ties across the Atlantic, and launched a number of dialogues, including ones for business leaders and legislators. The Transatlantic Legislators' Dialogue (TLD) has been the formal mechanism for engagement and exchange between the U.S. House of Representatives and the European Parliament since 1999, although inter-parliamentary exchanges between the two bodies date back to 1972.

## **Who Are U.S. Officials' Counterparts in the EU?**

During U.S.-EU summits, the U.S. President meets with the President of the European Commission and the President of the European Council. The U.S. Secretary of State's most frequent interlocutor in the EU context is the High Representative for the Union's Foreign Affairs and Security Policy. The U.S. Trade Representative's key interlocutor is the European Commissioner for Trade, who directs the EU's common external trade policy. Other U.S. Cabinet-level officials interact with Commission counterparts or member state ministers in the Council of Ministers formation as issues arise. Many working-level relationships between U.S. and EU officials also exist. A delegation in Washington, DC, represents the European Union in its dealings with the U.S. government, while the U.S. Mission to the European Union represents Washington's interests in Brussels.

## **What Is the History of U.S.-EU Relations?**

Successive U.S. Administrations and many Members of Congress have long viewed the European integration project as a way to foster democratic allies and strong trading partners in Europe. In the immediate aftermath of World War II, the United States supported the European integration project as a way to promote political reconciliation (especially between France and Germany), boost economic recovery, and prevent another catastrophic war on the European continent. During the Cold War, the European integration project—and the peace and prosperity it helped to engender in Western Europe—was considered central to deterring the Soviet threat. With the end of the Cold War, the United States strongly backed EU efforts to extend the political and economic benefits of membership to Central and Eastern Europe. The United States also traditionally has supported the EU aspirations of Turkey and the Western Balkan states.

Over the past 25 years, the United States has often looked to the EU for partnership on common foreign and security policy concerns worldwide, and the two partners have a strong track record of cooperation. The United States and the EU have promoted peace and stability in various regions and countries (including the Balkans, Afghanistan, and Africa); enhanced law enforcement and counterterrorism cooperation; and sought to tackle cross-border challenges, such as cybersecurity. Since 2014, the United States and the EU also have imposed sanctions on Russia (including those targeting key sectors of the Russian economy) in response to Russia's annexation of Ukraine's Crimea and its support for separatists in eastern Ukraine.

The United States and the EU also share an extensive and interdependent economic relationship. Trade and investment ties have deepened and evolved over time. Total U.S. trade in goods and services with the EU is typically around \$1 trillion per year. The United States and the EU are each other's largest source and destination for foreign direct investment. Total stock of two-way direct investment is nearly \$6 trillion, and U.S. and EU multinational firms employ nearly 9 million workers (in direct employment) on both sides of the Atlantic. Historically, U.S.-EU cooperation has been a driving force behind efforts to liberalize world trade and ensure the stability of international financial markets.<sup>35</sup>

At times, however, the U.S.-EU relationship has faced serious challenges. U.S.-EU relations hit a low point in 2003 over the U.S.-led invasion of Iraq, which some EU members supported and others strongly opposed. Long-standing U.S.-EU trade disputes persist over poultry, bioengineered food products, and protection of geographical indications. Data protection and balancing privacy and security have been key U.S.-EU sticking points for years; EU concerns about what it views as insufficient U.S. data privacy and protection safeguards have put pressure on U.S.-EU law enforcement information-sharing agreements and commercial data transfers.

Despite periodic frictions in the past, U.S.-EU relations came under significant pressure during the former Trump Administration. Many EU leaders were taken aback by President Trump's seeming hostility toward the bloc and its skepticism of the EU's value as an institution. Former President Trump expressed support for Brexit. He also contended that the EU engaged in unfair trade practices that harmed U.S. economic interests.<sup>36</sup> EU officials were concerned by the Trump Administration's imposition of steel and aluminum tariffs and what it regarded as protectionist U.S. trade policies.

Numerous U.S.-EU policy divisions also emerged during the Trump Administration, including on aspects of relations with Russia and China, Syria, the Israeli-Palestinian conflict, and the role of multilateral institutions such as the United Nations and the World Trade Organization (WTO). The EU opposed the Administration's decisions to withdraw from the 2015 multilateral nuclear deal with Iran and the Paris Agreement on combatting climate change. COVID-19-related issues—including the imposition of U.S. and EU travel bans; competition for medical equipment, supplies, and the research and development of vaccines and treatments; and the Trump Administration's decision to withdraw the United States from the World Health Organization—further strained the U.S.-EU partnership.<sup>37</sup>

Despite the heightened difficulties, the EU pursued cooperation with the Trump Administration where possible. The two sides attempted to deescalate trade tensions, in part through pursuing a U.S.-EU trade liberalization agreement (although talks stalled amid discord on their scope, especially with respect to agriculture). The EU sought to work with the Trump Administration on areas such as counterterrorism, cybersecurity, and WTO reform. U.S. and EU scientific and regulatory experts established technical dialogues on pandemic-related issues. In October 2020, the Trump Administration and the EU launched a dialogue on China to discuss both common concerns and differences in U.S. and European views.

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<sup>35</sup> Also, see CRS In Focus IF10930, *U.S.-EU Trade and Investment Ties: Magnitude and Scope*, by Shayerah I. Akhtar.

<sup>36</sup> See, for example, "‘I Think the European Union is a Foe,’ Trump Says Ahead of Putin Meeting in Helsinki," CBSNews.com, July 15, 2018.

<sup>37</sup> For more information on U.S.-EU relations during the Trump Administration, see CRS Report R45745, *Transatlantic Relations: U.S. Interests and Key Issues*, coordinated by Kristin Archick.

## How Are Current U.S.-EU Relations?

With the entrance into office of the Biden Administration, EU leaders hoped to renew and strengthen relations with the United States. President Biden “underscored his support for the [EU] and his commitment to repair and revitalize the U.S.-EU partnership.”<sup>38</sup> The Administration sought to reset diplomatic relations and rebuild trust with the EU, in part through enhanced engagement. President Biden, for example, participated in a meeting with all 27 EU leaders in March 2021. EU officials welcomed the notion that “America is back” and the renewed U.S. commitment to multilateralism—signaled, for example, by President Biden’s decision to reverse Trump Administration policies and rejoin the World Health Organization and the Paris climate agreement, as well as U.S. engagement on ways to revive the 2015 nuclear deal with Iran.<sup>39</sup>

The Biden Administration views cooperation with European democracies and the EU as key to countering challenges posed by China, Russia, and other authoritarian systems of government. The Biden Administration has coordinated human rights-related sanctions on Russian and Chinese officials and restarted the U.S.-EU dialogue on China begun during the Trump Administration. At their June 2021 summit, the United States and the EU committed to work together on four key areas: ending the COVID-19 pandemic; addressing climate change and other environmental challenges; strengthening trade, investment, and technological cooperation; and supporting democracy and global security.<sup>40</sup>

Of particular note, U.S. and EU leaders at the June summit decided to launch two new dialogues—a Trade and Technology Council (to promote greater cooperation in areas such as standards on emerging technologies, supply chain security, digital governance, and export controls) and a Joint Technology Competition Policy Dialogue. The two sides also pledged to reach a resolution by the end of the year on the steel and aluminum tariffs imposed by the Trump Administration and announced an agreement that aims to defuse a long-standing U.S.-EU dispute over subsidies to their respective large civil aircraft (LCA) companies, Boeing and Airbus.<sup>41</sup> As part of the LCA accord, the United States and the EU announced they would suspend retaliatory tariffs for five years, agree terms for state support for civil aircraft manufacturers, and work together to address practices of nonmarket economies (such as China) in the sector.<sup>42</sup>

Despite the improved tenor of U.S.-EU relations with the start of the Biden Administration, differences in perspective have persisted on various issues. Like the Trump Administration, the Biden Administration opposed the Nord Stream 2 gas pipeline project (from Russia to Germany) on grounds that it would entrench European energy dependence on Russia and undermine Ukraine. Despite similar concerns about Nord Stream 2 in the European Commission and among some EU member states, EU officials condemned possible U.S. sanctions on European entities or citizens involved in the pipeline, rejecting as a matter of principle any such sanctions on those conducting legitimate business in line with EU and European law.<sup>43</sup> Additionally, although EU

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<sup>38</sup> The White House, “Readout of President Joseph R. Biden, Jr. Call with European Commission President Ursula von der Leyen,” press release, March 5, 2021.

<sup>39</sup> European Council, “Introductory Remarks by President Charles Michel at the Videoconference of EU Leaders with US President Biden,” March 25, 2021.

<sup>40</sup> The White House, *U.S.-EU Summit Statement*, June 15, 2021.

<sup>41</sup> See CRS In Focus IF11364, *Boeing-Airbus Subsidy Dispute: Recent Developments*, by Andres B. Schwarzenberg.

<sup>42</sup> Office of the United States Trade Representative, “USTR Announces Joint U.S.-E.U. Cooperative Framework for Large Civil Aircraft,” press release, June 15, 2021.

<sup>43</sup> “European Commission President Criticizes U.S. Nord Stream Sanctions,” *RFE/RL*, December 27, 2019.

views toward China appear to be hardening due to the country's military assertiveness, human rights practices, and other concerns, many in the EU remain wary about a possible new U.S.-China "Cold War" and mindful of the bloc's significant economic ties with China.<sup>44</sup>

EU officials also have expressed frustration that the Biden Administration has not lifted the steel and aluminum tariffs imposed by the former Trump Administration. EU leaders reacted coolly to President Biden's support for waiving intellectual property rights on COVID-19 vaccines under the WTO's Trade Related Intellectual Property Rights (TRIPS) Agreement.<sup>45</sup> Although both the United States and the EU appear committed to cooperating on climate challenges, U.S. officials express concern about the potential trade implications of the EU's proposed carbon border adjustment mechanism (a carbon tax on selected imports aimed at reducing risks to competitiveness from countries with less ambitious climate policies).<sup>46</sup> U.S.-EU frictions on cross-border data flows, privacy, and digital technology issues also remain.<sup>47</sup>

Other issues have emerged and challenged U.S.-EU relations further. EU officials were critical of the U.S. withdrawal from Afghanistan in August 2021 and troubled by the takeover of the country by the Taliban, in part because of concerns that the situation could lead to increased migrant and refugee flows to Europe.<sup>48</sup> The U.S. decision to withdraw its forces exposed weaknesses in European capabilities, as European governments concluded that they could not safely remain in Afghanistan without U.S. military support. Moreover, some European officials contended that the U.S. decision to withdraw its forces was undertaken without sufficient consultation.<sup>49</sup>

In September 2021, EU officials expressed dismay with a new security pact between Australia, the UK, and the United States (known as AUKUS) for the Indo-Pacific region. AUKUS is widely regarded as aimed at addressing concerns about China, but EU officials contend that the bloc was not consulted and should have been, in the interest of transatlantic unity and transparency. France in particular was angered by AUKUS, under which Australia canceled a roughly \$66 billion contract for French diesel-powered submarines in favor of acquiring longer-range nuclear-powered ones (with U.S. and UK assistance). French and EU officials maintain that the new pact raises doubts about the U.S. commitment to transatlantic cooperation on China. The controversy over AUKUS also has heightened EU fears about a U.S. "pivot" toward Asia and whether this

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<sup>44</sup> Daniel Baer, "In Historic Shift, Biden Aligns Allies on China," *ForeignPolicy.com*, June 22, 2021; Stephen Erlanger, "The Sharp U.S. Pivot to Asia Is Throwing Europe Off Balance," *New York Times*, September 17, 2021; and Anders Fogh Rasmussen, "Europe's Complacency Heightens the China Challenge," *Wall Street Journal*, October 10, 2021.

<sup>45</sup> See CRS In Focus IF11858, *Potential WTO TRIPS Waiver and COVID-19*, by Shayerah I. Akhtar and Ian F. Fergusson.

<sup>46</sup> Jakob Hanke Vela, "Biden Makes the EU Look Like the Bad Guys," *Politico Europe*, May 6, 2021; Justin Worland, "John Kerry on Border Carbon Tax: The U.S. Doesn't Want to Push Others Away," *Time*, July 26, 2021.

<sup>47</sup> In July 2020, the Court of Justice of the European Union (CJEU) invalidated a U.S.-EU commercial data transfer accord, the U.S.-EU Privacy Shield Framework. The CJEU found that Privacy Shield failed to meet EU data protection standards due to U.S. surveillance laws and a lack of judicial redress. These issues remain key sticking points in the ongoing U.S.-EU negotiations on a successor to Privacy Shield. For more information, see CRS Report R46917, *U.S.-EU Privacy Shield and Transatlantic Data Flows*, by Kristin Archick and Rachel F. Fefer.

<sup>48</sup> European External Action Service, "Press Remarks by the High Representative Josep Borrell After Extraordinary Videoconference of the EU Foreign Ministers," August 17, 2021; European Commission, "Statement by Commissioner Johansson on the Situation in Afghanistan at the Extraordinary Meeting of Interior Ministers," press release, August 18, 2021.

<sup>49</sup> See, for example, Steven Erlanger, "Afghanistan Fiasco Raises Hard Questions for Europe," *New York Times*, August 31, 2021.

could portend diminished U.S.-European ties in the future. In addition, the rift over AUKUS threatened to derail the first meeting of the new U.S.-EU Trade and Technology Council (TTC).<sup>50</sup>

These incidents have reinforced EU questions that surfaced during the Trump Administration regarding whether the United States will remain a credible, reliable partner in the longer term. The U.S. withdrawal from Afghanistan and European concerns about AUKUS may bolster arguments within the EU for enhancing defense capabilities and for pursuing greater EU strategic autonomy more broadly. Although successive U.S. Administrations have supported EU defense initiatives in principal, the EU has consistently faced challenges in transforming its aspirations into more robust military capabilities, and U.S. and NATO officials have long cautioned that such efforts must not compete with or duplicate NATO.<sup>51</sup>

Regarding other aspects of strategic autonomy, the EU has concluded new trade agreements (including with Canada, Japan, and Latin America) in recent years and has sought to become a global standard setter on data protection and climate change mitigation. Efforts to position the EU as a key international player in these and other policy spheres are likely to remain EU imperatives amid concerns about U.S. political polarization and ongoing doubts about the degree to which the EU will be able to rely on U.S. cooperation and global leadership in the long term.<sup>52</sup>

At the same time, U.S. and EU officials have attempted to deescalate frictions. In a call with European Commission President Ursula von der Leyen in early October 2021, President Biden “reaffirmed his support for the European Union, a fundamental partner for the United States, and his commitment to continue implementing the outcomes from the June U.S.-EU Summit.”<sup>53</sup> The EU ultimately agreed to hold the first TTC meeting at the end of September 2021, reportedly after some member states argued that launching the TTC and preserving U.S.-EU cooperation were more important than the dispute over AUKUS.<sup>54</sup> U.S. officials also maintain that consultations with the EU since the start of the Biden Administration have been “quite intensive,” but the Administration has sought to respond to EU concerns and is committed to sustained diplomatic engagement with the EU and its member states.<sup>55</sup>

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<sup>50</sup> Matthew Lee, “Biden Angers France, EU with New Australia, UK Initiative,” *Associated Press*, September 16, 2021; David M. Herszenhorn, “EU Leaders Accuse Biden of Disloyalty to Allies,” *Politico Europe*, September 21, 2021; and Walter Russell Mead, “In Europe, Confusion Reigns About the U.S.,” *Wall Street Journal*, October 25, 2021.

<sup>51</sup> See, for example, John Hudson and Missy Ryan, “Withdrawal from Afghanistan Forces Allies and Adversaries to Reconsider America’s Global Role,” *Washington Post*, August 17, 2021; Sophia Besch and Luigi Scazzieri, “After Afghanistan and AUKUS: What Next for European Defence?,” Centre for European Reform, October 7, 2021.

<sup>52</sup> See, for example, Steven Erlanger, “Europe Wonders If It Can Rely on U.S. Again, Whoever Wins,” *New York Times*, October 22, 2020; Ivan Krastev and Mark Leonard, “The Crisis of American Power: How Europeans See Biden’s America,” European Council on Foreign Relations, January 19, 2021; and David M. Herszenhorn and Laurens Cerulus, “The Joe They Don’t Know: Europe Reckons with Biden’s Asia Push,” *Politico Europe*, September 25, 2021.

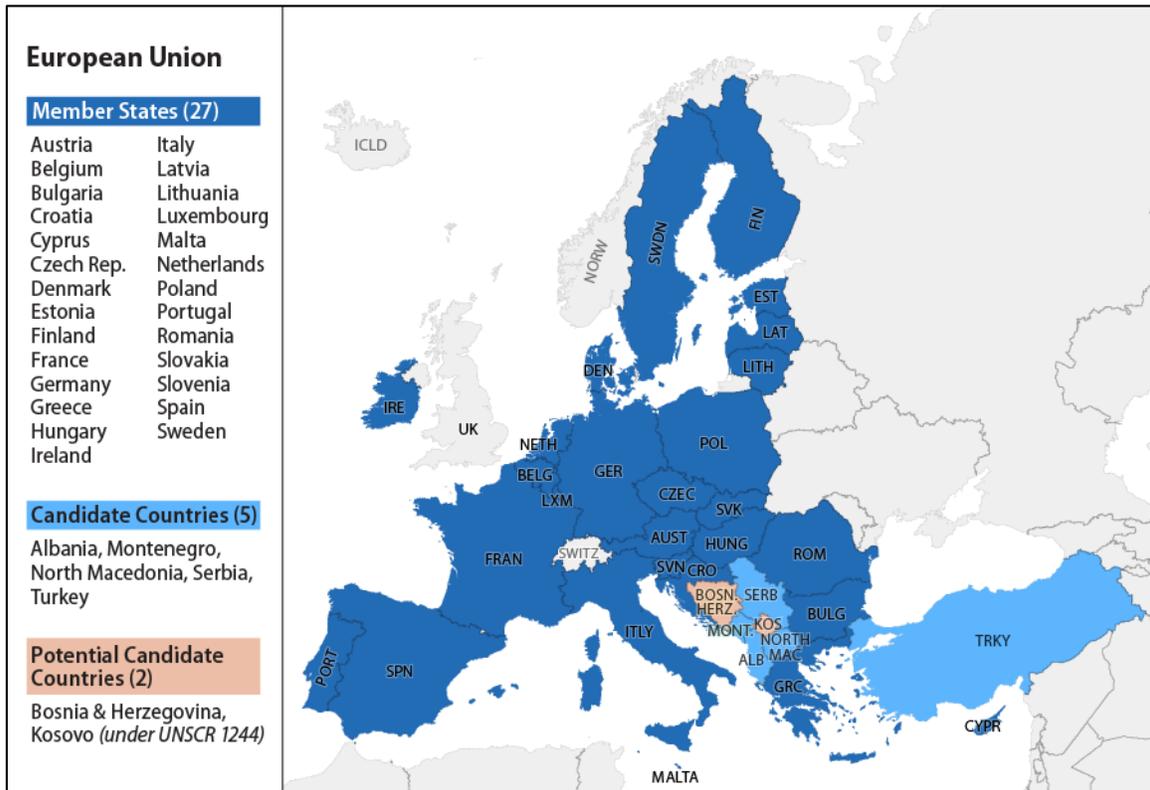
<sup>53</sup> The White House, “Readout of President Joseph R. Biden, Jr.’s Call with European Commission President Ursula von der Leyen,” press release, October 4, 2021.

<sup>54</sup> Barbara Moens and Jacopo Barigazzi, “EU’s Free-traders Defeat French Push to Punish US,” *Politico Europe*, September 24, 2021; Henry Foy and Sam Fleming, “European Defence: The Quest for Strategic Autonomy,” *Financial Times*, September 27, 2021.

<sup>55</sup> David M. Herszenhorn, “Biden’s Top Security Adviser Sees Strong Transatlantic Alliance (and No Jumping in Lakes),” *Politico Europe*, October 8, 2021.

# Appendix. Map of the European Union and Aspirant Countries

Figure A-1. European Union Member States and Candidates



Source: Created by the Congressional Research Service.

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