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. Twenty EU member states use a common currency (the euro), and 23 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) on common internal security challenges.

Challenges Facing the EU

The EU is generally considered a cornerstone of European stability and prosperity, but the bloc is grappling with several challenges. The EU has demonstrated solidarity in responding to Russia's war against Ukraine (launched in February 2022), although the conflict has contributed to rising energy prices and inflation in the EU; the war also has galvanized debate on several long-standing EU initiatives, including related to EU defense, energy, and climate policies, and EU enlargement. Other key issues facing the EU include the lingering effects of the Coronavirus Disease 2019 (COVID-19) pandemic, democratic backsliding in some member states, the presence of populist and to some extent anti-EU political parties throughout the bloc, tensions with the United Kingdom (UK) following its exit from the EU in January 2020 (*Brexit*), ongoing migration concerns, and complex relations with China.

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. At the same time, U.S.-EU policy differences on a range of foreign policy and economic issues emerge periodically. During the Trump Administration, U.S.-EU relations faced considerable strain given President Trump's criticisms of the EU and numerous U.S.-EU policy divisions.

President Biden has committed to partnering with the EU on a wide range of global concerns, and the conflict in Ukraine has bolstered U.S.-EU ties. The United States and the EU have demonstrated steadfast support for Ukraine's territorial integrity and have cooperated extensively in imposing sanctions on Russia and other responses. Resolving U.S.-EU trade disputes and promoting technological cooperation have been priorities for the Biden Administration, as well. U.S. tax subsidies for clean energy technologies (in P.L. 117-169, commonly referred to as the Inflation Reduction Act of 2022), however, have generated new tensions with the EU. Other issues, including managing relations with Russia and China in the years ahead, also may test the U.S.-EU partnership. EU concerns persist about ongoing U.S. political polarization and whether a future U.S. Administration would maintain current U.S. policies toward Russia, Ukraine, and the EU.

This report serves as a primer on the EU. It also discusses U.S. relations with the EU that may be of interest to Congress. For more information, see CRS In Focus IF12302, *U.S.-European Relations in the 118th Congress*.

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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**).[1] 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; a common trade policy; a common agricultural policy; aspects of social and environmental policy; and a common currency (the euro) that is used by 20 member states. EU members also have 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-three 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 a number of challenges. Although the EU has demonstrated solidarity in responding to Russia's war against Ukraine (launched in February 2022), the conflict has contributed to high energy prices and inflation in the EU and has long-term strategic implications for the bloc. Other key issues for the EU include the lingering effects of the Coronavirus Disease 2019 (COVID-19) pandemic, 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, tensions with the United Kingdom (UK) following its exit from the EU in January 2020 (*Brexit*), and complex relations with China. Renewing strong ties with the United States also has been a key EU priority following frictions during the Trump Administration. The overall tenor of U.S.-EU relations has improved under the Biden Administration, and the two sides have cooperated closely in addressing Russia's aggression in Ukraine. U.S.-EU differences, however, exist on issues such as clean energy subsidies and China and pose tests for the U.S.-EU partnership. This report serves as a primer on the EU and discusses U.S.-EU relations that may be of interest to the 118th 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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[1] 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 that 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 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 European Commission President and the others hold distinct portfolios (e.g., agriculture, energy, trade). On many issues, the European Commission handles negotiations with outside countries.

- The *Council of the European Union* (also called the *Council of Ministers*) represents the national governments. The Council of Ministers enacts legislation, usually based on proposals put forward by the European 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 of Ministers 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 of Ministers.

- 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 European 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 European Parliament also decides on the allocation of the EU's budget jointly with the Council of Ministers. 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 European Parliament currently.[2]

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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[2] 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.[3] 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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[3] 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.

Sweden holds the *Presidency of the Council of the EU* (often termed the *EU Presidency*) from January to June 2023; Spain will hold the presidency from July to December 2023.

Every 2½ years (twice per 5-year parliamentary term), Members of the European Parliament (MEPs) elect the *President of the European Parliament*. In January 2022, Maltese MEP Roberta Metsola was elected as president of the European Parliament; Metsola is from the center-right European People's Party 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?

Twenty of the EU's 27 member states use a common single currency, the euro, and are often collectively referred to as "the eurozone."[4] 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 Italy and Spain (the eurozone's third- and fourth-largest economies, respectively).

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.

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[4] The 20 members of the EU that use the euro are Austria, Belgium, Croatia, 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 2013; Portugal did so in 2014, and Cyprus did so in 2016. EU aid to Spanish banks ceased in 2014. Nevertheless, many EU 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. 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.[5] 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.[6]

Some analysts suggest the EU's response to the COVID-19-related economic crisis could open the door to further EU economic integration. 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.[7] Financing for the COVID-19 recovery fund includes the unprecedented issuing of EU bonds backed jointly by member states. Many EU officials, including ECB President Christine Lagarde, maintained that the COVID-19 recovery plan—and issuing common EU debt—represented a "one-off response to exceptional circumstances."[8] Some in the EU suggest that common EU borrowing should be considered to deal with new challenges such as the economic shocks caused by Russia's war in Ukraine, financing Ukraine's reconstruction in the longer term, or supporting EU industries and innovation viewed as key to the bloc's future competitiveness and clean energy transition.[9]

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[5] Bart Oosterveld and Alexatrini Tsiknia, "This Greek Tragedy Is Not Over Just Yet," Atlantic Council, August 21, 2018.

[6] Sam Fleming and Mehreen Khan, "EU Finance Ministers Approve Separate 'Eurozone Budget' Tool," *Financial Times*, October 10, 2019; Magnus G. Schoeller, "Preventing the EU Budget: Issue Replacement and Small State Influence in the EMU," *Journal of European Public Policy*, July 24, 2020.

[7] 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. The EU formally approved the 2021-2027 budget in December 2020 and finalized the recovery fund in February 2021.

[8] 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.

[9] Jacob Funk Kirkegaard, "Will the Russia-Ukraine War Speed European Fiscal Integration?," Peterson Institute for International Economics, May 30, 2022; Jorge Valero and Jillian Deutsch, "EU Should Seek Joint Borrowing for Ukraine Impact, Official Says," Bloomberg.com, June 30, 2022; European Council President Charles Michel, "Going Big for EU Industry," *Politico Europe*, January 15, 2023.

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 eight countries as official candidates for membership; all are at different stages of the accession process. Joining the EU typically takes many years (if not decades). Montenegro and Serbia are the farthest along in their accession negotiations, and Albania and North Macedonia officially began negotiations in July 2022. Turkey has been a candidate country since 1999, but its accession negotiations are stalled amid heightened EU concerns about democratic backsliding in Turkey and other tensions in EU-Turkey relations. The EU named Ukraine and Moldova as official candidates for membership in June 2022, and Bosnia and Herzegovina as an official candidate in December 2022. The EU regards Kosovo and Georgia as potential future candidates (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. At the same time, some European leaders and publics have been cautious about additional expansion, especially to Turkey (given its large size, predominantly Muslim culture, and relatively less prosperous economy). Concerns about continued EU enlargement have ranged from fears of unwanted migrant labor to the implications of an ever-expanding EU on the bloc's institutions, finances, and overall identity. Assessments of weakening rule of law in several existing EU members—including Poland and Hungary—also have contributed to decreased enthusiasm for further enlargement.

Russia's war against Ukraine has boosted political and public support across many EU countries for EU enlargement to Ukraine and other aspirants. Nevertheless, some in the EU remain concerned that a larger EU would strain the ability of the bloc's current structures and decisionmaking processes to function effectively. In August 2022, German Chancellor Olaf Scholz called for EU institutional reform to enable future rounds of EU enlargement.[10] (Also see "How Might the EU Evolve in the Future?," below.)

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[10] Laurenz Gerhke, "Scholz Pitches Major EU Enlargement—With Reform," *Politico Europe*, August 29, 2022. Also 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 the EU has made strides in forging common policies on a range of international issues, from the Balkans to Iran, some 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 with 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.[11] For some in the EU, Russia's war against Ukraine has given further impetus to promoting the EU as a robust international leader and the conflict may bolster the EU's drive for strategic autonomy and efforts to strengthen CFSP's credibility. EU officials have been considering ways to improve CFSP decisionmaking, with some advocating for eliminating or curtailing the unanimity requirement for certain CFSP decisions. Some EU members, however, are hesitant to support possible changes to CFSP decisionmaking rules, and little appetite appears to exist within the EU for wider reforms that would require EU treaty changes.[12] (Also see "How Might the EU Evolve in the Future?," below.)

Does the EU Have a Defense Policy?

Since 1999, 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

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[11] 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.

[12] See, for example, Jacopo Barigazzi and Jakob Hanke Vela, "EU's Unanimity Rules Are Here for Now, Despite the Chatter," *Politico Europe*, September 20, 2022.

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 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 following the end of the Cold War. Capability gaps exist in strategic air- and sealift, command and control systems, intelligence, and other force multipliers. 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.

In recent years, renewed efforts to promote EU defense integration have been driven by mounting concerns about a resurgent Russia, a desire to burnish the EU project in light of Brexit, and questions about the former Trump Administration's commitment to NATO and transatlantic security. Since 2016, EU leaders have announced several 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. Others note that progress on EU defense cooperation remains slow and initiatives such as PESCO have yet to deliver significant new high-end military capabilities.[13]

For some in the EU, Russia's war against Ukraine has generated a greater sense of urgency about building a stronger, more capable EU in the field of security and defense. At the same time, Russia's aggression has reinforced NATO's importance for many in the EU and prompted EU members Finland and Sweden to seek NATO membership.[14] In March 2022, the EU released a new EU security and defense strategy—known as *Strategic Compass*—to improve EU military and defense capabilities by 2030; the strategy also called for enhancing cooperation with partners, including NATO.[15] (Also see "What Is the Relationship of the EU to NATO?," below.)

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[13] European Commission, "European Defense Action Plan—FAQs," fact sheet, 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; Raluca Csernatoni, "New EU Defense Initiatives for Old Political Problems," EurActiv.com, February 18, 2021; Jacopo Barigazzi, "EU Military Projects Face Delays, Leaked Document Shows," *Politico Europe*, July 12, 2021.

[14] Giorgio Leali and Barbara Moens, "Ukraine War Gives Macron's Drive for EU Autonomy More Impetus," *Politico Europe*, March 9, 2022; Steven Erlanger, "When It Comes to Building Its Own Defense, Europe Has Blinked," *New York Times*, February 4, 2023.

[15] European External Action Service, *A Strategic Compass for the EU*, https://eeas.europa.eu/headquarters/headquarters-homepage/106337/towards-strategic-compass_en.

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 does not seek to supplant 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.[16] 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).[17] Bureaucratic rivalry also has contributed to frictions between the two organizations.

The emergence of new security threats over the past decade, however, prompted some 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, including boosting their common ability to counter hybrid threats.[18] In 2018, NATO leaders reaffirmed the importance of the NATO-EU partnership and both organizations pledged to improve military mobility in Europe.[19]

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. Given previous UK support for ensuring 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. Consistent with the views of most past U.S. Administrations, the Biden Administration has sought to encourage recent EU defense efforts but also stresses that EU defense initiatives must be linked to and must help to bolster NATO.[20] In 2021, the Biden Administration announced that the United States would join a PESCO project to improve military

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[16] Currently, six countries belong to the EU but not to NATO (Austria, Cyprus, Finland, Ireland, Malta, and Sweden, although Finland and Sweden applied to join NATO in May 2022 and the NATO accession process is close to completion for both countries); 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).

[17] 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.

[18] 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," July 8, 2016.

[19] NATO, "Joint Declaration on EU-NATO Cooperation," July 10, 2018.

[20] See, for example, the White House, "Joint Statement on the Phone Call between President Biden and President Macron," September 22, 2021.

mobility in Europe and launched a new U.S.-EU dialogue on security and defense cooperation aimed in part at raising "the level of ambition" for the NATO-EU partnership.[21]

As noted above, the EU's 2022 Strategic Compass strategy document calls for enhancing ties between NATO and the EU. In January 2023, NATO and the EU signed a new declaration pledging to enhance cooperation further in light of Russia's aggression in Ukraine and emerging challenges, including China's "growing assertiveness," protection of critical infrastructures, disruptive technologies, climate change, and "foreign information manipulation."[22] Some experts argue that with Finland's and Sweden's expected accession to NATO in the near future, 23 of the EU's 27 member states will belong to both organizations and this could help alleviate rivalry and improve NATO-EU cooperation. Others suggest that Finnish and Swedish NATO accession— along with heightened concerns about Russia—may underscore NATO's dominance as Europe's security guarantor and may weaken ambitions to develop a separate EU defense capacity.[23]

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 measures, key initiatives have included establishing an EU-wide arrest warrant and bolstering Europol, the EU's agency for law enforcement cooperation.

The EU's 2009 Lisbon Treaty expanded the role of the EU institutions in JHA policymaking. The treaty gave the European Parliament "co-decision" power over the majority of JHA policy areas and 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, EU member states largely continue to strive for consensus on sensitive JHA policies. For some issues in the JHA area, the Lisbon Treaty 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 such 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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[21] Jacopo Barigazzi, "U.S. to Join EU Project on Military Mobility," *Politico Europe*, May 5, 2021; U.S. Department of State, "Joint Statement by the Secretary of State of the United States of America and the EU High Representative for Foreign Affairs and Security Policy/Vice President of the European Commission," press release, December 3, 2021.

[22] NATO, "Joint Declaration on EU-NATO Cooperation," January 10, 2023.

[23] "Judy Asks: Is Finnish and Swedish NATO Membership Useful for Europe?," CarnegieEurope.eu, April 28, 2022; Lili Bayer, "EU and NATO Vow to Expand Cooperation," *Politico Europe*, January 10, 2023.

What Is the Schengen Area?

The Schengen area of free movement encompasses 23 EU member states plus 4 non-EU countries.[24] 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.

Three EU countries (Bulgaria, Cyprus, and Romania) are not yet full Schengen members, but are obliged to join in the future, after meeting the required security conditions and following the approval of the Council of Ministers and the European Parliament. 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 of Ministers 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

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[24] The 23 EU members that belong to the Schengen area of free movement are Austria, Belgium, Croatia, 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.

approve all such trade agreements before they can enter into force. The process for negotiating and concluding a new international trade agreement begins with discussions among all three EU institutions, and the European Commission initiates an informal scoping exercise with the potential partner country or trade bloc. The European Commission then requests authorization from the Council of Ministers to begin negotiations and usually submits to the council *negotiating directives* (sometimes termed the *negotiating mandate*), which set out the overall objectives for the future agreement. The directives also are shared with the European Parliament.

Provided the Council of Ministers provides authorization, the European Commission then launches formal negotiations for the new trade agreement. Within the European 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 European Commission is expected to keep both the Council of Ministers and the European Parliament apprised of its progress.

Once negotiations on a new trade agreement conclude, the proposed accord must be approved by the Council of Ministers and submitted to the European Parliament for its consent. Although the European Parliament is limited to voting "yes" or "no" to the new accord, it can ask the European 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 the European Parliament gives its consent and following ratification in the member states (if required), the Council of Ministers adopts the final decision to conclude the agreement, which then may be officially published and enter into force.[25]

How Do EU Countries and Citizens View the EU?

Most member states believe 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 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 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 brought in many members with histories of Soviet control, which often prompted skepticism of past EU efforts to engage with Russia and at times 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. History and geography also may affect member state positions on frequently contentious issues, from fiscal and monetary policy, defense integration, and EU reforms to migration, energy and climate initiatives, trade, and managing relations with China.

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[25] Some trade agreements submitted for Council of Ministers and European Parliament approval are accompanied by European Commission legislative proposals needed for implementation, which must also be adopted by both the Council of Ministers and the European Parliament. 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.

The prevailing view among European publics has been historically favorable toward the EU. Many EU citizens value the freedom to easily travel, work, and live in other EU countries. At 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 more than a decade, however, economic difficulties and worries about income inequality, immigration, and globalization have heightened support for populist, antiestablishment parties throughout the EU. 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 greater member state sovereignty 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.

In the May 2019 European Parliament elections, an array of antiestablishment and euroskeptic parties secured up to 25% of seats. Traditionally such parties in the European 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 European Parliament, some of the most hard-line 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 question the ability of such parties to work together to block or influence legislation. Euroskeptic parties remain a collective minority in the European Parliament and must gain support from other groups to have much impact on the legislative process.[26]

Despite concerns about euroskepticism, opinion polls indicate that a majority of EU citizens are supportive of the EU.[27] 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. The EU's efforts to respond to the COVID-19 pandemic, through both substantial financial support and vaccine procurement for the bloc, also may have contributed to diminished euroskepticism in some EU countries.[28] Polls conducted in the second half of 2022 indicate increased trust in the EU and strong support for the EU's response to Russia's aggression against Ukraine.[29]

At the same time, populism and related euroskeptic sentiments remain potent political forces in Europe. Parties with euroskeptic views have led Hungary's government since 2010 and Poland's government since 2015. In France's April 2022 presidential elections, National Rally candidate Marine Le Pen lost to pro-EU President Emmanuel Macron (42% to 59% in the second round of voting), but this was Le Pen's best finish in a presidential election and National Rally also made

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[26] For more information, see CRS In Focus IF11211, *The European Parliament and U.S. Interests*, by Kristin Archick.

[27] Moira Fagan and Sneha Gubbala, "Positive Views of European Union Reach New Highs in Many Countries," Pew Research Center, October 13, 2022; Eurobarometer, *EP Autumn 2022 Survey: Parlemeter*, January 2023.

[28] *Economist*, "Populists Fall Short of Expectations in the European Elections," May 26, 2019; Bojan Pancevski, "Why the COVID-19 Pandemic Weakened Far-Right Groups in Europe," *Wall Street Journal*, June 30, 2021.

[29] European Commission, "Eurobarometer: Trust in the EU on the Rise, Amid Strong Support for the EU's Response to Russia Invasion of Ukraine and Energy Policies," press release, September 6, 2022; Nicolas Camut, "74 Percent of Europeans Support EU Backing for Ukraine, Poll Finds," *Politico Europe*, January 12, 2023.

significant gains in France's June 2022 parliamentary elections. In Sweden's September 2022 elections, the nationalist and euroskeptic Sweden Democrats (SD) party won roughly 20% of the vote and became the second-largest party in the Swedish parliament; SD played a key role in shaping the new center-right government's policy priorities (especially on issues such as immigration and asylum) and provides the government with parliamentary support in passing legislation. In Italy's September 2022 elections, the far-right, nationalist, euroskeptic Brothers of Italy won 26% of the vote and leads a new coalition government with another right-wing, euroskeptic party (although Brothers of Italy leader and new Prime Minister Giorgia Meloni appears to have toned down her anti-EU rhetoric and sought to work cooperatively with the EU, including on economic and migration policies).[30]

What Is Brexit, and How Has It Affected the EU?[31]

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, in order to ensure an open border on the island of Ireland and preserve the peace process, the UK and EU agreed that Northern Ireland would effectively remain in the EU's single market and customs union post-Brexit. Known as the Northern Ireland protocol (to the UK-EU withdrawal treaty), this arrangement eliminates the need for regulatory and customs checks on trade in goods on the Northern Ireland land border, but it also essentially creates 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. The UK officially withdrew as a member of the EU on January 31, 2020, but continued to apply EU rules and to participate in the EU's single market and customs union for an 11-month transition period.

Days before the end of the transition period on December 31, 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. The post-Brexit arrangements for Northern Ireland also took effect after the end of the transition period, in January 2021. Since then, difficulties with implementing the protocol have arisen and disrupted some trade between Northern Ireland and Great Britain, heightened political and societal divisions within Northern Ireland, and strained UK-EU relations.

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[30] Sylvie Corbet and Barbara Surk, "France Reshaped: Election Emboldens Le Pen, Undercuts Macron," Associated Press, June 20, 2022; Malu Cursino, "Ulf Kristersson: Swedish Parliament Elects New PM Backed by Far Right," BBC.com, Octoberber 17, 2022; Valentina Pop, "Italy's Leader Looks to Mend EU Fences in Visit to Brussels," *Financial Times*, November 3, 2022.

[31] For more information, see CRS Report R46730, *Brexit: Overview, Trade, and Northern Ireland*, coordinated by Derek E. Mix.

The EU rejects calls by the UK government and some in Northern Ireland for a fundamental renegotiation of the protocol but has sought to engage with the UK on ways to overcome the protocol's operational challenges and ease tensions in Northern Ireland. UK-EU talks on the protocol have been contentious and progress has been slow, although discussions are ongoing and an agreement may be possible in early 2023. The UK government asserts that it would prefer a negotiated solution on the issues posed by the protocol, but legislation introduced in the UK Parliament in June 2022 would allow the UK to unilaterally stop applying parts of the protocol. The EU views the UK legislation as violating the terms of the protocol and international law.[32]

Despite Brexit, EU leaders assert that "the Union of 27 countries will continue."[33] 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 in the longer term, 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.

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 recent years. In 2017, during the commemoration of the 60th anniversary of the Treaties of Rome (foundational EU treaties), EU leaders renewed their commitment to the European integration project and pledged to make the EU "stronger and more resilient, through even greater unity and solidarity."[34] 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.[35]

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[32] The Northern Ireland Protocol Bill passed the UK House of Commons in July 2022 and is currently under consideration in the House of Lords.

[33] European Council, "Statement by the EU Leaders and the Netherlands Presidency on the Outcome of the UK Referendum," press release, June 24, 2016.

[34] European Council, *The Rome Declaration*, March 25, 2017.

[35] 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.

Although the EU has not formally moved toward a multispeed EU, the EU has sought to respond to recent challenges with new common policies and by pursuing greater integration in certain areas (such as security and defense, as discussed in "Does the EU Have a Defense Policy?"). In May 2022, the EU concluded a year-long Conference on the Future of Europe, aimed at promoting dialogue on a wide range of topics among citizens, experts, and EU officials; the conference issued a final report with 49 proposals on issues such as European democracy and the rule of law, the economy, health policy, climate change, and migration, among others. The EU institutions are committed to evaluating the conference proposals and considering their implementation, some of which would require treaty changes and could be controversial (see below). Following the example set by the conference, the European Commission has pledged to ensure European citizens continue to have a closer role in EU policymaking going forward.[36]

Russia's war against Ukraine has galvanized debate further on the future of the EU. As previously discussed, Russia's aggression in Ukraine may boost EU efforts to strengthen its common foreign and defense policies and has given impetus to enlarging the EU to include Ukraine and other countries in the longer term. Such issues have sparked considerable discussion about whether EU treaty reform may be necessary to alter EU decisionmaking rules and adapt EU institutions to accommodate an even larger and more diverse membership. For years, Germany and France also have called for eurozone reforms, and some analysts suggest the EU's COVID-19 economic recovery measures and the need to address the economic downturn stemming from the war in Ukraine may lead to further EU economic integration. At the same time, EU initiatives in many policy areas may be limited by diverging policy preferences among member states and between EU institutions. Moreover, some member states are likely to be hesitant about embarking on significant EU reforms that could lead to curtailing member state prerogatives and sovereignty.[37]

The leadership of key EU countries also may affect the EU's evolution. Germany and France traditionally play prominent roles in EU policymaking. French President Emmanuel Macron has been a leading proponent of EU defense integration and EU strategic autonomy. German Chancellor Olaf Scholz, who took office in late 2021, appears to share some of Macron's ambitions for the EU. Scholz outlined his vision for the EU in an August 2022 speech, which included calling for EU reforms to help pave the way for further enlargement. At the same time, the Franco-German partnership currently faces some tensions and divisions on a range of trade, financial, defense, and foreign policy issues. Meanwhile, Central and Eastern European countries, such as Poland and the Baltic states, have been instrumental in shaping the EU's response to Russia's war against Ukraine and may play increasingly influential roles in determining the EU's future development. Efforts to revitalize or reform the EU also could be affected by member state governments led or supported by euroskeptic parties.[38]

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[36] European Commission, *Conference on the Future of Europe*, at https://ec.europa.eu/info/strategy/priorities-2019-2024/new-push-european-democracy/conference-future-europe_en; European Commission, *Conference on the Future of Europe: Putting Vision into Concrete Action*, June 17, 2022.

[37] See, for example, Stefan Lehne, "Does the EU Need Treaty Change?," CarnegieEurope.eu, June 16, 2022; Max Bergmann, "The EU's Next Big Deal: Enlargement for Treaty Reform," *Politico Europe*, August 2, 2022.

[38] Eoin Drea, "The EU's Balance of Power Is Shifting East," ForeignPolicy.com, June 21, 2022, Erika Solomon, "Condemned to Lead Europe, German Chancellor Struggles for Impact," *New York Times*, September 2, 2022; Mathieu Droin, "Rebooting the Franco-German Engine," CSIS, October 5, 2022; Jean Pisani-Ferry, "Why Europe's Franco-German Engine Is Stalling," Project-Syndicate.org, January 31, 2023.

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 European 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. In 2014, the United States and the EU began imposing targeted sanctions on Russia 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. In recent years, total U.S. trade in goods and services with the EU typically has been 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 was $5 trillion in 2021 (historical-cost basis), and U.S. and EU multinational firms employed roughly 6 million workers (in direct employment) in 2020 on both sides of the Atlantic.[39] Historically, U.S.-EU cooperation has been a driving force behind efforts to liberalize world trade and ensure the stability of international financial markets.

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. 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. Long-standing U.S.-EU trade disputes persist over poultry, bioengineered food products, and protection of geographical indications.

Significant strains in U.S.-EU relations emerged during the Trump Administration. Many EU leaders were taken aback by former President Trump's seeming hostility toward the bloc, his expressed support for Brexit, and his reported contention that the EU engaged in unfair trade practices that harmed U.S. economic interests.[40] EU officials were concerned by the Trump Administration's imposition of steel and aluminum tariffs and what the EU regarded as protectionist U.S. trade policies. Other U.S.-EU policy divisions also existed during the Trump Administration, including on Russia, China, Iran, the Israeli-Palestinian conflict, climate change, managing the COVID-19 pandemic, and the role of multilateral institutions such as the United Nations and the World Trade Organization (WTO).

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.[41]

What Is the Current State of U.S.-EU Relations?

Upon entering office, President Biden "underscored his support for the [EU] and his commitment to repair and revitalize the U.S.-EU partnership."[42] The United States pledged to work with the EU on a wide range of global concerns, including the COVID-19 pandemic and climate change. EU officials welcomed the renewed U.S. commitment to multilateralism—signaled by President Biden's decisions to reverse certain Trump Administration policies and rejoin the World Health

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[39] U.S. Bureau of Economic Analysis, *International Trade and Investment*, at https://www.bea.gov/data/intl-trade-investment.

[40] See, for example, "'I Think the European Union Is a Foe,' Trump Says Ahead of Putin Meeting in Helsinki," CBSNews.com, July 15, 2018.

[41] 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.

[42] The White House, "Readout of President Joseph R. Biden, Jr. Call with European Commission President Ursula von der Leyen," press release, March 5, 2021.

Organization and the Paris Agreement on climate change, as well as by U.S. engagement on ways to revive the 2015 Iran nuclear deal. In its first year in office, the Biden Administration also coordinated human rights-related sanctions on both Russian and Chinese officials with the EU, restarted the U.S.-EU dialogue on China begun during the Trump Administration, and launched high-level consultations with the EU on the Indo-Pacific. Although some U.S.-EU tensions remained—and new controversies emerged related to EU concerns about the U.S. troop withdrawal from Afghanistan in August 2021 and the Australia-UK-U.S. security pact for the Indo-Pacific (known as AUKUS) announced in September 2021—the overall tenor of U.S.-EU relations improved with the start of the Biden Administration.

In 2022, Russia's war against Ukraine largely dominated the U.S.-EU agenda and bolstered U.S.-EU ties further. The United States and the EU have demonstrated steadfast support for Ukraine's territorial integrity and have cooperated extensively on imposing sanctions on Russia and other responses. The Biden Administration also supports EU efforts to end its dependency on Russian energy imports. President Biden pledged to work with international partners to help boost liquefied natural gas (LNG) shipments to the EU in 2022 and committed to enabling additional U.S. LNG shipments through 2030. A U.S.-EU task force on energy security is seeking to implement these and other goals related to transitioning away from fossil fuels and toward clean energy. For many on both sides of the Atlantic, Russia's invasion of Ukraine has reinforced the importance of the U.S.-EU partnership and its combined political and economic clout.[43]

Revitalizing U.S.-EU economic ties, resolving trade disputes, and promoting technological cooperation have been other key areas of focus for the Biden Administration.[44] In 2021, the United States and the EU reached an agreement to address a long-standing dispute over civil aircraft subsidies and a deal on the steel and aluminum tariffs imposed by the Trump Administration. The Biden Administration also established a Trade and Technology Council (TTC) with the EU to discuss issues such as emerging technologies, supply chain security, and digital governance, as well as a separate Joint Technology Competition Policy Dialogue. The United States views the TTC, in part, as a vehicle for U.S.-EU cooperation on challenges posed by China and other nonmarket economies; recent TTC meetings also have discussed U.S.-EU export controls and other sanctions on Russia. In 2022, the Biden Administration reached a new commercial data transfer arrangement with the EU to replace the Privacy Shield framework (which the EU's top court invalidated in 2020 on grounds that it did not meet EU data protection standards).[45] The Biden Administration also has worked with the EU in the WTO on an intellectual property rights waiver for COVID-19 vaccines and an international deal on setting a 15% global minimum corporate tax rate.

Despite a strengthened U.S.-EU partnership, certain issues pose challenges. U.S. tax credits for the purchase of electric vehicles and other clean energy subsidies in P.L. 117-169 (commonly referred to as the Inflation Reduction Act of 2022, or IRA) have sparked new U.S.-EU trade frictions. The EU contends that some measures in the IRA could harm EU industries, discriminate against EU firms, and breach multilateral trade rules. Some in the EU suggest the IRA fails to take EU economic interests into account at a time when many member states are struggling with high energy costs and inflation, in part because of Russia's aggression in Ukraine and the EU's

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[43] Also see CRS Insight IN11897, *Russia's War Against Ukraine: European Union Responses and U.S.-EU Relations*, by Kristin Archick.

[44] Also see CRS Report R47095, *U.S.-EU Trade Relations*, coordinated by Shayerah I. Akhtar.

[45] The EU is in the process of granting final approval to allow the new U.S.-EU Data Privacy Framework to take effect. See European Commission, "Questions & Answers: EU-U.S. Data Privacy Framework, Draft Adequacy Decision," press release, December 13, 2022.

imposition of sanctions and other responses. The Biden Administration asserts that EU companies could benefit from parts of the IRA and has proposed some flexibilities in recent implementation guidance. A U.S.-EU task force on the IRA is seeking to address EU concerns.[46] Meanwhile, some U.S. officials and business interests appear wary that new EU digital trade and competition rules could unfairly target large U.S. technology firms.[47]

Managing relations with China also may test U.S.-EU relations. EU views on China have hardened in recent years and have come to mirror more closely U.S. concerns about China's growing political and economic influence. The Biden Administration and the EU have committed to intensify cooperation on the range of strategic and economic challenges posed by China; at the same time, many in the EU remain wary about a possible new U.S.-China "Cold War" and are reluctant to antagonize a major economic partner. Some in the EU question the U.S. commitment to work together on China, while the EU recognizes the need for cooperation with China on common global concerns, such as climate change. In addition, varying political and economic interests among EU countries may impede or otherwise affect efforts to promote closer U.S.-EU policy alignment toward China.[48]

Some experts warn that U.S.-EU solidarity against Russia could begin to fray as the war in Ukraine continues, as many European countries face a difficult economic climate and as some in Europe begin to consider requirements for future peace negotiations for Ukraine or how to manage relations with Russia in the longer term. At times, French, German, and Italian leaders have broached the possibility of a cease-fire in Ukraine and eventual negotiations with Russia. Officials in the United States and other EU countries (such as Poland and the Baltic states) have raised concerns about any efforts to encourage Ukrainian concessions in order to give Russia a face-saving way out of the conflict and/or ease future European relations with Russia. U.S.-EU divisions also could emerge over the extent of military and/or financial assistance that each partner is providing to Ukraine.[49]

EU concerns also exist about ongoing U.S. political polarization and whether a future U.S. administration would maintain current U.S. policies toward Russia, Ukraine, the EU, and European security more broadly. Some in the EU remain skeptical about whether the United States will be a credible global leader and a reliable partner in the long term and argue that Europe must be better prepared to address future challenges on its own. The EU has emphasized enhancing defense cooperation and concluding 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. These and other efforts to position the EU as a key international player are likely to remain EU imperatives for the foreseeable future.[50]

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[46] See, for example, Alberto Nardelli et al., "EU Doubts Biden Will Make Europe-friendly Tweaks to Climate Bill," Bloomberg.com, January 11, 2023; Alexander Ward and Suzanne Lynch, "You're Hurting My Country: Manchin Faces Europe's Wrath," *Politico*, January 19, 2023.

[47] Leah Nylen and Samuel Stolton, "U.S. Slow to Respond to EU's Landmark Tech Regulation," *Politico*, March 25, 2022.
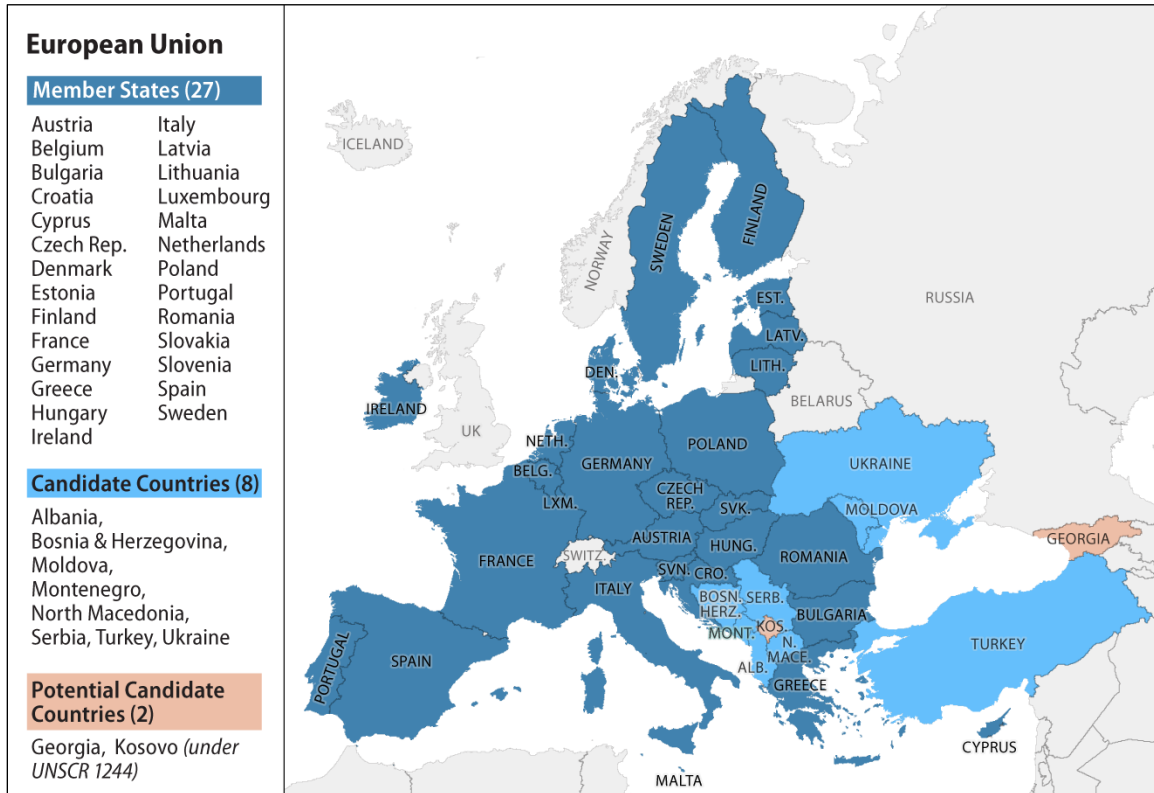
[48] Also see CRS In Focus IF10252, *The European Union and China*, by Sarah E. Garding et al.

[49] Holly Ellyatt, "The West's Unity over Ukraine Could Be Starting to Crack," CNBC.com, June 16, 2022; Chris Cameron and Helene Cooper, "U.S. Shores Up Ukraine Support as Energy Crisis in Europe Looms," *New York Times*, September 20, 2022; Jonathan Lemire, "White House Leans on Congress, Rallies Allies, to Aid Ukraine through Winter of War," *Politico*, December 18, 2022.

[50] See, for example, Majda Ruge and Jeremy Shapiro, "No Laughing MAGA: What the Next US Presidential Election Could Mean for Europe," European Council on Foreign Relations, June 3, 2022; Brian Klaas, "The Trump Apocalypse Has Not Been Canceled," *The Atlantic*, November 10, 2022.

Appendix. Map of the European Union and Aspirant Countries

Figure A-1. European Union Member States and Candidates

European Union

Member States (27)

Austria	Italy
Belgium	Latvia
Bulgaria	Lithuania
Croatia	Luxembourg
Cyprus	Malta
Czech Rep.	Netherlands
Denmark	Poland
Estonia	Portugal
Finland	Romania
France	Slovakia
Germany	Slovenia
Greece	Spain
Hungary	Sweden
Ireland	

Candidate Countries (8)

Albania,
Bosnia & Herzegovina,
Moldova,
Montenegro,
North Macedonia,
Serbia, Turkey, Ukraine

Potential Candidate Countries (2)

Georgia, Kosovo *(under UNSCR 1244)*

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Author Information

Kristin Archick
Specialist in European Affairs

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