



The European Union: Questions and Answers

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Summary

The European Union (EU) is an economic and political partnership that represents a unique form of cooperation among its 27 member states. The Union is the latest stage of a process of integration begun after World War II to promote peace, stability, and economic prosperity in Europe. The United States has strongly supported the EU and its progenitors as a means to foster democratic states and robust trading partners.

The EU has been built through a series of binding treaties, and EU member states have committed to a process of integration by harmonizing laws and adopting common policies on an extensive range of issues. For most economic and social issues, EU member states have largely pooled their national sovereignty, and EU decision making has a supranational quality. Decisions in other areas, such as foreign policy, require unanimous consensus among member states.

EU member states work together through common institutions to set policy and to promote their collective interests. The three main institutions of the EU are the European Commission, which upholds the common interest of the Union as a whole and functions as the EU's executive; the Council of the European Union (also known as the Council of Ministers), which represents the national governments; and the directly elected European Parliament, which represents the citizens of the EU. The Lisbon Treaty, which took effect in December 2009, is the EU's latest attempt to reform its governing institutions and decision-making processes in order to enable an enlarged EU to function more effectively. The Lisbon Treaty also seeks to give the EU a stronger voice in the foreign policy realm and to increase democratic transparency within the EU.

The EU has a strong common trade policy and has been developing a Common Foreign and Security Policy (CFSP) to make it a more coherent actor on the world stage. It has also been seeking to build a Common Security and Defense Policy (CSDP) in order to improve its military capabilities. Although some shortcomings exist in EU-NATO relations, the two institutions continue to seek a more cooperative and complementary relationship. Over the last decade especially, the EU has been working to forge common internal security measures in the Justice and Home Affairs (JHA) field, including by boosting police and judicial cooperation and enhancing the Union's ability to combat terrorism and other cross-border crimes.

The United States and the EU have an extensive and dynamic political partnership and share a large, mutually beneficial trade and investment relationship. The global financial crisis has challenged both sides to forge a common response. The United States and the EU have a number of lingering trade disputes, but have led the push to liberalize world trade, and have sought to reduce non-tariff and regulatory barriers in the transatlantic marketplace.

This report provides a brief overview of these issues, many of which may be of interest to the 112th Congress. For more information, also see CRS Report RS21618, *The European Union's Reform Process: The Lisbon Treaty*, by Kristin Archick and Derek E. Mix; CRS Report R41088, *The European Union: Leadership Changes Resulting from the Lisbon Treaty*; by Derek E. Mix, and CRS Report RS21998, *The European Parliament*, by Kristin Archick and Derek E. Mix.

Contents

What Is the European Union?.....	1
How Does the EU Work?	1
How Is the EU Governed?.....	2
What Is the Lisbon Treaty?.....	3
Why and How Is the EU Enlarging?	3
Does the EU Have a Foreign Policy?.....	4
Does the EU Have a Defense Policy?	5
What Is the Relationship of the EU to NATO?.....	6
What Is Justice and Home Affairs (JHA)?	6
Does the EU Have a Trade Policy?	7
How Do EU Countries and Citizens View the EU?	7
Does the United States Have a Formal Relationship with the EU?	8
Who Are U.S. Officials' Counterparts in the EU?	8
How Are U.S.-EU Economic Relations Doing?	9

Contacts

Author Contact Information	9
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What Is the European Union?

The European Union (EU) is an economic and political partnership that represents a unique form of cooperation among its 27 member states.¹ Built through a series of binding treaties, the Union is the latest stage of a process of integration begun after World War II to promote peace and economic prosperity in Europe. Its founders hoped that by creating specified areas in which member states agreed to share sovereignty—initially in coal and steel production, economics and trade, and nuclear energy—another war in Europe would be unthinkable. Since the 1950s, this European integration project has expanded to encompass other economic sectors, a customs union, a single market in which goods, people, and capital move freely, 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 17 member states.² Since the mid-1990s, EU member states have also taken significant 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), which is aimed at forging common internal security measures and closer police and judicial cooperation.

How Does the EU Work?

EU member states work together through common institutions (see next question) to set policy and promote their collective interests. Over the past several decades, EU members have progressively committed to harmonizing laws and adopting joint policies on an extensive and increasing number of issues. However, decision-making processes and the role of the EU institutions vary depending on the subject under consideration.

On a multitude of economic and social policies (once termed Pillar One, or the European Community), EU members have essentially pooled their sovereignty and EU institutions hold executive authority. Integration in these fields—which range from trade and agriculture to education and the environment—has traditionally been the most developed and far-reaching. EU decisions in such areas often have a supranational quality because most are subject to a complex majority voting system among the member states and are legally binding.

For issues falling under the Common Foreign and Security Policy (once known as Pillar Two), EU member states have agreed to cooperate, but most decision making is intergovernmental and requires unanimity. Thus, member states retain more discretion over their participation as any one member can veto a decision. For many years, unanimous agreement among the member states was also largely the rule for policy-making in the Justice and Home Affairs area (once called Pillar Three); recently, however, EU member states agreed to accelerate integration in the JHA field by extending the use of the EU's majority voting system to most JHA issues and giving EU institutions a greater role in JHA policy-making.

¹ The 27 members of the EU are Austria, Belgium, Bulgaria, 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, Sweden, and the United Kingdom.

² The 17 members of the EU that use the euro are Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain.

How Is the EU Governed?

Three institutions are central to EU decision and policy making, but they do not correspond exactly to the traditional branches of government or division of power in representative democracies. Rather, they embody the EU's dual supranational and intergovernmental character:

- The *European Commission* upholds the common interest of the Union as a whole. The Commission is essentially the EU's executive; it implements and manages EU decisions and common policies, and ensures that member states adopt and abide by the provisions of EU treaties, regulations, and directives. The Commission also has the sole right of legislative initiative in most cases. The 27 Commissioners, one from each country, are appointed by agreement among the member states to five-year terms. One is selected to lead and represent the Commission as the Commission President. The others hold distinct portfolios (e.g., agriculture, energy, trade). On many issues, the Commission represents the EU internationally and handles negotiations with outside countries. The Commission is also the EU's primary administrative entity.
- The *Council of the European Union* (also called the *Council of Ministers*) represents the 27 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 qualified majority voting system, but some areas—such as foreign and defense policy, taxation, amending EU treaties, 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. The Parliament consists of 736 members who are directly elected for five-year terms. Each member state 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 transnational groups based on political affiliation, rather than nationality.
- A number of other institutions also play key roles in the EU. The *European Council* is composed of the Heads of State or Government of the member states, plus its President as well as the President of the European Commission. Meeting at least four times a year (in what are often termed “EU Summits”), the European Council acts principally as a strategic guide and driving force for EU policy. The *Court of Justice* interprets EU laws and its rulings are binding; a *Court of Auditors* monitors the EU's financial management; the *European Central Bank* manages the euro and EU monetary policy; and a number of *advisory committees* represent economic, social, and regional interests.

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 27 member states. It is the final product of an effort begun in 2002 to reform the EU's governing institutions and decision-making processes in order to enable an enlarged Union to function more effectively. In addition, the treaty seeks to give the EU a stronger and more coherent voice and identity on the world stage, and to increase democracy and transparency within the EU.³

To help accomplish these goals, the Lisbon Treaty establishes two new leadership positions. The new President of the European Council, elected by the member states for a term of two and one-half years (renewable once), now chairs the meetings of the 27 EU Heads of State or Government, serves as coordinator and spokesman for their work, and seeks to ensure policy continuity and facilitate consensus. The first holder of the position is former Belgian Prime Minister Herman Van Rompuy. The treaty also creates a single position of High Representative of the Union for Foreign Affairs and Security Policy to serve essentially as the EU's chief diplomat. Former EU Trade Commissioner Catherine Ashton was appointed for the first five-year term of this new job (see below for more information).

Among other key measures, the Lisbon Treaty simplifies the EU's majority voting system and expands its use to policy areas previously subject to member state unanimity in the Council of Ministers in order to improve the efficiency of EU decision making. Nevertheless, in practice, member states will likely still strive for consensus on sensitive policy issues (such as police cooperation, immigration, and countering terrorism) that are usually viewed as central to a nation-state's sovereignty. At the same time, the mere possibility of a vote may make member state governments more willing to compromise and reach a common policy decision.

In addition, the treaty increases the relative power of the European Parliament within the EU in an effort to improve democratic accountability. It strengthens the Parliament's role in the EU's budgetary process and extends the use of the "co-decision" procedure to more policy areas, including agriculture and home affairs issues, thus giving the 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).⁴ At the same time, the Lisbon Treaty also gives national parliaments a degree of greater authority to challenge draft EU legislation and allows for the possibility of new legislative proposals based on citizen initiatives.

Why and How Is the EU Enlarging?

The EU views the enlargement process as an extraordinary opportunity to promote stability and prosperity in Europe. Since 2004, EU membership has grown from 15 to 27 countries, bringing in most states of central and eastern Europe and fulfilling an historic pledge to further the

³ The Lisbon Treaty amends, rather than replaces, existing EU treaties. The history of the Lisbon Treaty is replete with contentious negotiations among the member states and numerous ratification hurdles; it evolved from the proposed EU constitutional treaty, which was rejected in French and Dutch national referendums in 2005. Despite the failure of the EU constitutional treaty, experts say the Lisbon Treaty preserves over 90% of the substance of the original treaty.

⁴ The Lisbon Treaty technically renames the "co-decision" procedure as the "ordinary legislative procedure."

integration of the continent by peaceful means. 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 known as 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 new members. Bulgaria and Romania joined in 2007.

In order 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, treaties, and regulations. In July 2009, Iceland submitted its application for EU membership; accession negotiations began in July 2010.

Further enlargement will likely focus on the Balkans. The EU named Croatia as an official candidate in 2004 and began accession negotiations in 2005; Croatia is expected to complete these negotiations this year. Macedonia was given candidate status in late 2005, but has not yet secured a start date for accession talks in part because of an ongoing dispute with Greece over the country's official name. In December 2010, the EU named Montenegro as an official candidate, but negotiations have not yet begun. The remaining western Balkan states of Albania, Bosnia-Herzegovina, Kosovo, and Serbia are all recognized as potential EU candidates in the longer term, but their accession timetables and prospects vary.

Turkey also has a long-standing bid for EU membership. Turkey was recognized as an EU candidate in 1999 but remained in a separate category for years as it sought to comply with the EU's political and economic criteria for membership. In 2005, the EU opened accession talks with Turkey, but these are expected to take more than a decade to complete. The EU has cautioned that negotiations with Turkey are an "open-ended process, the outcome of which cannot be guaranteed." Observers note that some EU member states and many EU citizens remain wary about Turkey's possible accession given its large size, relatively poor economy, and Muslim culture. The status of Turkey's membership application is a frequent source of tension between Turkey and the EU.

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 decision making is dominated by the member states and requires the unanimous agreement of all 27. 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 Middle East peace process to Iran, others argue that the credibility of CFSP too often suffers from an inability to reach consensus. The launch of the U.S.-led war in Iraq in 2003, for example, was extremely divisive among EU members, and they were unable to agree on a common EU position. Others note that some differences in viewpoint are inevitable among 27 countries that still retain different approaches, cultures, histories, and relationships—and often different national interests—when it comes to foreign policy.

The EU's new Lisbon Treaty seeks 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 above, the treaty establishes a High Representative for the Union for Foreign Affairs and Security Policy to serve essentially as the EU's chief diplomat. This new post combines into one position the former responsibilities of the Council of Ministers' High Representative for CFSP and the Commissioner for External Relations, who previously managed the European Commission's diplomatic activities and foreign aid programs. In doing so, the new position seeks to marry the EU's collective political influence with its economic power. The Lisbon Treaty also creates a new EU diplomatic corps (the European External Action Service) to support the High Representative.

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).⁵ CSDP seeks to enhance European military capabilities, to improve the EU's ability to respond to crises, and to give the EU's common foreign policy a military backbone. The EU has created three defense decision-making bodies, has set targets for improving capabilities, 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. CSDP missions are often civilian, rather than military, in nature, with objectives such as police and judicial training ("rule of law") or security sector reform. The EU is currently engaged in 13 CSDP missions in the Balkans, Africa, Caucasus, the Middle East, and Afghanistan, and has completed an additional 11 others in previous years.

However, improving European military capabilities has been difficult, especially given flat or declining European defense budgets. Serious capability gaps continue to 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.

⁵ ESDP was renamed CSDP by the Lisbon Treaty.

What Is the Relationship of the EU to NATO?

Despite largely overlapping memberships and interests, NATO and the EU continue to struggle to establish a cooperative and complementary relationship.⁶ 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 usurping NATO’s collective defense role. The United States has supported EU efforts to develop CSDP provided that it remains tied to NATO, does not rival or duplicate NATO structures or resources, and does not weaken the transatlantic alliance. Advocates of CSDP argue that building more robust EU military capabilities will also benefit NATO. The 2003 Berlin Plus agreement, which allows EU-led military missions access to NATO assets and planning capabilities, was designed to help ensure close NATO-EU links and prevent a wasteful duplication of European defense resources. Since then, 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 Africa and Afghanistan.

Nevertheless, NATO-EU relations remain somewhat strained. Closer and more extensive NATO-EU cooperation at the political level on a range of issues—from matters of strategic importance (such as 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).⁷ Many analysts argue that until a political settlement is reached over Cyprus, enhanced NATO-EU cooperation is unlikely. Others suggest that additional reasons exist for strains in the NATO-EU relationship, including bureaucratic rivalry and competition between the two organizations and varying views on both sides of the Atlantic regarding the future roles and missions of both NATO and the EU’s CSDP.

What Is Justice and Home Affairs (JHA)?

The 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 zone. JHA encompasses police and judicial cooperation, immigration, asylum, border controls, fighting terrorism and other cross-border crimes such as drug trafficking, and combating racism and xenophobia. For many years, however, 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, the subsequent revelation of Al Qaeda cells in Europe, and the terrorist bombings in Madrid and London in 2004 and 2005, however, helped give new momentum to many initiatives in the JHA area. Among other measures, the EU has established a common definition of terrorism, an EU-wide arrest warrant, and new tools to strengthen external EU border controls.

⁶ Twenty-one countries belong to both NATO and the EU. There are six non-NATO members of the EU (Austria, Cyprus, Finland, Ireland, Malta, and Sweden) and seven non-EU members of NATO (Albania, Canada, Croatia, Iceland, Norway, Turkey, and the United States).

⁷ Turkey, a non-EU NATO member, has objected to Cyprus, which joined the EU in 2004, participating in NATO-EU meetings on the grounds that it 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. In the current political climate, Cyprus essentially cannot join PfP because it would require the consent of all NATO allies, including Turkey.

The EU's new Lisbon Treaty gives the European Parliament "co-decision" power over the majority of JHA policy areas. The Treaty also makes most decisions on JHA issues in the Council of Ministers subject to qualified majority voting, rather than unanimity, in a bid to strengthen JHA further and speed EU decision making. In practice, however, the EU will likely still seek consensus as much as possible on sensitive JHA policies. Moreover, for some issues in the JHA area, the EU has 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 it. Despite these safeguards, the UK and Ireland negotiated the right to choose those JHA policies they want to take part in and to opt out of all others; Denmark extended its previous JHA opt-out in some JHA areas to all JHA issues. The Lisbon Treaty technically renames JHA as the "Area of Freedom, Security, and Justice."

Does the EU Have a Trade Policy?

EU member states have a common external trade policy in which the European Commission negotiates trade deals with outside countries and trading blocs on behalf of the Union as a whole. 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 Council of Ministers has the power to establish objectives for trade negotiations and can approve or reject agreements reached by the Commission. EU rules allow the Council to make trade decisions with qualified majority voting, but in practice the Council tends to employ consensus. The Commission and the Council work together to set the common customs tariff, guide export policy, and decide on trade protection or retaliation measures where necessary. The new Lisbon Treaty extends the right of "co-decision" to the European Parliament on trade agreements, giving it an enhanced role in this area. The EU also plays a leading role in the World Trade Organization (WTO).

How Do EU Countries and Citizens View the EU?

All EU member states believe that the Union magnifies their diplomatic and economic clout and brings them important political and financial benefits. Nevertheless, tensions have long existed within the EU between those members that seek an "ever closer union" through greater integration and those that prefer to keep the Union 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, such as passport- and visa-free travel within the EU (UK and Ireland), the euro (UK, Denmark, and Sweden), Justice and Home Affairs issues (UK, Ireland, and Denmark), and the common defense policy (Denmark). Another classic divide in the EU falls along big versus small state lines; small states are often cautious of initiatives that they believe could allow larger states to dominate EU decision making. In addition, the recent rounds of EU enlargement to central and eastern Europe have brought in many new members with histories of Soviet domination, which often color their views on issues ranging from EU reform to relations with Russia. At times, such differences have caused frictions with older, west European member states and have slowed EU policy-making.

The prevailing view among European citizens is likewise favorable toward the EU, and many believe that the EU benefits them in important ways. Some observers have noted that, owing largely to the EU, many of the continent's citizens describe a European identity layered on top of national, regional, and local identities. However, there is also a certain amount of "Euro-skepticism" among a significant portion of Europe's citizens. Concerns over the loss of national sovereignty are one central element of this sentiment. Some citizens assert that there is a "democratic deficit"—a feeling that one has no say over decisions taken in far-away Brussels. Others view the EU as a giant bureaucracy that delivers few concrete benefits. Some observers suggest that the benefits and founding ideals of the EU—peace and prosperity—may not ring as loudly among younger generations with no experience of war or economic hardship.

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

Yes. For decades, the United States and the EU (and its progenitors) have maintained diplomatic and economic ties. Washington has strongly supported European integration, and despite some frictions, the United States and the EU share a dynamic political partnership on an increasing number of issues ranging from countering terrorism to slowing environmental degradation. U.S.-EU trade and investment relations are also extensive. 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 ties across the Atlantic, and launched a number of dialogues, including 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 interparliamentary exchanges between the two bodies date back to 1972.

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

U.S.-EU summits usually occur at least once a year; with the Lisbon Treaty now in force, the U.S. President meets with the President of the European Commission and the President of the European Council. For example, at the last U.S.-EU Summit in November 2010, President Obama met with Commission President José Manuel Barroso and European Council President Herman Von Rompuy. 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.

How Are U.S.-EU Economic Relations Doing?

The United States and the EU share the largest trade and investment relationship in the world. Despite the recent global economic downturn, the combined U.S. and EU economies account for nearly 50% of global gross domestic product and roughly 45% of world trade. In 2009, the value of the two-way flow of goods, services, and income receipts from investment between the United States and the EU totaled nearly \$1.2 trillion. U.S. and European companies are also the biggest investors in each other's markets: total stock of two-way direct investment was about \$3.2 trillion in 2009. Historically, U.S.-EU cooperation has also been a driving force behind efforts to liberalize world trade.

Although the vast majority of the U.S.-EU economic relationship is harmonious, some tensions exist. U.S.-EU trade disputes persist over poultry, subsidies to Boeing and Airbus, hormone-treated beef, and bio-engineered food products. U.S.-EU disagreement over agricultural subsidies has also contributed to stalling the Doha Round of multilateral trade negotiations. Many analysts note that resolving U.S.-EU trade disputes has become increasingly difficult, perhaps partly because both sides are of roughly equal economic strength and neither has the ability to impose concessions on the other. Another factor may be that many disputes involve differences in domestic values, political priorities, and regulatory frameworks. The United States and the EU have made a number of attempts to reduce remaining non-tariff and regulatory barriers to trade and investment. The Transatlantic Economic Council (TEC) was created at the 2007 U.S.-EU summit and tasked with advancing the process of regulatory cooperation and barrier reduction.

The global financial crisis and recession have also posed difficult challenges for both the United States and the EU and raised concerns about the adoption of protectionist policies. U.S. and EU leaders have sought to pursue a coordinated response to the global economic downturn through the G-20, which brings together industrialized and developing countries. The United States, the EU, and many member states have supported, for example, stimulus spending measures and agree on the need to reform regulation of the global financial system. However, analysts point out that significant divisions exist both among EU countries and between the EU and the United States over the specifics of such reforms and the degree of regulation required.

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