From Europe to the Euro

EURO CHALLENGE

Student Orientations
2019 Euro Challenge

www.euro-challenge.org
What is the European Union?

A unique institution – Member States voluntarily cede national sovereignty in many areas to carry out common policies and governance.
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Largest economic region in the world.

World’s largest donor providing assistance to developing countries.
### The EU and the US Compared

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<tr>
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- **EU Population**: 512,596,403
- **US Population**: 326,766,748

**Additional Comparisons**:
- **Member States**: EU 28, US 50
- **Languages**: EU 24, US 5
- **Combined Population**: EU 510 million
- **Global GDP**: 22% of global GDP
- **Global Exports and Imports**: 20% of global exports and imports
- **Surface Area**: EU 4.3 million km², US 2 million km²
The EU and the US Compared

EU POPULATION
512,596,403

US POPULATION
326,766,748

GDP
$18.8 TRILLION

GDP PER CAPITA
$37,204.61

GDP
$20.5 TRILLION

GDP PER CAPITA
$54,225.45

28 Member States / 500 million combined population
24 official languages
22% of global GDP
20% of global exports and imports
4.3 million km² total surface area
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**Surface Area**:
- EU: 1,728,099 square miles
- US: 3,794,080 square miles

**Official Languages**:
- EU: 24
- US: 1
1945 – *Europe's Year Zero*

- Millions of people had lost their lives
- Large population movements across states
- Industry and infrastructure had been devastated
- Food shortages
The Iron Curtain Descends

1948 – 1949: A split continent

Images: National Archives of the United States, German Federal Archive
In 1948 the US launched the **Marshall Plan**, an initiative to aid post-World War II reconstruction in Europe. Benefiting Western European countries and the US, it set up the **European Organization for Economic Cooperation (EOEC)** to manage reconstruction aid.
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In 1949 the USSR reacts by setting up the **Council for Mutual Economic Assistance (COMECON)**, an alternative economic organization aimed at enhancing economic cooperation amongst countries of the eastern block.

**Images:** National Archives of the United States, German Federal Archive
The Schuman Declaration

1951 – Six stars are born
The Schuman Declaration

1951 – Six stars are born

Images: National Archives of the United States, German Federal Archive
Six founding countries (Belgium, Federal Republic of Germany, France, Italy, Luxembourg, the Netherlands) signed a treaty to completely open the market of coal and steel under a common high authority:

The European Coal and Steel Community was born, precursor of the EU.
The Rome Treaties Set the Stage for Further Widening and Deepening

1957 – The European Economic Community

The six founding countries expanded cooperation to other economic sectors, creating the European Economic Community (EEC) – or “common market“.

Based on the four freedoms: freedom of movement of people, goods, services and capital – as an instrument of achieving closer political union.

Also establishes a free trade area (no tariffs) and a custom union.
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[The signatories are] “determined to lay the foundations of an ever closer union among the peoples of Europe, resolved to ensure the economic and social progress of their countries by common action to eliminate the barriers which divide Europe (...)”

Preamble of the Rome Treaty establishing the European Economic Community
The "outer seven" (Austria, Denmark, Norway, Portugal, Sweden, the Swiss Confederation and the United Kingdom of Great Britain and Northern Ireland) establish the European Free Trade Area (EFTA).
1961 – The "Outer Seven" vs the "Inner Six"

[The signatories are] "Determined to facilitate the early establishment of a multilateral association for the removal of trade barriers and the promotion of closer economic co-operation [including with the Members of the European Economic Community (...)]" Preamble of the Stockholm treaty establishing the European Free Trade Area

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EFTA had a limited scope: establishing a free trade area, similarly to USMCA (former NAFTA). Initially successful in promoting trade and other member states joined – Including Finland and Iceland. Today EFTA counts only four Members.
EEC Continues Deepening (with Justice and Foreign Policy Cooperation) It Becomes EU) and Widening (to Former EFTA and COMECON Members)
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1973

- Denmark
- Ireland
- United Kingdom

Map: Wikimedia Commons
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1973
- Denmark
- Ireland
- United Kingdom

1981
- Greece

1986
- Portugal
- Spain

1990
- German reunif.

Map: Wikimedia Commons
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- 1973: Denmark, Ireland, United Kingdom
- 1981: Greece
- 1986: Portugal, Spain
- 1990: German reunification
- 1992: Maastricht treaty

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- **2007**: Croatia
- **2013**: Bulgaria, Romania, Croatia

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2004: Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia
2007: Bulgaria, Romania, Albania, FYR Macedonia, Turkey, Serbia, Montenegro
2013: Croatia
• A referendum for continued EU membership took place on 23 June 2016 in the United Kingdom

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A number of issues still stand in the way, but the Irish border is particularly complex.
Outline of the Presentation

**History of the European Union**
- Half a Century of Change and Progress

**How does the European Union function?**
- A Unique Institutional Structure

**The Euro Currency and the Monetary Union**
- United in Diversity

**The European Union and the United States**
- Partners in Global Leadership
The US Constitution and the EU Legal Order

Constitution/Treaty

Executive

Legislative

Judicial

Constitution

Executive

Legislative

Judicial
The European Council

- Made of the heads of state or government of the 28 EU member states, the European Council President (Donald Tusk) and the President of the European Commission.
- Sets the 'strategic agenda' of priority areas for longer-term EU action and focus.
The European Commission

- 28 Commissioners, representing the European perspective, each responsible for a specific policy area.
- EU’s executive branch proposes legislation, manages Union’s day-to-day business and budget, and enforces rules.
- Negotiates trade agreements and manages Europe’s multilateral development cooperation.
European Parliament and Council of the EU

The voice of the people
- European citizens directly elect members for five-year terms.
- With the Council, passes EU laws and adopts EU budgets (ordinary legislative procedure).
- Approves EU Commissioners.

The voice of the Member States
- Not directly elected: it is comprised of ministers holding office in the 28 Member States.
- In a number of specific areas, the Council takes decisions using special legislative procedures and the role of the Parliament is limited.
European Court of Justice

- Highest EU judicial authority.
- Ensures all EU laws are interpreted and applied correctly and uniformly.
- Rules on conflicts between EU institutions, between EU institutions and Member States and between Member States.
- Can act as an independent policy maker and overrule national law in areas (economy, agriculture) covered by the Treaties.
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  - United in Diversity

- The European Union and the United States
  - Partners in Global Leadership

Zero tariffs between member countries and reduced non-tariff barriers

Free Trade Area (FTA)

EFTA

- **Common external tariff**: Zero tariffs between member countries and reduced non-tariff barriers.
- **Free Trade Area (FTA)**: Zero tariffs between member countries.
- **Custom Union (CU)**: Zero tariffs between member countries and reduced non-tariff barriers.
- **EFTA**
- **Turkey**

- Single market regulations and institutions (including enforcement)
- Four freedoms + regulatory alignment (non-tariffs barriers)
- Common external tariff
- Zero tariffs between member countries and reduced non-tariff barriers

- Free Trade Area (FTA)
- Custom Union (CU)
- EFTA
- Turkey
- CEE

Common economic policies
Justice and Home Affairs
Common Foreign and Security Policy

Single market regulations and institutions (including enforcement)

Four freedoms + regulatory alignment (non-tariffs barriers)

Common external tariff

Zero tariffs between member countries and reduced non-tariff barriers

Free Trade Area (FTA)
Custom Union (CU)

EFTA
Turkey

CEE
EU

Economic and political union

Common market

- Single currency
  - Common economic policies
    - Justice and Home Affairs
    - Common Foreign and Security Policy
- Single market regulations and institutions (including enforcement)
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- Turkey

- Economic and monetary union
- Economic and political union
- Common market

CEE
EU
EMU/EA

- **Single currency**
  - Common economic policies
  - Justice and Home Affairs
  - Common Foreign and Security Policy

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- **Free Trade Area (FTA)**
  - Custom Union (CU)
  - Common market
  - Economic and political union
  - Economic and monetary union

- **EFTA**
- **Turkey**
- **Switzerland**
- **EEA**
- **CEE**
- **EU**
- **EMU/EA**

**European Union**
28-nation single market of free trade and shared regulation; includes "free movement" of goods, services, capital and people

**Euro Zone**
19 countries using the euro currency

**European Economic Area** provides access to single market in exchange for payments; has "emergency brake" on free movement of people

**European Free Trade Association**
Free-trade zone and network of agreements with other countries

**Customs Union**
Circulates goods without duties, has uniform system for handling imports

**Schengen Area**
26-country passport-free travel zone
1986 **Single European Act**  
Sets objective of establishing an internal market.

1992 **Maastricht Treaty**  
Sets out how to achieve EMU, lays down convergence criteria.

1999 **Introduction of the euro**  
The euro is officially introduced as a virtual currency in Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain.

2002 **Banknotes and coins**  
Introduction of euro banknotes and coins, replacing national currencies.
Of the 28 EU Member States today, 19 have adopted the euro. What about the other 9?

Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain.

What about the other 9?

Bulgaria, Croatia and Romania have expressed interest in adopting the euro over the next few years.
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Kosovo and Montenegro have unilaterally adopted the euro.
# Economic Policy Making: Euro Area vs. the US

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#### Fiscal Policy
- **US**: Treasury Secretary Steven Mnuchin
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#### Structural Reforms
- **US**: Concurrent federal and state level responsibility; few policy areas are exclusively state or federal (e.g. social security / education); most policy areas shared (federal level provides a floor)
- **Euro Area**: Exclusive responsibility of Member State; few exceptions, e.g. safety at work standards and competition policy

- **Fully centralized**
- **No central Euro Area budget – Member States' fiscal policy is coordinated through the Stability and Growth Pact (SGP)**

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**European Union only gives economic policy recommendations to Member States**
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The European Union and the United States
- Partners in Global Leadership
The Transatlantic Economy is the largest and wealthiest market in the world, accounting for 50% world GDP in terms of value and 30% of world trade.
• Freedom & Democracy
Support free elections, good governance, human rights, and the rule of law around the world.
US and EU: Partners in Global Leadership

• **Freedom & Democracy**
  Support free elections, good governance, human rights, and the rule of law around the world.

• **Security**
  Cooperate to fight terrorism, limit the spread of nuclear weapons, and work for global peace.
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• **Security**
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• **Development**
  Together, EU and U.S. provide 80% of global development assistance and an even larger share of global humanitarian aid in times of disaster and conflict.
"We work very closely together with the US Administration on a wide range of issues. From the Western Balkans to North Korea, from Ukraine to Afghanistan – and the list could continue. Our cooperation is strong because we share the same goals and the same interests, I would say the same vision of the world."
Federica Mogherini
EU High Representative for Foreign Affairs and Security Policy

"I am not trying to sweep aside our differences. On the contrary, I think we should meet them head on, and one of the key strengths of the U.S.-EU relationship is our ability to talk candidly and freely about our differences. That is not an advantage we enjoy with all our partners, and we should not lose sight of its importance."

Gordon Sondland
US Ambassador to the European Union

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Follow the Delegation on Twitter: @EUintheUS

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Euro Challenge Website
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Good luck in the 2019 Euro Challenge!