

# CRS Report for Congress

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## The European Union in 2005 and Beyond

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### Summary

The European Union (EU) has experienced significant changes over the last few years. The EU has enlarged from 15 to 25 members and has been working to implement a new constitutional treaty to institute internal reforms and further political integration. The EU has also taken steps toward developing a common foreign policy and defense arm. This report describes the current status of the EU's constitutional treaty, EU enlargement, the EU's evolving foreign and defense policies, and possible implications for U.S.-EU relations. It will be updated as events warrant. For more information, see CRS Report RS21372, *The European Union: Questions and Answers*.

### The EU's Constitution

**Background.** The European Union (EU) is a treaty-based, institutional framework that defines and manages political and economic cooperation among its 25 member states (Austria, Belgium, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom). In June 2004, EU leaders concluded work on a constitutional treaty that contains changes to the EU's governing institutions and decision-making processes. Commonly referred to as the "constitution," this new treaty aims to enable a larger EU to operate effectively and prevent gridlock, boost the EU's visibility on the world stage, and enhance the Union's democratic legitimacy. It grew out of the 2002-2003 Convention on the Future of Europe and previous EU efforts to institute internal reforms.

Major innovations in the over 300-page constitution include abolishing the EU's rotating presidency in favor of a single individual with longer tenure; creating a new EU foreign minister position that will combine the roles of the High Representative for the Common Foreign and Security Policy and the External Relations Commissioner; increasing the European Parliament's powers by extending its decision-making rights to additional policy areas; and decreasing the size of the Commission in 2014. EU leaders also agreed to simplify the EU's current, complex system of Qualified Majority Voting (QMV); beginning in 2009, QMV decisions will require 55% of member states (compromising at least 15 of them) representing at least 65% of the EU's population. In the defense field, EU leaders approved: a "mutual assistance clause" that has been likened

to NATO's Article 5 defense guarantee; "structured cooperation" to permit a smaller group of members to cooperate more closely on military issues; and a European armaments agency to promote procurement harmonization and improve European defense equipment interoperability. EU officials insist that none of these defense provisions seeks to weaken NATO or the transatlantic link.

**Current Status.** EU leaders officially signed the constitution in October 2004 and set November 2006 as the target date for the treaty's entrance into force. In order to come into effect, the constitution must be ratified by all 25 member states through either parliamentary approval or public referenda. Twelve states have completed ratification, but the constitution's future has been thrown into doubt following its rejection by French and Dutch voters in separate referenda in May and June 2005. Arguments against the constitution varied; in both countries, some voters claimed it could undermine traditional social protections, while other voters sought to register dissatisfaction with unpopular national governments, the EU bureaucracy, and Turkey's prospective EU membership. Other reasons for rejecting the constitution differed. In France, some feared that it could ultimately weaken Paris' dominant role in the EU, while Dutch voters complained that certain provisions of the constitution unduly favored the EU's bigger countries.

In the wake of the French and Dutch "no" votes, it became unclear whether other EU member states would proceed with their ratification plans. Proponents of moving forward hoped that if most members approved the constitution, such approval would help force a second vote in those states that rejected it. The U.K., however, announced that there is "no point" in continuing to plan for a British referendum in light of the French and Dutch rejections. At their June 16-17, 2005 summit, EU leaders reaffirmed their commitment to the constitution but announced that decisions about the timing of ratification were for each member state to determine. They acknowledged that the initial ratification deadline of November 2006 was no longer tenable and did not set a new target date. Experts say this decision effectively puts the constitution on hold until at least mid-2007. Some predict that the EU may be facing a period of stagnation, at least in the short term, as members grapple with internal reforms and the EU's future shape and identity. They also suggest that the rejection of the constitution could impede the EU membership aspirations of Turkey and possibly the Balkans, given that considerable opposition is tied to concerns about further EU enlargement.<sup>1</sup>

## EU Enlargement

With the end of the Cold War, the European Union has sought to extend the political and economic benefits of membership to central and eastern Europe. Ten states — Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia — joined the EU on May 1, 2004. Publicly, most EU officials are enthusiastic about enlargement. They view it as solidifying a Europe "whole and free," claim it will further open markets in the east, and hope that ongoing growth in eastern Europe will help jumpstart economic growth in the west. Others note that the enlarged EU still faces several challenges as it seeks to integrate the 10 new members, whose combined economic weight remains relatively small. Many new members need to

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<sup>1</sup> For more information on the EU's constitutional treaty, see CRS Report RS21618, *The European Union's Constitution*.

complete reforms in areas ranging from food safety to public administration. Enlargement will necessitate a redirection of structural funds for development projects within the EU from older members, such as Spain and Italy, to newer and more needy countries like Poland. It will also be several years before most new EU members are deemed ready to join the EU's open borders system or the EU's single currency, the euro.

Bulgaria and Romania concluded accession negotiations in December 2004 and hope to be able to join the EU in 2007; some caution, however, that their accession could be delayed for one year if they fail to implement remaining reforms. Also in December 2004, the EU announced it would begin accession talks with Turkey in October 2005, provided that Turkey continues to make progress on democratic and human rights reforms and extends its customs union to the EU's 10 new members, including Cyprus. Turkey's membership talks are likely to take at least a decade to complete; the EU asserts that the "shared objective of the negotiations is accession" but has cautioned that it is an "open-ended process, the outcome of which cannot be guaranteed." Some observers suggest that the difficulties with ratifying the EU constitution could delay the expected start date of Turkey's accession talks; even if Turkey's negotiations begin on time, many believe they may take even longer than initially predicted and may be less likely to result in full membership. All of the western Balkan states also harbor EU aspirations in the longer term. In June 2004, the EU named Croatia as another candidate and hopes to begin accession talks as soon as Croatia is deemed in full compliance with the International Criminal Tribunal for the former Yugoslavia. Macedonia submitted its membership application in March 2004.<sup>2</sup>

## **A New European Parliament and European Commission**

Elections for a new European Parliament (EP) with 732 members were held on June 10-13, 2004. The EP has seven political groups, which are based on ideology rather than nationality or political party, plus some "non-attached" members. The center-right European People's Party retained its position as the largest political group in the EP. Voter turnout, however, was very low throughout the newly enlarged EU (just over 45%), and euro-skeptic parties made significant gains, especially in the U.K. In July 2004, the EP elected a Spanish socialist, Josep Borrell, as EP President for the next 30 months.

A new European Commission also took office in 2004 amid considerable controversy. After a contentious debate, member states in June 2004 named former Portuguese Prime Minister José Manuel Durão Barroso as the successor to outgoing Commission president Romano Prodi. The other Commissioners were nominated by the member states; all of them, including Barroso, were subject to approval of the European Parliament, which has the power to accept or reject a newly-proposed Commission as a whole. In October 2004, some Members of the EP threatened to veto the new Commission because they objected to its proposed composition. Barroso was forced to revamp his team in order to ensure parliamentary approval. The new Commission took office on November 22, three weeks after it was originally scheduled to have started work; it has one Commissioner from each of the EU's 25 member states.

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<sup>2</sup> For more information, see CRS Report RS21344, *European Union Enlargement*.

## Evolving EU Foreign and Defense Policies

**The EU Security Strategy.** Over the past decade, the EU has sought to forge a Common Foreign and Security Policy (CFSP) to help boost its weight in world affairs and match its growing economic clout. As part of this process, EU foreign ministers in May 2003 tasked the EU's High Representative for CFSP, Javier Solana, with developing an EU security strategy to identify common security interests and joint policy responses. Some member states had resisted setting out a common EU strategy for years, fearing it could constrain their national policies; but observers suggest that the internal EU rift over Iraq gave impetus to this project as a way to help avoid similar internecine disputes in the future. In December 2003, the EU approved the final version of its first-ever security strategy, "A Secure Europe in a Better World." It outlines five key global threats confronting the EU — terrorism, weapons proliferation, regional conflicts, failed states, and organized crime — and a range of tools, primarily diplomatic and economic, for tackling them. In particular, it emphasizes the importance of conflict prevention and multilateral solutions. The security strategy also calls on the EU to promote stability in the European "neighborhood," which includes the Balkans and the EU's new eastern border after enlargement, as well as the southern Mediterranean and the Middle East.

Some commentators have criticized the EU's security strategy as being too vague and lacking in detail. EU officials counter that it merely represents the first step in developing a more comprehensive security strategy and that work will now begin on specific policies for implementation. Others contend that the new security strategy is weak because it does not clearly identify the possible use of force as an option for confronting threats posed by terrorism or weapons of mass destruction (WMD). EU leaders dismiss this criticism, however, pointing out that the security strategy acknowledges that military means may be needed to deal with certain threats.<sup>3</sup>

**Countering WMD.** Following the war with Iraq, the EU adopted a common policy on WMD in June 2003. The EU's "Declaration on Non Proliferation of Weapons of Mass Destruction" recognizes WMD proliferation as a growing international threat, and the risk that terrorists may acquire WMD. The Declaration sets out a range of diplomatic tools for tackling WMD proliferation, including strengthening multilateral forums such as the International Atomic Energy Agency (IAEA), and improving export controls. However, this WMD policy also sanctions the use of "coercive measures" as a last resort. In December 2003, the EU approved a "Strategy Against Proliferation of Weapons of Mass Destruction" that further elaborates on the June Declaration. These WMD documents are separate from the EU's overarching security strategy, but are viewed as implementing mechanisms for the portions of the security strategy related to WMD.<sup>4</sup>

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<sup>3</sup> Borut Grgic, "A Strategy with No Muscle," *International Herald Tribune*, Dec. 13, 2003. For the text of the EU security strategy, see [<http://ue.eu.int/uedocs/cmsUpload/78367.pdf>].

<sup>4</sup> For the text of the June 2003 *Declaration on Non Proliferation of Weapons of Mass Destruction* see Annex II in the Thessaloniki Presidency Conclusions [[http://ue.eu.int/ueDocs/cms\\_Data/docs/pressData/en/ec/76279.pdf](http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/ec/76279.pdf)]; the June 2003 Declaration was also accompanied by a set of Basic Principles and an Action Plan against WMD proliferation. For the text of the December 2003 *Strategy Against Proliferation of Weapons of Mass Destruction*, see [<http://ue.eu.int/uedocs/cmsUpload/st15708.en03.pdf>].

**European Security and Defense Policy (ESDP) and EU-NATO Relations.**

Since 1999, the EU has sought to develop a defense identity outside of NATO to provide a military backbone for CFSP and to give itself more options for dealing with international crises. This project, known as ESDP, has led to the creation of a 60,000-strong rapid reaction force, three defense decision-making bodies, and ties to NATO intended to ensure close links between the two organizations and prevent a wasteful duplication of NATO resources or structures. The EU insists that ESDP is not aimed at usurping NATO's collective defense role and most EU NATO allies, led by the U.K., say that EU efforts to enhance military capabilities should complement those of the Alliance.

As part of ongoing efforts to further develop ESDP, the EU adopted in December 2003 a new agreement on enhancing the EU's military planning capabilities. This agreement represents a compromise negotiated by the U.K., France, and Germany, and stems from the desire of France and some other countries to forge a more autonomous European defense arm. The compromise entails:

- Establishing a British-proposed EU planning cell at NATO headquarters (SHAPE) to help coordinate "Berlin Plus" missions, or those EU missions conducted using NATO assets.
- Adding a new, small cell with the capacity for operational planning to the existing EU Military Staff — which currently provides early warning and strategic planning — to conduct possible EU missions without recourse to NATO assets.
- Inviting NATO to station liaison officers at the EU Military Staff to help ensure transparency and close coordination between NATO and the EU.

Some observers criticize the British for agreeing to this deal, accusing U.K. Prime Minister Blair of bowing to French demands for a more independent ESDP to help burnish his European credentials following the rift with Paris and Berlin over Iraq. U.K. officials are keen to point out that the deal considerably scales back the original April 2003 proposal by France, Germany, Belgium, and Luxembourg to create a European military headquarters, planning staff, and armaments agency. They claim that language in the agreement reaffirms NATO as Europe's preeminent security organization, and stress that the EU cell will "not be a standing headquarters." Although Washington grudgingly approved this compromise, some U.S. officials still fear that the new EU planning cell of 20 to 30 officers may be the first step in driving the transatlantic alliance apart. They believe this small cell will grow over time into a larger staff, which could duplicate NATO structures.<sup>5</sup> The EU is working to implement its new planning cell and is collaborating with NATO to establish the EU cell at SHAPE and to finalize the NATO liaison arrangements.

In 2004, the EU also agreed to enhance its rapid reaction capabilities by creating 13 battle groups, of 1,500 troops each, able to deploy to trouble spots, especially in Africa, within 15 days. The EU has set 2007 as the deadline for these battle groups to be fully operational. They will likely be employed mostly as spearhead forces that would seek to "prepare the ground" for larger, follow-on peacekeeping operations.

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<sup>5</sup> "Straw Defends Joint Euro Force," BBC News, Nov. 29, 2003; Judy Dempsey, "NATO Split over Separate Brussels Military Planning Unit," *Financial Times*, Dec. 1, 2003.

## U.S.-EU Relations

Since the end of major combat operations in Iraq, many European officials have sought to mend fences with the United States. EU leaders have continually stressed the fundamental importance of close U.S.-European ties and sought to portray the EU as a reliable partner. The Bush Administration has asserted that improving transatlantic relations — in both the EU and NATO — is a priority for its second term. Europeans have welcomed these efforts, and many believe that the Administration has succeeded in improving the atmospherics of the relationship. At the U.S.-EU summit on June 20, 2005, the two sides pledged to continue working together on a range of challenges, including the promotion of transatlantic economic growth and integration, the Middle East, non-proliferation, counterterrorism, and U.N. reform. Nevertheless, transatlantic tensions have not disappeared and resolving differences will require a sustained political commitment from both sides.

Over the next several months, EU officials will likely continue to engage with the United States on all of these issues. The greater Middle East and various “homeland security” issues — such as passenger pre-screening, data transfers, and U.S. visa waivers for citizens of new EU member states — will remain key concerns on the U.S.-EU agenda. The plight of Africa may also figure more prominently, given that the UK will hold the EU presidency in the second half of 2005 and has made boosting development aid and relieving African debt a top priority of its concurrent G8 presidency. NATO and EU officials will continue working together in the Balkans, and NATO-EU cooperation in providing assistance to the African Union-led peacekeeping mission in Sudan will be closely watched as a test of the evolving NATO-EU relationship. The United States and the EU are committed to pursuing a strategic dialogue on East Asia, but Washington remains concerned about a potential lifting of the EU’s arms embargo on China. Several trade disputes also persist. These include aircraft subsidies, beef hormones, genetically-modified foods, U.S. anti-dumping practices, and exemptions in U.S. export tax legislation that leave tax breaks in place for contracts already signed on certain heavy goods.

As the EU continues to evolve, some U.S. analysts worry that a larger, potentially more confident EU may seek to rival the United States and could weaken the transatlantic link. They also contend that a more unified EU would likely lessen Washington’s leverage on individual members and could complicate U.S. efforts to rally support for its initiatives in institutions such as the United Nations or NATO. Others suggest that an EU able to “speak with one voice” — especially on foreign policy and defense matters — would be a more credible, capable partner for the United States in managing global challenges and could shoulder a greater degree of the security burden, both within and outside of Europe. During President Bush’s February 2005 visit to the EU’s institutions in Brussels, he asserted that “the United States wants the European project to succeed” and that a strong Europe is in U.S. interests.<sup>6</sup>

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<sup>6</sup> See the transcript of the press conference following the meeting of EU heads of state and government and President Bush, February 22, 2005, available on the EU’s website [[http://europa.eu.int/comm/press\\_room/presspacks/us20050222/transcript.pdf](http://europa.eu.int/comm/press_room/presspacks/us20050222/transcript.pdf)].