



European Union (EU)

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Learning objectives

In this chapter you will learn about:

- 1 Institutions of the EU
- 2 Decision-making process of the EU
- 3 Common EU policies
- 4 Benefits and challenges of EU membership

Objectives of the EU

- Maintain peace and stability within Europe
- Improve standards of living and quality of life
- Establish common values such as democracy, equality and human rights
- Strengthen and enlarge the union over time

Member countries of the EU

- | | |
|------------------|---------------|
| • Austria | • Latvia |
| • Belgium | • Lithuania |
| • Bulgaria | • Luxembourg |
| • Croatia | • Malta |
| • Cyprus | • Netherlands |
| • Czech Republic | • Poland |
| • Denmark | • Portugal |
| • Estonia | • Romania |
| • Finland | • Slovakia |
| • France | • Slovenia |
| • Germany | • Spain |
| • Greece | • Sweden |
| • Hungary | |
| • Ireland | |

Features of the EU

- The EU is a number of sovereign states working towards social, political and economic **union**.
- The EU is based on a number of international **treaties** agreed by the member states.
- The EU has its own **institutions** to run its affairs.
- **Pooled sovereignty**: Each country gives up some of its sovereign powers to the EU so that the EU can act on behalf of all the states in some instances.
- Each member state contributes money to the **EU budget** each year.
- The EU develops and operates a series of **common policies** to achieve the objectives of the union.

Institutions of the EU

The three main institutions are the **Commission, the Parliament and the Council of European Union**. These three institutions are interdependent and have roles which require them to co-operate with each other in running the EU. The main institutions must consult with each other and act as a check on the activities of the others.

European Commission

Role

- Proposes new policies for the EU
- Implements the new policies passed by the EU
- Executive management body of the EU
- Civil service for the EU

Structure

- Commissioners nominated by the member states
- President of the Commission is agreed by the member states
- Parliament must approve the members of the Commission
- Each commissioner given a portfolio or area of work

Functions

- Gives **political leadership** within the EU
- Puts forward proposals for **new EU laws**
- Makes sure existing EU **laws are obeyed**
- Puts the **policies** of the EU into practice
- Manages the spending of the **budget**

Powers

- Brings individuals and organisations to the EU **courts**
- **Imposes fines** on those who do not follow EU regulations
- **Censures** states that do not fulfil their obligations under EU law



European Parliament

Role

- Represents the citizens of Europe, who elect the Parliament
- Protects the rights of the people of the member states
- Passes new EU laws in conjunction with the Council of Ministers
- Ensures that the other institutions use their powers in a proper fashion

Structure

- Members of the European Parliament directly elected by the citizens of the member states
- Parliament has a large number of committees that deal with different areas of its work

Functions

- Discusses proposed new laws
- Suggests amendments to proposed laws
- Passes some laws jointly with the Council of Ministers
- Approves the annual EU budget
- Monitors how the budget is spent
- Vets and appoints the members of the Commission
- Questions the Commission and the Council of Ministers to ensure they are acting properly

Powers

- Passes some laws in conjunction with the Council of Ministers
- Approves the EU budget
- Appoints and dismisses the Commission

Council of the European Union/ Council of Ministers

Role

- Makes all the major decisions of the EU and passes laws
- Decides on the future development of the EU

Structure

- One minister from each member state sits on the Council
- Council sometimes made up of the prime ministers, finance ministers or other ministers from member states

Functions

- Sets the objectives for the future
- Maintains co-operation and trust between the member states
- Provides leadership for the EU project

Powers

- Makes decisions on behalf of the EU, sometimes jointly with the Parliament

Top Tip!

You should be able to describe each of the main institutions of the EU and their relationship to each other.

Steps in the EU decision-making process

- 1 **Proposal stage:** A **proposal** for a new law is drafted by the Commission and sent to the Parliament.
- 2 **Consultation stage:** Parliament **discusses** the proposal and suggests amendments, which are returned to the Commission.
- 3 **Redrafting stage:** The Commission **redrafts** the proposal and submits it to the Council of Ministers and the Parliament.
- 4 **Approval stage:** The European Council meets to **agree or reject the proposal**, sometimes as a co-decision with the Parliament.

Implementation of EU decisions

- 1 **Regulations:** A regulation becomes law immediately throughout the EU and takes precedence over national laws.
- 2 **Directive:** The EU sets goals that each member state must achieve within a specified time period. Each member state has freedom to implement the directive in its own way.

Example: The 48-hour working week directive is being implemented by member countries in different ways.

- 3 **Decision:** EU decisions are directed at countries or organisations and are fully binding on them.

Example: In 2004 the EU Commission directed Microsoft to supply information to its competitors so that they could compete with the Microsoft Windows operating system. Later that year Microsoft was fined €2 million a day for failing to obey the earlier decision.

How interest groups can influence EU decision-making

- **Lobbying** decision-makers
- Setting up **offices** close to the EU institutions
- Setting up **meetings** with individuals and groups within the EU to put forward their case
- Conducting **public relations** campaigns
- **Public protest**
- **Targeting** all those who have input into EU decisions

Top Tip!

You should be able to explain the EU decision-making process and describe how decisions can be influenced by interest groups.

Common policies of the EU

There are a number of areas where the EU has developed common policies to achieve its objectives throughout the member states:

- Single European Market (SEM)
- Economic and Monetary Union
- Common Agricultural Policy
- Competition policy
- Social policy
- Environmental policies

Single European Market (SEM)

- A free internal market without barriers or restrictions to trade
- Free movement of goods, services, capital and labour between the member states
- Common standards for goods and services in all European markets
- Recognition of qualifications within all member states
- Common import taxes on goods coming into all member states
- Government contracts must be open to firms from other member states

Benefits of the SEM for Ireland

- Irish firms can sell their products to a very large market.
- Irish firms can expand and achieve lower costs through economies of scale.
- Irish consumers get better choice, quality and price as a result of the single market.
- Transport and distribution costs are

reduced with the removal of border checks between countries.

- Ireland can attract non-EU firms to set up here because they can gain access to the single market as a manufacturer based in Ireland.

Drawbacks of the SEM for Ireland

- Smaller Irish firms may not be able to compete with foreign competitors.
- The government loses the power to protect home industries with tariffs.
- Ireland lacks the large-scale producers that can compete with multinationals.
- The Irish government can no longer give its contracts to Irish firms (unless these firms happen to be the most competitive).

Economic and Monetary Union (EMU)

- This is a uniform European economy that allows a number of countries to share a common currency, the euro.
- Eurozone countries must meet economic criteria in relation to inflation, interest rates, government spending and national debt.
- The monetary system is run by the European Central Bank (ECB), which issues notes and coins and sets interest rates.



Benefits of the EMU for Ireland

- Irish firms and individuals do not have to exchange currencies when dealing with Eurozone countries.
- The direct comparison of prices between Eurozone countries puts downward pressure on prices in Ireland.
- Savings are made by not having to pay currency exchange charges to banks.
- Membership of the Eurozone forces the Irish government to maintain economic stability.
- Exchange risks are eliminated when trading within the Eurozone.

Drawbacks of the EMU for Ireland

- The government loses some control over the economy, e.g. interest rates.
- Our main trading partner, Britain, is not part of the Eurozone.

Common Agricultural Policy (CAP)

- This is a single market for agricultural products in the EU, with the same prices paid to all producers.
- EU farmers get preference by means of import tariffs on agricultural products from outside countries.
- EU farmers received export refunds to subsidise them when they export produce onto world markets.
- Excess production is bought, stored and eventually disposed of by the EU, either by destruction or by sale at very low prices on world markets. This is called the intervention system.

- Price supports and direct payments to farmers are funded by the EU budget.
- Grants are available to invest in new technology and to switch to different crops which are not overproduced.
- Overproduction is now discouraged by production quotas and levies.
- Farmers are paid not to produce those crops where there is overproduction.

Benefits of the CAP for Ireland

- Irish farmers have received huge amounts in financial support through the intervention system.
- Irish farms have been able to modernise and become more efficient with grants from the CAP for investment in technology.
- The Irish economy has benefited greatly from the financial support of the CAP, as agriculture is an important industry.
- Food production has been assured, even if this is at a high cost to the EU.

Drawbacks of the CAP for Ireland

- Guaranteed markets and prices have led to an over-reliance on a few agricultural products such as milk and beef.
- Mechanisation and bigger farms have reduced the numbers employed on the land.
- Overproduction has led to excessive use of chemicals and problems with agricultural pollution.

- The CAP caused Irish farmers to become dependent on price and market supports.
- Ongoing reform to reduce spending on the CAP is adversely affecting farm incomes.

EU competition policy

- This aims to have free and open competition for all goods and services within the EU.
- The policy pursues the progressive removal of all barriers to open competition.
- Abuse of a dominant position by large firms is outlawed.
- The operation of cartels, where firms collude to manipulate a market, is banned.
- All proposals for mergers of firms are examined to ensure that they do not create new dominant firms in markets.
- All monopolies, both private or state-owned, are removed so that competitors can enter the market.
- Public procurement contracts must be transparent and must be awarded to the best bidder.

Benefits of competition policy for Ireland

- Increased competition gives consumers better choice, quality and price for goods and services.
- It is easier for new, smaller firms to set up and compete in the market, which benefits smaller-scale firms in Ireland.
- The power of inefficient and high-priced monopolies is reduced.

- State monopolies are eliminated and consumers have a choice of supplier.
- Regulation of mergers and takeovers prevents new monopolies from being created.
- Market manipulation by dominant firms is reduced.

Drawbacks of competition policy for Ireland

- Open competition can result in the closure of many small firms and in the domination of the market by a few multinational firms.
- Closures due to competition can result in unemployment in some industries.
- Free competition may mean that services will not be provided in less profitable sections of the market that were previously provided by monopolies as part of their social role.

EU environmental policies

- There is promotion of more environmentally friendly forms of power.
- Grant aid is provided for the development of new technologies that benefit the environment.
- The 'polluter pays' principle ensures that those found responsible for pollution bear the cost of the clean-up.
- Future economic development must be sustainable in its impact on the environment.
- All EU-funded projects must pass an environmental impact evaluation.

- Green taxes should be introduced by governments to promote decisions that are favourable to the environment.
- The development of more energy-efficient public transport systems is promoted.
- All developments must have an environmental impact assessment carried out before the project goes ahead.

Benefits of environmental policy for Ireland

- EU funding is provided for environmentally beneficial developments.
- There is an increased awareness of the need to protect the environment.

Drawbacks of environmental policy for Ireland

- There are increased costs associated with the protection of the environment.

Benefits to Ireland of EU membership

- Free access to a large market
- Attraction of foreign direct investment
- A strong international currency, the euro
- Financial supports to agriculture
- Grant aid for the development of infrastructure
- Better protection of the environment
- Better rights for workers, consumers and individuals
- Improved standards of living

Top Tip!

Ensure you can outline the main common policies of the EU and the effect of each one on Ireland.

Exam question

- 1 Evaluate the role of 'special interest groups' in the decision-making process of the European Union (EU). Use examples to support your answer. (2011, 15 marks)

Sample answer

Special interest groups are groups which attempt to influence the political and decision-making process but are not part of the accepted political structures.

Methods they employ include lobbying, information campaigns and public protests in an attempt to influence EU decision making.

Special interest groups have an important role in the EU decision-making process, in particular during the consultation stage.

Special interest groups engage in lobbying, which is the deliberate effort to influence the decision-making process by promoting a particular point of view. This lobbying ensures that the requirements of the special interest groups are reflected in the drafting stage of policy formation.

Some special interest groups have permanent offices in Brussels and Strasbourg and put pressure on Members of the European Parliament and the Commission through media pressure and demonstrations.

Examples

ICTU tries to influence EU decision-making and policy in relation to employment, the minimum wage and the EU social charter.

The IFA engaged in intense lobbying in Brussels to obtain greater flexibility on milk quotas in advance of their 2015 abolition.

Marking scheme

- Explanation/example: 2 x 6 marks (6 = 3 + 3)
- 3 marks for evaluation

Question

Higher Level long questions

- 1 Discuss the role of the Council of the European Union (Council of Ministers) and the European Commission in the European Union (EU) decision-making process. (2012, 20 marks)
- 2 Evaluate the opportunities and challenges for Irish business in the EU market. (2009, 30 marks)
- 3 Discuss the importance for Ireland of any two of the following EU policies:
 - (i) Competition Policy
 - (ii) Common Fisheries Policy (CFP)
 - (iii) Common Agricultural Policy (CAP) (2010, 20 marks)
- 4
 - (i) Outline the decision-making process of the European Union.
 - (ii) Explain the term 'EU directive' and the effect of one of them on Irish business.
 - (iii) Evaluate the impact on Ireland of any two of the following:
 - The Common Agricultural Policy
 - The Competition Policy
 - The European Union Social Charter. (2006, 20 marks)

Key-points!

- Institutions and decision-making process of the EU
- EU common policies
- Benefits of EU membership for Ireland

Key-definitions!

competition policy: A set of regulations aimed at ensuring that there is open competition in all markets for goods and services within the EU.

Council of Ministers: The main decision-making institution of the European Union, made up of relevant government ministers from each member state.

Economic and Monetary Union (EMU): The EU policy that created a uniform economy across a number of countries which as a result can share a common currency, the euro.

European Parliament: The EU institution whose members are elected by the people. It represents the people of the EU and seeks to protect their rights in EU legislation.

European Union (EU): A developing and growing social, economic and political union between 28 European countries.

eurozone: The 18 countries who currently (2014) have the euro as their currency.

lobbying: A range of activities directed at persuading a decision-maker to make a decision which is favourable for your objectives.

pressure groups: Groups of people or organisations who act together to influence or put pressure on decision-makers to make decisions favourable to their cause, e.g. Irish farmers trying to influence EU CAP reforms.

Single European Market (SEM): Refers to the EU policy of creation of a free market throughout all the member states with free movement of goods and services, capital and labour.