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The European Union: Questions and Answers

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SUMMARY

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The European Union: Questions and Answers

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 sought to harmonize laws and adopt common policies on an increasing number of economic, social, and political issues. EU member states 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. Nineteen EU member states use a common currency (the euro), and 22 member states 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) to forge common internal security measures. Member states work together through several EU institutions to set policy and to promote their collective interests.

Challenges Facing the EU

The EU is generally considered a cornerstone of European stability and prosperity, but it faces a number of internal and external challenges. Managing the Coronavirus Disease 2019 (COVID-19) pandemic and its economic repercussions is preoccupying EU leaders' time and attention. Other key issues for the EU include 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, the forging of a future relationship with the United Kingdom (UK) following its exit from the EU in January 2020 (*Brexit*), ongoing political and societal pressures related to migration, and a range of challenges posed by both Russia and China. Many of these issues could have implications for the EU's future shape and character.

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. Despite periodic tensions in U.S.-EU relations over the years, U.S. and EU policymakers alike have viewed the partnership as serving both sides' overall strategic and economic interests.

During the Trump Administration, U.S.-EU relations have been under considerable strain. EU officials have been taken aback by what they regard as President Trump's unprecedented skepticism of the EU, his vocal support for Brexit, and his contention that the EU engages in unfair trade practices that are detrimental to the United States. Many in the EU also are uneasy with Administration policies on numerous issues, including aspects of relations with Russia and China, Syria, the Middle East peace process, and the role of multilateral institutions. The EU opposes the U.S. decisions to withdraw from the 2015 nuclear deal with Iran and the Paris Agreement on combatting climate change. COVID-19-related travel bans; competition for medical equipment, supplies, and the research and development of vaccines and treatments; and the U.S. decision to withdraw from the World Health Organization have generated additional frictions in U.S.-EU relations.

Despite current tensions, many in the EU hope to preserve U.S.-EU political, security, and economic ties for the long term. The Trump Administration and the EU have worked together, for example, in seeking to deescalate trade tensions and have fostered dialogue on areas of common interest, including recently with respect to COVID-19 and China. At the same time, some in the EU question whether the United States will remain a credible, reliable partner in the years ahead and argue the EU must be better prepared to address both regional and international challenges on its own.

This report serves as a primer on the EU. It also describes U.S.-EU relations that may be of interest to Congress. For more information, see CRS Report R44249, *The European Union: Ongoing Challenges and Future Prospects*, and CRS Report R45745, *Transatlantic Relations: U.S. Interests and Key Issues*.

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
What Are the Euro and the Eurozone? ... 4
Why and How Is the EU Enlarging? ... 6
Does the EU Have a Foreign Policy? ... 7
Does the EU Have a Defense Policy? ... 7
What Is the Relationship of the EU to NATO? ... 8
What Is Justice and Home Affairs? ... 9
What Is the Schengen Area? ... 10
Does the EU Have a Trade Policy and Process? ... 11
How Do EU Countries and Citizens View the EU? ... 12
What Does the UK's Withdrawal Mean for the EU? ... 13
Does the United States Have a Formal Relationship with the EU? ... 15
Who Are U.S. Officials' Counterparts in the EU? ... 15
How Are U.S.-EU Relations? ... 15

Figures

Figure A-1. European Union Member States and Candidates ... 18

Appendixes

Appendix. Map of the European Union and Aspirant Countries ... 18

Contacts

Author Information ... 18

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 (known as the "four freedoms"); 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 19 member states. Since the mid-1990s, EU members have also 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-two 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 internal and external challenges. Most notably at present, managing the Coronavirus Disease 2019 (COVID-19) pandemic and its economic repercussions has tested the EU. Other key issues include 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, the forging of a future relationship with the United Kingdom (UK) following its exit from the EU in January 2020 (*Brexit*), ongoing political and societal pressures related to migration, and a range of challenges posed by both Russia and China. The EU also has been grappling with numerous foreign policy and economic disputes with the United States under the Trump Administration.[2]

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 the approval of the European Parliament and is legally binding on member state 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.

[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.

[2] For background on the range of issues confronting the EU, see CRS Report R44249, *The European Union: Ongoing Challenges and Future Prospects*, by Kristin Archick.

How Is the EU Governed?

The EU is governed by several institutions. They do not correspond exactly to the traditional branches of government or divisions of power in representative democracies. Rather, they 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 and manages 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 Commission President, while the others hold distinct portfolios (e.g., agriculture, energy, trade). On many issues, the commission handles negotiations with outside countries.
- The *Council of the European Union* (also called the *Council of Ministers*) represents the 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 majority voting system, but some areas—such as foreign and defense policy, taxation, 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. 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 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 political affiliation, rather than nationality; there are seven political groups and several dozen nonattached MEPs in the Parliament currently.[3]
- 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."

[3] 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.[4] 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.

[4] 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. 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.

Germany holds the ***Presidency of the Council of Ministers*** (often termed the *EU Presidency*) from July to December 2020; Portugal will hold the Presidency from January to June 2021.

Every 2½ years (twice per 5-year parliamentary term) Members of the European Parliament (MEPs) elect the ***President of the European Parliament***. In July 2019, Italian MEP David Sassoli was elected as President of the Parliament; Sassoli is from the center-left Socialists and Democrats 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?

Nineteen of the EU's current 27 member states use a common single currency, the euro, and are often collectively referred to as "the eurozone."[5] 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 Ireland, Portugal, Italy, and Spain (the latter two being the eurozone's third- and fourth-largest economies, respectively). The debt problems of these countries also posed a risk to the European banking system, slowed economic growth, and led to rising unemployment in many eurozone countries.

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.

[5] The 19 members of the EU that use the euro are Austria, Belgium, 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 December 2013; Portugal did so in May 2014, and Cyprus did so in March 2016. EU aid to Spanish banks ceased in January 2014. Nevertheless, many 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. While France and Italy emphasized the political importance of the eurozone, Germany and others (including the Netherlands, Finland, Slovakia, and Slovenia) opposed debt relief and stressed that all members, including Greece, must adhere to eurozone fiscal rules. 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.[6] Greece officially exited the EU-IMF financial assistance program in August 2018.

From its start, the eurozone crisis forced EU leaders to grapple with weaknesses in the eurozone's structure and the common currency's future viability. It also generated tensions among member states over the proper balance between imposing austerity measures and stimulating growth and over whether greater EU fiscal integration was necessary. Traditionally fiscally conservative member states largely opposed integration steps that might lead to "bailing out" more indebted countries in the future. Eurozone leaders have continued to discuss additional measures to improve the eurozone's economic governance and stability, including through establishing a new eurozone budget mechanism to support public investment and structural reform in eurozone countries.[7]

Analysts suggest the COVID-19-related economic crisis may open the door to further EU economic integration in the longer term. In July 2020, EU leaders (acting in the European Council) reached political agreement on a €750 billion (around $890 billion) recovery fund consisting of both grants and loans for member states, attached to a €1.1 trillion (roughly $1.3 trillion) seven-year EU budget. Financing for the COVID-19 recovery fund would include the unprecedented issuing of EU bonds backed jointly by member states. Many EU officials, including ECB President Christine Lagarde, maintain that the plan to provide grants (as well as loans) and to issue common EU debt represents a "one-off response to exceptional circumstances."[8] At the same time, Lagarde asserts that the EU should consider keeping the recovery fund arrangements in the EU's "toolbox" for possible use in future economic crises.[9]

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

[7] Jan Strupczewski, "EU Ministers Close to Deal on Small Euro Zone Budget," Reuters, October 9, 2019; Sam Fleming and Mehreen Khan, "EU Finance Ministers Approve Separate 'Eurozone Budget' Tool," *Financial Times*, October 10, 2019.

[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] Bojan Pancevski and Laurence Norman, "How Angela Merkel's Change of Heart Drove Historic EU Rescue Plan," *Wall Street Journal*, July 21, 2020; Carolynn Look, "Lagarde Urges EU to Consider Recovery Fund as Permanent Tool," Bloomberg.com, October 19, 2020.

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 five countries as official candidates for membership. Of these, four are in the Western Balkans—Albania, Montenegro, North Macedonia, and Serbia. Turkey is also an official candidate country.[10] All five candidates are at different stages of the accession process. Montenegro and Serbia are the farthest along in their accession negotiations. The EU approved opening accession talks with Albania and North Macedonia in March 2020. EU accession negotiations with Turkey, however, are stalled amid heightened EU concerns about democratic backsliding in Turkey and other tensions in EU-Turkey relations. Bosnia and Herzegovina and Kosovo are regarded as potential future candidates for EU membership (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. Nevertheless, some European leaders and publics are cautious about additional expansion, especially to Turkey (given its large size, predominantly Muslim culture, and relatively less prosperous economy) or countries farther east, such as Ukraine or Georgia, in the longer term. Apprehensions about continued EU enlargement range from fears of unwanted migrant labor to the implications of an ever-expanding EU on the bloc's institutions, finances, and overall identity. Experts also point to assessments of weakening rule of law in several existing EU members—including Poland and Hungary—and questions about some EU aspirants' ability to implement EU democratic standards as contributing to decreased political and public enthusiasm for further enlargement.[11]

[10] Iceland formally applied for EU membership in 2009 and was recognized as a candidate country in 2010, but accession negotiations have been on hold since May 2013, when a new Icelandic coalition government largely opposed to EU membership took office. In March 2015, Iceland's government requested that Iceland no longer be regarded as a candidate country, although it did not formally withdraw Iceland's application for EU membership.

[11] In early 2020, following pressure from France and several other member states, the EU revised some aspects of the enlargement process, partly in response to criticism that the accession process was falling short of its goal of entrenching democratic reforms in candidate countries.

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 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 a multitude of countries that still retain different approaches, cultures, histories, and 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.[12]

Does the EU Have a Defense Policy?

Since 1999, with political impetus initially from the UK and France, 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 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. Serious capability gaps exist in strategic air-

[12] For more information on CFSP, see CRS Report R41959, *The European Union: Foreign and Security Policy*, by Derek E. Mix.

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.

Recently, many EU officials and national leaders have supported increased defense spending and advocated for further EU defense integration. Such calls have been driven by both the new security challenges facing Europe, including a resurgent Russia, and a desire to bolster the EU project in light of Brexit. Some analysts contend that Brexit could make closer EU defense cooperation more likely because the UK traditionally opposed certain measures—such as an EU military headquarters—that it viewed as infringing too much on national sovereignty or the primacy of NATO as the main guarantor of European security. Commentators also suggest that European concerns about the Trump Administration's commitment to NATO and transatlantic security have provided additional impetus for renewed EU defense efforts.

Since 2016, EU leaders have announced several new initiatives to bolster EU security and defense cooperation, including a European Defense Fund to support joint defense research and development activities. EU leaders insist that such efforts 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. In December 2017, 25 member states launched a new EU 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. The EU also has identified a more robust partnership with NATO as a key pillar of its strategy to improve European defense capabilities and EU security cooperation (see next question). Although some observers are encouraged by such steps, they note that the EU and national governments will continue to face decisionmaking and procurement challenges that could limit PESCO's effectiveness.[13]

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 is not aimed at supplanting 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.[14] 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

[13] Sophia Besch, "Waging War on the Myth of an EU Army," *Politico Europe*, June 8, 2016; European Commission Fact Sheet, "European Defense Action Plan—FAQs," 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.

[14] Currently, six countries belong to the EU but not to NATO (Austria, Cyprus, Finland, Ireland, Malta, and Sweden); 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).

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).[15] Bureaucratic rivalry and varying views on both sides of the Atlantic regarding the future roles of NATO and the EU's CSDP also have contributed to frictions between the two organizations.

The emergence of new security threats in Europe, however, has prompted some recent 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.[16] Among other measures outlined, NATO and the EU agreed to boost their common ability to counter hybrid threats, expand operational cooperation on migration (especially in the Mediterranean), and further strengthen coordination on cybersecurity and cyber defense. In July 2018, NATO leaders reaffirmed the importance of the NATO-EU partnership and both organizations pledged to improve military mobility in Europe. Despite the apparent momentum toward closer NATO-EU relations, some analysts worry that political uncertainty on both sides of the Atlantic and ongoing tensions with Turkey could derail these efforts.

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. These experts note that the EU's 2016 global security strategy reaffirmed the EU's ambition to be able to act "autonomously" (although it also stressed the need for cooperation with NATO and the United States).[17] Given that the UK had long been key to ensuring that 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. U.S. officials have voiced both support for the EU's new defense pact, PESCO, as well as concerns that it must not distract European allies from their NATO commitments or impede U.S.-European defense industrial cooperation.[18]

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.

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[15] 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.

[16] 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," press release, July 8, 2016.

[17] See European Union, *Shared Vision, Common Action: A Stronger Europe*, June 2016.

[18] Aaron Mehta, "U.S. Cautiously Watching EU Military Proposal," DefenseNews.com, February 13, 2018; Guy Chazan and Michael Peel, "U.S. Warns Against European Joint Military Project," *Financial Times*, May 14, 2019.

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, the EU has established a common definition of terrorism, an EU-wide arrest warrant, and enhanced tools to stem terrorist financing. The EU also has worked to bolster Europol, its joint agency for police cooperation. In recent years, terrorist attacks in France, Belgium, Germany, Spain, and elsewhere have led the EU to devote significant attention to combating the so-called foreign fighter phenomenon and those inspired by terrorist groups such as the Islamic State (or ISIS/ISIL).[19]

The EU's Lisbon Treaty gave the European Parliament "co-decision" power over the majority of JHA policy areas. The Treaty also 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, however, member states largely continue to strive for consensus on sensitive JHA policies. Moreover, for some issues in the JHA area, the EU 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 these 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.

What Is the Schengen Area?

The Schengen area of free movement encompasses 22 EU member states plus 4 non-EU countries.[20] 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

[19] For more information, see CRS Report RS22030, *U.S.-EU Cooperation Against Terrorism*, by Kristin Archick, and CRS In Focus IF10561, *Terrorism in Europe*, by Kristin Archick.

[20] The 22 EU members that belong to the Schengen area of free movement are Austria, Belgium, 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.

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.

Four EU countries (Bulgaria, Croatia, Cyprus, and Romania) are not yet full Schengen members, but are legally obliged to join once they meet the required security conditions. 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 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 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 commission initiates an informal scoping exercise with the potential partner country or trade bloc. The commission then requests authorization from the Council to begin negotiations and usually submits to the Council *negotiating directives* (sometimes termed the *negotiating mandate*), which set out the commission's overall objectives for the future agreement. The directives also are shared with the European Parliament.

Provided the Council provides authorization, the commission then launches formal negotiations for the new trade agreement. Within the 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 commission is expected to keep both the Council and the Parliament apprised of its progress. When negotiations reach the final stage, both parties to the agreement initial the proposed accord. It is then submitted to the Council and the Parliament for review.[21] If the Council approves the accord, it authorizes the commission to formally sign the agreement.

Once the new trade accord is officially signed by both parties, the Council submits it to the Parliament for its consent. Although the Parliament is limited to voting "yes" or "no" to the new accord, it can ask the 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 Parliament gives its consent and

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

following ratification in the member states (if required), the Council adopts the final decision to conclude the agreement. It may then be officially published and enter into force.[22]

How Do EU Countries and Citizens View the EU?

Member states have long believed 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 within the EU 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 over the years 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 has brought in many members with histories of Soviet control, which may color their views on issues ranging from EU reform to relations with Russia to migration; at times, such differences have 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.

The prevailing view among European publics has likewise 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 much of the past decade, however, Europe's economic difficulties and worries about income inequality, immigration, and globalization have heightened support for populist, antiestablishment parties throughout Europe. 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 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. Parties with moderately euroskeptic views lead the governments in Poland and Hungary. In Germany, the euroskeptic, anti-immigrant, right-wing Alternative for Germany party secured enough support in federal elections in 2017 to enter parliament, becoming the first far-right German political party to do so since the end of World War II. Such parties have put pressure on mainstream parties to embrace some of their positions on issues such as migration and further EU integration. The UK government's decision to hold the 2016 public referendum on continued EU membership was driven largely by increasing pressure from hard-line euroskeptics, both within and outside of the governing Conservative Party.

[22] 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.

In the May 2019 European Parliament elections, an array of antiestablishment and euroskeptic parties secured up to 25% of seats. Traditionally, however, such parties in the 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 Parliament, some of the most hardline 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 remain doubtful about the ability of such parties to work together to block or influence legislation. Euroskeptic parties are still a collective minority in the Parliament, and would have to gain support from other groups to have much impact on the legislative process.[23]

Despite concerns about euroskepticism, opinion polls indicate that a majority of EU citizens are supportive of the EU. 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 calling for the dissolution of the eurozone or the EU itself. At the same time, experts caution that populism and related euroskeptic sentiments remain potent political forces in Europe. Some suggest that COVID-19's economic challenges could lead to increased support for antiestablishment, anti-EU parties in the years ahead.[24]

What Does the UK's Withdrawal Mean for the EU?[25]

In a June 2016 public referendum, UK voters favored leaving the EU by 52% to 48%. The UK government enacted the results of this 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.

In early 2019, the UK Parliament rejected the withdrawal agreement negotiated between then-Prime Minister Theresa May's government and the EU due to divisions over what type of Brexit the UK should pursue and challenges related to the future of the border between Northern Ireland (part of the UK) and the Republic of Ireland (an EU member state). In October 2019, new UK Prime Minister Boris Johnson renegotiated the Irish border provisions in the withdrawal agreement with the EU. Following an early general election in which Johnson's Conservative Party won a decisive majority, the UK Parliament approved the withdrawal agreement in January 2020. The UK withdrew from the EU on January 31, 2020, ending its 47-year membership. During a transition period scheduled to last through the end of 2020, the UK continues to apply EU rules and continues to participate in the EU's single market and customs union.

The UK and the EU remain engaged in complex negotiations on the future UK-EU relationship, including with respect to trade and economic issues, but these issues have proved contentious. The UK and the EU may not be able to reach an agreement on their future relationship by the end

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

[24] Bruce Stokes, Richard Wike, and Dorothy Manevich, "Post-Brexit, Europeans More Favorable Toward EU," Pew Research Center, June 15, 2017; "Populists Fall Short of Expectations in the European Elections," *Economist*, May 26, 2019; Eurobarometer Survey, *Parlemeter 2019 Heeding the Call Beyond the Vote*, commissioned for the European Parliament, October 2019; Yasmeen Serhan, "The Pandemic Isn't a Death Knell for Populism," *The Atlantic*, August 22, 2020.

[25] Also see CRS Report R45944, *Brexit: Status and Outlook*, coordinated by Derek E. Mix, and CRS Report RL33105, *The United Kingdom: Background, Brexit, and Relations with the United States*, by Derek E. Mix.

of the transition period. Many experts assess that such a "no deal" outcome—especially with respect to trade—may have significant negative economic repercussions for the UK in particular.

Despite Brexit, EU leaders assert that "the Union of 27 countries will continue."[26] 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." As such, Brexit could have political and economic implications for the future of the EU integration project. Many observers view the EU as having taken a tough line in the withdrawal 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 experts argue that Brexit could reduce the EU's role and influence on the world stage, given that the EU now finds itself without the UK's diplomatic, military, and economic clout. Some in the EU also worry the UK could become an economic competitor, 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.

Post-Brexit, various analysts suggest the EU faces a fundamental choice in the longer term between those supporting further integration and those contending that integration has gone too far and should be put on hold (or possibly even reversed in certain areas). Although some experts argue that "more EU" is necessary to better address political and economic challenges facing 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. 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.

Considerable attention has focused recently on developing a "multispeed EU," in which some member states could agree to greater integration in certain areas and others could opt out. Critics contend, however, that this approach could be divisive and detrimental to EU solidarity.[27] The EU has not made a formal decision to move toward a "multispeed EU," but it appears to be pursuing greater integration in certain areas. EU leaders have announced several new initiatives to bolster security and defense cooperation, in particular (as discussed in "Does the EU Have a Defense Policy?"). For several years, Germany and France—regarded as key countries in determining the EU's future direction—have called for eurozone reforms. In May 2020, German Chancellor Angela Merkel and French President Emmanuel Macron announced their support for common EU bonds as part of the EU's COVID-19 recovery plans, providing crucial political momentum for the July 2020 deal among EU leaders that some experts suggest could spark further EU economic integration (see "What Are the Euro and the Eurozone?").[28]

The EU intends to convene a two-year Conference on the Future of Europe to promote dialogue on the issue between citizens, experts, and EU officials. This initiative has been delayed, in part because of differences among EU institutions on the conference's scope and leadership and in part as a result of the COVID-19 pandemic.[29]

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

[27] Matthew Karnitschinig, "With Plenty of Pomp, Europe's Leaders Renew Vows," *Politico Europe*, March 24, 2017.

[28] Steven Erlanger, "Merkel, Breaking German 'Taboo,' Backs Shared EU Debt to Tackle Virus," *New York Times*, May 18, 2020; Paul Taylor, "Merkel's Milestone Moment," *Politico Europe*, May 19, 2020.

[29] Elena Sanchez Nicolas, "Future of Europe: EU Council Urged to Propose a Chair," EUObserver.com, October 14, 2020.

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 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 Relations?[30]

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 two decades, the United States has often looked to the EU for partnership on common foreign and security policy concerns worldwide. Many analysts assert that the United States and the EU 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. Since 2014, the United States and

[30] For more information on U.S.-EU relations and the broader U.S.-European partnership, see CRS Report R45745, *Transatlantic Relations: U.S. Interests and Key Issues*, coordinated by Kristin Archick.

the EU also have imposed sanctions on Russia (including those targeting key sectors of the Russian economy) 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. In 2019, total U.S. trade in goods and services with the EU was roughly $1.3 trillion. 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 is nearly $6 trillion.[31] One recent study estimates that the transatlantic economy generates $5.5 trillion a year in commercial sales (foreign affiliate sales) and employs up to 16 million workers (in direct and indirect employment) on both sides of the Atlantic.[32] 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. Long-standing U.S.-EU trade disputes persist over poultry, bioengineered food products, protection of geographical indications, and subsidies to airplane manufacturers Boeing and Airbus. 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 information-sharing arrangements, in both law enforcement and commercial contexts.

Despite the periodic ups and downs in U.S.-EU relations, the Trump Administration's seeming hostility has surprised many EU leaders. President Trump has expressed support for Brexit. He contends that the EU engages in unfair trade practices and is especially critical of the U.S. goods trade deficit with the EU ($179 billion in 2019). President Trump has described the EU as a "foe" for "what they do to us in trade," although he also has noted, "that doesn't mean they are bad … it means that they are competitive."[33] EU officials contend that U.S.-EU economic relations are largely in balance, given the U.S. services surplus with the EU ($56 billion in 2019) and higher profits earned by U.S. companies doing business in Europe.[34]

Numerous U.S.-EU policy divisions have emerged under the Trump Administration, including on aspects of relations with Russia and China, Syria, the Middle East peace process, and the role of multilateral institutions such as the United Nations and World Trade Organization (WTO). The EU opposes the U.S. decisions to withdraw from the 2015 multilateral nuclear deal with Iran and the Paris Agreement on combatting climate change. COVID-19-related issues—including the imposition of U.S. and EU travel bans; competition for medical equipment, supplies, and the research and development of vaccines and treatments; and the U.S. decision to withdraw from the World Health Organization—have further strained U.S.-EU relations. EU officials also are concerned by what they view as protectionist U.S. trade policies, including the imposition of steel and aluminum tariffs on the EU and potential auto tariffs.

Some EU officials question whether the United States will remain a credible, reliable partner in the years ahead. Various commentators suggest there is a risk of U.S. disengagement and contend

[31] CRS, based on data from U.S. Bureau of Economic Analysis.

[32] Daniel S. Hamilton and Joseph P. Quinlan, *The Transatlantic Economy: Annual Survey of Jobs, Trade and Investment Between the United States and Europe 2020*, Foreign Policy Institute, Johns Hopkins University SAIS, 2020.

[33] As quoted in, "'I Think the European Union is a Foe,' Trump Says Ahead of Putin Meeting in Helsinki," CBSNews.com, July 15, 2018.

[34] Rebecca Morin, "Trump Speaks with Juncker on Trade Negotiations," *Politico Europe*, July 27, 2018.

the EU must be better prepared to address both regional and global challenges on its own. Many observers view recent EU efforts to enhance defense cooperation and to conclude trade agreements with other countries and regions (including Canada, Japan, and Latin America) as aimed not only at boosting the EU project in the wake of Brexit but also at reducing European dependence on the United States.[35]

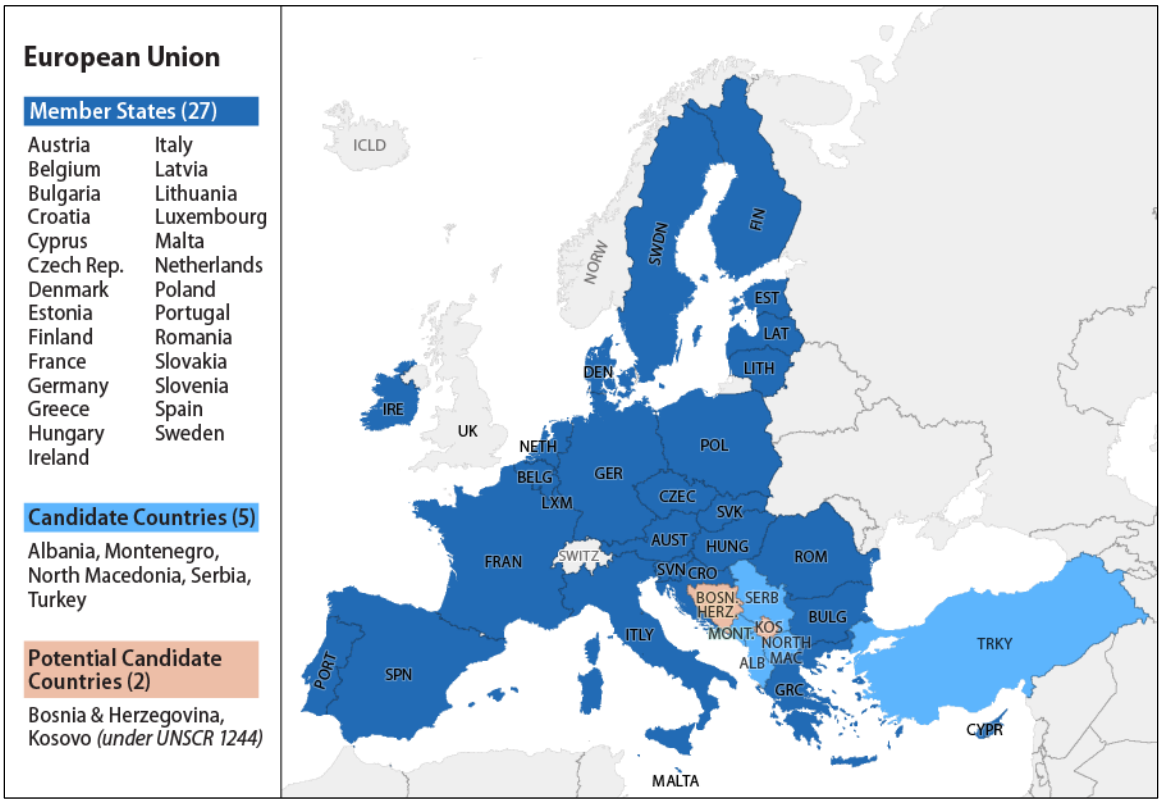
At the same time, many in the EU hope to preserve close U.S.-EU political, security, and economic ties for the long term. The Trump Administration and the EU have sought to deescalate trade tensions, in part through pursuing a U.S.-EU trade liberalization agreement (although talks have been at an impasse amid discord on their scope, especially with respect to agriculture). The EU has sought to cooperate with the Trump Administration on issues of common interest and concern, such as countering terrorism, promoting cybersecurity, and reforming the WTO. U.S. and EU scientific and regulatory experts have established technical dialogues on pandemic-related issues. In October 2020, the United States and the EU launched a new dialogue on China to discuss both common concerns and differences in U.S. and European views. The EU's foreign policy chief, Josep Borrell, asserts that "the U.S. is and will remain a key partner and ally."[36]

[35] Michael Birnbaum, "Europeans Approve Defense Pact in Bid to Reduce Dependence on U.S.," *Washington Post*, November 13, 2017; Philip Blenkinsop and Noah Barkin, "America Last? EU Says Trump Is Losing on Trade," *Reuters*, January 15, 2018.

[36] As quoted in, Jacopo Barigazzi, "Borrell Urges EU to be Foreign Policy 'Player, Not the Playground,'" *Politico Europe*, December 9, 2019.

Appendix. Map of the European Union and Aspirant Countries

Figure A-1. European Union Member States and Candidates



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