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The Ever-Changing Union

An Introduction to the History, Institutions and Decision-Making Processes of the European Union

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Sebastian Kurpas
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Abstract

The Ever-Changing Union **gives a concise overview of the EU's history, its institutional structures and decision-making processes at the European level. It looks at the fundamental principles of European integration and describes the progress of this integration from its beginnings. The Reader also covers the EU's main institutions and how they interact in the decision-making process as a whole, offering a comparison between the EU and federalist systems. In addition the basic features of the EU budget are described, as are the key innovations to be introduced by the Treaty of Lisbon.**

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About this Reader

The Ever-Changing Union provides a concise overview of the EU's history, its institutional structures and the European decision-making processes. As such, its aim is not to cover the breadth or complexity of information that can now be found in a growing number of EU text books, but within this overview the reader should find all the information required to gain access to a complex institutional system that has been changing ever since its creation.

In the first section the European integration process is described from its beginnings in the early 1950s to the current ratification problems of the Treaty of Lisbon. A second part presents the EU's main institutions with their distinct features and a third explains how these institutions interact within the European decision-making process as a whole. In addition, this Reader includes an overview of fundamental principles of the European integration process, a comparison between the EU and federalist systems, the basic features of the EU budget and the key innovations to be introduced by the Treaty of Lisbon.

This book is written for those with an initial or occasional interest in European policies and politics. More particularly, the authors believe it to be useful for civil servants, diplomats, businesses, NGO representatives as well as students and scholars who encounter the European Union in their work.

THE EVER-CHANGING UNION

AN INTRODUCTION TO ITS HISTORY, INSTITUTIONS AND DECISION-MAKING PROCESSES

CEPS Special Report/January 2009

CHRISTIAN EGENHOFER, SEBASTIAN KURPAS AND LOUISE VAN SCHAIK

1. Introduction

The European Union is one of the world's economic superpowers. Yet it is not a state with an army and a police force employed to protect its people and property. Originally designed to end a cycle of devastating wars on the European continent, the EU nowadays has by far fulfilled this initial 'raison d'être.' Today it is composed of 27 states with 3 in the waiting room to join,[1] a population of nearly half a billion and an economy representing more than €12,000 billion. The story of the EU began over 50 years ago and it is set to remain a dynamic and flexible structure in the future; a 'work in progress' that has never been designed according to any master plan.

When analysing European integration a key question thus concerns the 'nature of the beast:'[2] the EU is more than a regular international organisation, but less than a nation state. From the EU's early years onwards there has been heated debate on what the new European project should eventually look like. Some called for a 'supranational' European federation where member states would give up veto rights and transfer power to the European level. Others favoured a more 'intergovernmental' system, where member states would keep their veto and cooperate on a voluntary basis. In extreme terms, the two options pit a 'European federation' against a 'Europe of nation states'. The current status quo reflects the middle ground between the two preferences, often termed 'sui generis': the EU being a polity with its own, very special characteristics whose final shape is yet to be defined. In some aspects, such as the supremacy of its law over national laws, and its high stakes in economic policy-making, the EU possesses similar features to those of a nation state, while in many other fields there is either no common EU policy or treaty rules only allow for a very thin layer of EU involvement. The EU also differs considerably from the classic federation such as the one in the US or Germany, because authority is not designated clearly in a hierarchical way, but rather dispersed among different levels of governance and among different institutions.

[1] Croatia, Macedonia and Turkey.

[2] Cf. H. Wallace, W. Wallace and M.A. Pollack (2005), *Policy-Making in the European Union*, Oxford: Oxford University Press; A. Wiener and T. Diez (2004), *European Integration Theory*, Oxford: Oxford University Press; E. Bomberg, J. Peterson and A. Stubb (2008), *The European Union: How Does it Work?*, Oxford: Oxford University Press.

Figure 1. Map of the EU member states

Note: Member states are colored yellow/brown, applicant countries green, other non-EU member states are white.

Source: http://europa.eu.int/abc/maps/index_en.htm;

Table 1. EU 27 - Key figures

Population (1 January 2008)	497.5 million
Gross Domestic Product (in 2007)	€12,338 billion
Average GDP per capita in PPS[3] (in 2007)	€24,900
Poorest MS, GDP per capita in PPS (2007)	Bulgaria: €9,300
Richest MS GDP per capita in PPS (2007)	Luxembourg: €66,300
Official languages	23

Source: Eurostat (http://ec.europa.eu/eurostat).

[3] Purchasing Power Standard (PPS) measures the price of a comparable and representative 'basket' of goods and services in each country.

2. Phases of EU Development

The legal basis of the EU is a set of agreements between its member states: the treaties. They are usually named after the place where they were signed. The negotiations between the EU member states on treaty revisions and amendments are known as Intergovernmental Conferences (IGCs).

Broadly speaking we can distinguish between *four* phases of EU development (see Table 2).[4] The first stretches back from the origins of the EU in the early 1950s to the demise of the Bretton Woods system in the early 1970s. The next period from the 1970s to the early 1990s saw first a period of stalemate ('Eurosclerosis') followed by a reinvigoration of the Community with the completion of the Internal Market ('EC-1992'). The third phase can be described as the post-Maastricht period, which finished with the adoption of the Treaty of Nice, covering 1992-2000. After Nice the EU entered a fourth phase, which is dominated by a debate on the relationship of an enlarging EU with the powers of the individual member states (i.e. on EU competencies), with the EU citizens (i.e. on support for the EU) and with non-EU countries (i.e. on the EU's external policy role). This debate has led to a new Constitutional Treaty for the EU, which was agreed upon in June 2004. The treaty failed to be ratified by all EU member states, however, since it was voted down in referenda in France and the Netherlands. In the first half of 2007 agreement was reached on a text that took up most of the elements of the Constitutional Treaty. It was signed by the EU's political leaders on 13 December 2007 in Lisbon, which also gave the text its name: the Treaty of Lisbon. Unlike the Constitutional Treaty, the new text did *not replace* the existing treaties, but returned to the traditional practice of *amending* them. After a negative referendum in Ireland on 12 June 2008, it remains to be seen whether the text will enter into force.

Table 2. Phases of EU development

1	1950-1970	From the origins to the end of the Bretton Woods system (1950-1970)	ECSC, Euratom, EEC Treaty of Rome
2	1970-1992	From 'Eurosclerosis' to the revitalisation through 'EC-1992'	EEC Single European Act, Treaty of Maastricht
3	1992-2001	Post-Maastricht and beyond: Monetary Union and steps towards political union	EC & EU Treaty of Maastricht, Treaty of Amsterdam, Treaty of Nice
4	2001-2008	Post-Nice: Failure of the Constitutional Treaty; Treaty of Lisbon	EU Treaty of Lisbon?

Phase 1 – From the origins to the end of the Bretton Woods system (1950-1970)

The history of the EU begins with the European Community for Steel and Coal (ECSC), which was founded in the early 1950s and based on the Schuman Plan. The underlying philosophy of the Schuman Plan, which created a common steel, iron and coal market, was to withdraw French and German basic industries from national authority in order to make another war impossible. Six European states decided to cooperate in order to achieve this aim: Belgium, France, Germany, Italy, Luxembourg and the Netherlands. In political terms, the ECSC can be

[4] Although the creation of the 'European Union' (EU) only came about with the Treaty of Maastricht (1992), the term is also used for the preceding period in this text for reasons of linguistic continuity.

considered a success, not least because it was a first important step in the European integration process. Over the last two decades, its substantive provisions have been gradually submerged into the EEC Treaty (see below) eventually leading to its abolishment in 2002.[5]

Another area in which there was a pooling of national sovereignty was atomic energy. In 1957 the European Atomic Treaty (Euratom) was founded to bring atomic energy under the European umbrella. The reasons for intensified co-operation in this field were the fear of energy dependence in the aftermath of the Suez crisis and the wish to reduce dependence on the US and Soviet military (and with it political) dominance. Euratom failed to become a powerful organisation. National governments stuck to their desire to control their national programmes and the need for nuclear energy only became apparent again with the first oil shock in 1973, when Euratom had already lost most of its original standing.

An early move towards political union was the attempt to create a European Defence Community (EDC). Discussed after the successful launch of the ECSC, the EDC foresaw the integration of the armies of the six ECSC member states (i.e. including Germany) into a European army. In the end the project failed because the French 'Assemblée Nationale' failed to ratify the treaty for fear of transferring sovereignty over national defence policy. This period (1952-53) also saw the abortive attempt to create a European Political Union (EPU), which was an initiative aimed at an integrated European foreign policy.

Following these failures, attempts to bring forward European integration moved away from political and towards economic cooperation. The Treaties of Rome, signed in 1957, successfully reinvigorated the dynamism of the integration process through economic integration and the European Economic Community (EEC). The EEC was founded to overcome the sectoral limitation of the ECSC. It aimed at the creation of a common market for all economic sectors via an intermediary step, the creation of a customs union. In practical terms internal quotas and tariffs among member states were abolished and a common external tariff was established. These steps changed the business environment in Europe once and for all. The common external tariff marked an important shift in international relations, since it implied that it was no longer possible for individual member states to conclude bilateral trade agreements, an important aspect of external relations. A Common Commercial Policy was established in which the High Authority (now the European Commission) was in charge of the external representation on behalf of the EEC.

During the 1960s and 1970s the European Court of Justice (ECJ) became an important driver of the European integration process. With landmark rulings it established the primacy of Community law over national law and established the direct application of Community law (i.e. not necessitating transposition by national authorities). With its rulings the ECJ helped to make up for deadlock on the political scene, where some European leaders opposed deeper integration. The French President Charles De Gaulle, for instance, tried to strip the High Authority (now the European Commission) of its supranational aspirations by establishing a primacy of member states. He also attacked majority voting in the Council of Ministers by boycotting Council meetings and paralysing Community decision-making for several months. This so-called "empty-chair crisis" resulted in the "Luxembourg compromise" according to which member states acknowledged a national veto for policies that are against the 'vital' interests of one country. As a result actual voting in the Council of Ministers remained the exception and consensus the rule.

In addition to the initiatives eventually leading to the EU, many other organisations originated in the post-war era, such as NATO and the OECD (for an overview see Annex 1).

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[5] The ECSC expired in mid-2001 after 50 years of existence.

Phase 2 – From 'Eurosclerosis' to the revitalisation through 'EC-1992'

The collapse of the Bretton Woods system of fixed exchange rates signalled the beginning of a period of slow growth and a general economic crisis. Member states resorted to national measures to protect their currencies and their industries. The results were non-tariff barriers to trade and an increasing economic divergence threatening achievements such as the Common Agricultural Policy (CAP) and the Common Market. This period is usually referred to as 'Eurosclerosis'.

The European Commission reacted by developing an active competition policy while member states, after they had realised that national solutions had only made matters worse, became more willing to deepen European integration. This resulted in a new agenda built around three principle objectives: the European Monetary System (EMS), the internal market and further coordination of foreign policy matters by the member states. The EMS was designed to stabilise the currencies and achieve price stability. The German objective of price stability over growth was accepted and member states gradually adopted policies accordingly. The internal market programme ('EC-1992') was a move on the part of businesses and governments to ensure macroeconomic conditions at a European level for a healthy economy and, in particular, to enable European companies to compete successfully in international markets. Business leaders began to lobby the European Commission for a Community-wide framework to govern trade between the member states in the field of non-tariff barriers. This resulted in a Treaty reform, the Single European Act (SEA), entering into force in 1987. The SEA aimed at the establishment of an internal market with the target date 1992 for its completion.[6] In practical terms, in the period 1987-1992, numerous legislative measures were introduced to remove trade barriers. The development of the common foreign and security policy was more difficult and in the end marked by little progress. The EU's external powers remained largely centred around its external trade relations, which it used to grant preferred market access to countries whose economic development it wanted to support, such as the former colonies.

During the second phase of EU development important enlargements took place. In 1973 the UK, Ireland and Denmark joined, in 1981 Greece and in 1986 Portugal and Spain. The EU also saw a number of important institutional changes. Firstly, as a reaction to the (oil) crisis of the 1970s and the development of the new agenda, EU heads of state and governments began to meet on a regular basis. In 1974, these meetings became formally established as the European Council, which over time began to provide political and strategic leadership to the EU. The regular European Council meetings (2 to 4 per year) also increased the international visibility of the EU. Secondly, from 1979 the European Parliament was directly elected and the SEA enhanced the role of the European Parliament in the decision-making process. Finally, majority voting was extended to basically all areas related to the internal market in order to cope with the number of new pieces of legislation necessary to achieve the internal market. This move greatly strengthened the EU's supranational character.

Phase 3 – Post-Maastricht and beyond: Monetary union and steps towards political union

The third period was a result of both internal and external factors contributing to a boost for the European project. Internally the success of the single market programme and the relative success of the EMS had provoked thought about a monetary union. Externally, the collapse of the Soviet Union 'catapulted' the EU into leadership, as German unification raised concerns about a changing European power-balance and the countries of Central and Eastern European

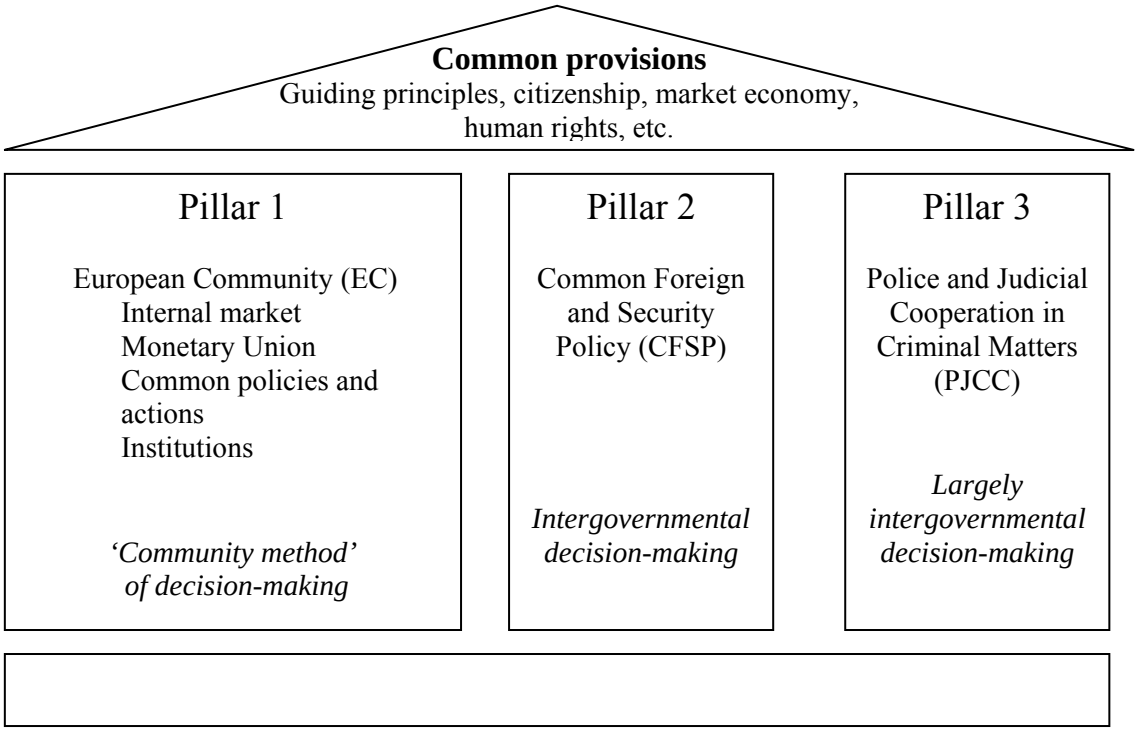
[6] Arthur Cockfield (1994), *The European Union: Creating the Single* Market, Chichester: John Wiley and Sons, makes interesting reading.

(CEE) were looking towards EU-membership. Transatlantic relations also contributed to favourable conditions for EU integration: After the eurosceptic Ronald Reagan, his successor George Bush demonstrated a renewed interest in political cooperation with the EU.

As a first tangible result, the Maastricht Treaty (or Treaty on European Union (TEU) as it is called in its consolidated form) was signed in 1992. The treaty introduced new policy areas at the European level that greatly expanded the community's agenda. It turned the 'European Economic Community' into the 'European Community' to illustrate the broader scope going beyond cooperation on purely economic issues. The treaty was also a demonstration of the ambition to tackle the imbalance between 'economic giant' and 'political dwarf' that was often used to describe the European Community. The Treaty of Maastricht embodied a first attempt at a common approach in policy areas that had hitherto been considered the traditional competencies of sovereign states. It introduced EU citizenship (which however remained dependent on citizenship of an EU member state), a structure for cross-border police cooperation (Europol), a common approach towards immigration policy and a common foreign and security policy (CFSP). In reaction to the wish of some member states to keep national control over foreign affairs and justice and home affairs, a so-called 'pillar structure' with three different pillars was established under a common EU roof. The first pillar covers the activities of the old EC Treaties, i.e. the policy areas where the EU has strong competencies and where the Community method of decision-making applies (see chapter 4). In the other pillars decision-making is organised according to the intergovernmental method, which applies to the Common Foreign and Security Policy ('second pillar') and Justice and Home Affairs (third pillar, see Figure 2). Parts of Justice and Home Affairs have subsequently been moved to the first pillar by the Treaty of Amsterdam (1999), as trust between member states and the pressure for cooperation has grown (visa, asylum and immigration, see title IV of the EC Treaty). The third pillar currently still contains the especially sensitive issues of police cooperation and judicial cooperation on criminal matters (PJCC). In pillars 2 and 3 member states have preserved their right to veto and the Commission, the European Parliament and the European Court of Justice only play a very limited role (see also chapter 4).

Probably the most important achievement of the Maastricht Treaty, however, was the introduction of the euro as a common currency, which has been managed by the European Central Bank (ECB) since 1999. Membership in the 'European Monetary Union' (EMU) means a major step for the states participating in it, as it includes giving up authority to control the level of interest rates and to tie national public finances to a Growth and Stability Pact with rules for the national budget deficit. Before 1999 in some states drastic reform of economic policy was required in order to meet the criteria for participation. Three states decided not to participate: the UK, Denmark and Sweden. All 'new' EU member states that joined in 2004 and 2007 are obliged to eventually become members of EMU. Slovenia was the first to do so in January 2007, followed by Cyprus and Malta in 2008 and Slovakia in 2009.

Figure 2. The EU pillar structure



The terms European Union (EU) and European Community (EC) are often used interchangeably. As Figure 2 illustrates, however, the EC only covers the 'first pillar', which is the most integrated part of the European Union. In essence the first pillar incorporates 'traditional EU business' like the single market, while the other two pillars cover 'new' policy areas such as foreign and security policy and police and judicial cooperation. Pillars 2 and 3 are less comprehensive and remain largely intergovernmental.

The Maastricht Treaty consolidated the institutional framework of the first pillar. It further enhanced the role of the European Parliament by introducing the co-decision procedure for a great number of policy areas, which means that the Council of Ministers and the European Parliament have equal standing when deciding upon legislation (see chapter 4).

Besides a further deepening of integration, there was also a further widening of the Union: in 1995 Sweden, Austria and Finland joined the EU. A European Economic Area (EEA) agreement was signed with Norway, Iceland and Liechtenstein. In practice the EEA agreement means that these three countries implement the vast majority of internal market legislation without taking part in the EU's decision-making structures and the definition of the Union's political objectives (see Annex 1). A series of bilateral sector agreements containing similar arrangements were concluded with Switzerland. In addition, it was agreed that both Switzerland and Norway pay contributions for the social and economic cohesion in the enlarged EU.[7]

The Treaty of Maastricht was followed by the Treaty of Amsterdam in 1997. This treaty revision dealt with the unfinished business left over from Maastricht such as streamlining decision-making, increasing transparency and other institutional aspects. Specific achievements

[7] For further information see the External Relations website of the European Commission on the EFTA countries: http://ec.europa.eu/external_relations/eea/country.htm.

were new treaty provisions on the so-called 'enhanced cooperation' procedure. This instrument allows a number of member states to initiate or move on with a common policy, while others do not participate. Under normal circumstances the EU moves at the pace of the slowest, leaving considerable leeway for individual states to block policies. At the same time there has always been the concern that too much flexibility ('Europe-à-la-carte') risks undermining the coherence of the Union. The provisions on 'enhanced cooperation' try to balance these two aspects and allow for flexible integration within the treaty framework.

The Treaty of Amsterdam also established an 'area of freedom, security and justice' in the European Union, which includes external border controls, visa, asylum and immigration policy and judicial cooperation. After a period of trust-building member states were ready to move these policies (with some restrictions) from the 'intergovernmental' third pillar to the supranational first pillar. The Treaty of Amsterdam also brought improvements to the efficiency and effectiveness of the common foreign and security policy. A key innovation was the establishment of the High Representative for the CFSP, a position currently held by Javier Solana. His task is to assist the rotating presidency of the EU (see below) in taking care of the external representation of the EU on CFSP matters. Despite these changes, however, the Treaty of Amsterdam still preserved the 'three-pillar-structure', which meant that foreign policy and large parts of justice and home affairs remained subject to intergovernmental decision-making procedures.

Phase 4 – Post-Nice: Towards a new EU Treaty?

At the Intergovernmental Conference (IGC) in Nice (France) the core agenda consisted of the Amsterdam leftovers, notably making the EU fit for enlargement, such as allowing it to take in another 12 new members. The basic minimum consisted of an agreement on the future composition of the European Commission, the weighting of votes in the Council (see Table 3), the number of MEPs for each country and the extension of qualified majority voting to new policy areas.

The Treaty of Nice also extended the application of the 'enhanced cooperation' mechanism to the area of CFSP, while matters with military or defence implications remained excluded. The new treaty abolished the possibility of any one country blocking an initiative and it reduced the number of countries necessary to start 'enhanced cooperation' from a majority to the fixed number of eight. An initiative can only go ahead however, if non-participants are not adversely affected by the cooperation and if they have the possibility to join at a later stage. Interestingly, despite these simplifications, the 'enhanced cooperation' mechanism has never been used so far.

In addition, the Treaty of Nice dealt with issues such as the reform of the Court of Justice and safeguards against governments in "serious and persistent" breach of the Union principles (Article 7 EU Treaty). For a while it was unclear whether the Treaty of Nice would ever enter into force due to a negative referendum in Ireland in 2001, which prevented the country from ratifying the text. Only after a second (positive) referendum did the Treaty of Nice enter into force in February 2003.

Subsequently, many governments thought that the innovations of the Treaty of Nice were insufficient to prepare the EU for enlargement and for other key challenges, such as the perceived lack of democracy of the EU. In December 2001 European heads of state met at a summit in Laeken (Belgium) and decided to convene a 'Convention on the Future of Europe' to prepare a more profound revision of the Treaties. It ultimately resulted in a complete overhaul of the current framework in the form of a 'Constitutional Treaty.'

Table 3. Seats in the European Parliament and votes in the Council of Ministers according to the Nice Treaty

Country	Seats in the EP * (2004-2009)	Votes**	Population in 2008 (in millions)
Germany	99	29	82.2
France	78	29	63.8
UK	78	29	61.2
Italy	78	29	59.6
Spain	54	27	45.3
Poland	54	27	38.1
Romania	35	14	21.5
Netherlands	27	13	16.4
Greece	24	12	11.2
Belgium	24	12	10.7
Portugal	24	12	10.6
Czech Republic	24	12	10.4
Hungary	24	12	10.0
Sweden	19	10	9.2
Austria	18	10	8.3
Bulgaria	18	10	7.6
Denmark	14	7	5.5
Slovakia	14	7	5.4
Finland	14	7	5.3
Ireland	13	7	4.4
Lithuania	13	7	3.4
Latvia	9	4	2.3
Slovenia	7	4	2.0
Estonia	6	4	1.3
Cyprus	6	4	0.8
Luxembourg	6	4	0.5
Malta	5	3	0.4
Total	**785**	**345**	**497.5**

* The total number of seats in the European Parliament is temporarily higher than the 736 foreseen by the Treaty due to Romanian and Bulgarian deputies having joined mid-term in January 2007.

** Qualified majority: For an adoption a proposal must be backed by

- 255 votes from a total of 345 (about 73.9% of the votes); plus
- a majority of member states (or two thirds in certain cases).

Furthermore, any member state may request the verification that countries supporting the proposal represent at least 62% of the total EU population.

Whereas in the past treaty changes had only been decided by government representatives behind closed doors in 'Intergovernmental Conferences' (IGCs), the Convention embodied a new model. Chaired by a former President of France, Giscard d'Estaing, it was not only composed of government representatives, but also by national and EU parliamentarians and the Commission. Besides nationals from member states, there were also representatives from the candidate

countries.[8] The assembly managed to agree on a draft Constitutional Treaty that formed the starting point and blueprint for subsequent negotiations between EU member states in the Intergovernmental Conference. The first attempt to reach an agreement failed in December 2003, but in June 2004 under the Irish EU Presidency an agreement was reached. Meanwhile the EU had also enlarged in May 2004 and accepted ten new member states: Estonia, Lithuania, Latvia, Poland, the Czech Republic, Slovakia, Hungary, Slovenia, Malta and Cyprus. This enlargement constituted the EU's biggest enlargement ever. In January 2007, the EU finalised the enlargement round that began in the late 1990s with Romania and Bulgaria becoming members.

As with all EU treaty reforms, the entry into force of the Constitutional Treaty necessitated ratification by all EU member states – either by the national parliaments or through referenda. Eighteen countries approved the treaty, of which two (Spain and Luxembourg) did so through referenda. However, the treaty never entered into force after referenda in France and the Netherlands turned out to be negative in May and June 2005. The reasons for the no-votes were multiple and ranged from unrelated issues like dissatisfaction with ruling national governments to euroscepticism and lack of information about the text (particularly in the Netherlands) or a general perception of the EU as being too economically liberal and not 'social' enough (particularly in France).[9]

After a so-called 'period of reflection', the treaty reform process was put back on track during the German EU Presidency in the first of half of 2007. At the European Council in May 2007 European leaders agreed on a detailed mandate for another Intergovernmental Conference. This IGC agreed on a text that preserved most of the content of the Constitutional Treaty, but stripped the text of its constitutional symbolism. Instead of replacing the existing treaties, the new treaty would again amend them – as the Treaty of Amsterdam and the Treaty of Nice had done so before. With more protocols, declarations and safeguard clauses, the new Treaty certainly did not make the existing treaties simpler and more coherent. To date 23 member states have ratified the Lisbon Treaty, but after a no-vote in Ireland – i.e. the only country that held a referendum on the text – ratification is still uncertain.[10] At the European Summit in December 2008 the Irish government indicated its willingness to hold a second referendum on the treaty in 2009. In return national leaders agreed that Ireland should obtain legal reassurances that the Treaty of Lisbon would not grant the EU any powers on a number of issues considered sensitive (taxation, neutrality, abortion) and that there would still be one Commissioner per member state in the future.

To understand the European Union, it is important to bear in mind that it remains a "work in progress" and that the current status quo of the treaties is very unlikely to reflect the final state of the Union. While there seems to be little appetite among European leaders for comprehensive treaty reforms in the near future, changes could be introduced through treaty reform that are

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[8] For more information on the Convention see K. Kiljunen (2004), *The European Constitution in the Making*, CEPS Paperback, Centre for European Policy Studies, Brussels; Peter Norman (2005), *The Accidental Constitution*, 2nd Edition, EuroComment, Brussels; Peter Ludlow (2004), *The making of the new Europe*, EuroComment, Brussels.

[9] See http://ec.europa.eu/public_opinion/flash/fl172_en.pdf; http://ec.europa.eu/public_opinion/flash/fl171_fr.pdf

[10] In Ireland the Treaty of Lisbon was rejected in a referendum on 12 June 2008. In the Czech Republic neither the House of Deputies nor the Senate had voted on the treaty at the date of publication (January 2009). The Polish president has refused to sign the ratification law before a second (positive) Irish referendum. The German president is waiting with his signature with the German Federal Constitutional Court still due to give its opinion on the constitutionality of ratification.

more limited in scope (e.g. amending treaties covering only changes in one specific policy area) or through inter-institutional agreements (i.e. between the EU institutions), political decisions or a change to the internal rules of procedure of the institutions.

3. The EU Institutions and the Political System

The three main institutions of the EU – also referred to as the 'institutional triangle' – are the Council of Ministers (representing the different member states), the European Commission (representing the 'Community interest') and the European Parliament (representing European citizens). The European Court of Justice and the European Court of Auditors are also granted the status of 'EU institution'. Below the role and function of the main institutions in the political system of the EU are explained.

3.1 The Council of Ministers and the European Council

In the Council of Ministers national representatives meet in 9 different formations, depending on the policy issue, e.g. environment ministers for environment legislation, ministers of economy for the internal market, ministers of agriculture for the common agricultural policy.[11] The Council of Ministers remains the prime law-making body of the EU, although the number of areas where it has to share this competence with the European Parliament (in the framework of the so-called 'co-decision procedure') has grown constantly with every treaty reform. It is estimated that about 80% of EU legislation is currently adopted by the co-decision procedure, although important areas such as agriculture and foreign policy decisions are still excluded. The Treaty of Lisbon would bring the number up to 95% and make 'co-decision' the 'ordinary legislative procedure'.

One of the Council configurations is the General Affairs and External Relations Council (GAERC). It is composed of the 27 Foreign Ministers of the member states and meets at least monthly. As the name suggests, it does not only deal with external relations, but also with general and horizontal matters of the EU. As such it prepares discussions on EU institutional issues. Another important Council configuration is the Economic and Financial Affairs Council (Ecofin), where, for instance, the EU budget is discussed. Altogether there are nearly 100 meetings of the Council per year.

Related to the Council of Ministers, is the European Council, where the heads of state and government plus the Commission President meet at least four times a year (the so-called 'European summits'). In contrast to the Council of Ministers, the European Council has no legislative powers and is not an official 'institution' of the EU.[12] Rather than a legislator, the European Council's function is that of a political instigator and mediator.[13] As such it is meant to provide the Union with the necessary impetus for its development and to define the general political guidelines of the EU. Political issues of a long-term perspective – such as the multi-annual budget or enlargement – are usually decided at the European Council level. At times it also acts as political mediator between Council configurations, particularly when issues of a cross-sectoral or horizontal character are discussed.

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[11] For an overview of the Council configurations see http://www.consilium.europa.eu/showPage.asp?id=427&lang=en&mode=g.

[12] The Treaty of Lisbon would grant the European Council institutional status.

[13] The Council of Ministers and the European Council are not to be confused with the Council of Europe, which is a completely different international organisation that is not linked to the European Union (see Annex 1).

The Council and European Council are chaired by a Presidency that rotates among member states on a six-monthly basis. The member state holding the office has two nationals at the negotiation table: one to chair the meeting and represent the Council and one to defend the national interest of the member state. A good presidency avoids pushing its national objectives and rather attempts to achieve a consensus among all countries. As its term is short, the presidency relies heavily on the Council Secretariat in Brussels. The Council Secretariat briefs the Presidency, helps to prepare the agenda and reports on progress. In recent Treaty revisions the Council Secretariat has been strengthened, particularly with regard to the CFSP. Its Secretary-General, currently Javier Solana, is also the High Representative for the CFSP and in that function he supervises a policy unit to pursue activities in this field. His official task is to assist the rotating Presidency in the external representation of the EU in the field of the CFSP, but due to its more permanent position, he has considerable influence and status. The oversight of the Council Secretariat on a day-to-day basis is assured by the Deputy Secretary-General, currently Pierre de Boissieu.

Meetings of the Council of Ministers are prepared by a wealth of preparatory bodies that function as a 'filter'. At a first stage national civil servants and diplomats meet to deal with mostly technical and uncontroversial issues. They meet within the so-called 'Senior Committees' and 'Working Parties' of which around 200 have been established with the aim to reach agreement on as many aspects as possible.[14] Important Senior Committees include the PSC (Political and Security Committee), the SCIFA (on immigration and asylum issues), the Article 133 Committee (on trade issues) and the Special Committee on Agriculture. Amongst the Working Parties, the Environment Working Party stands out, as it meets about three days a week dealing with a large number of environmental files. Almost all meetings in the Council are chaired by the rotating Presidency and take place according to a fixed seating order.

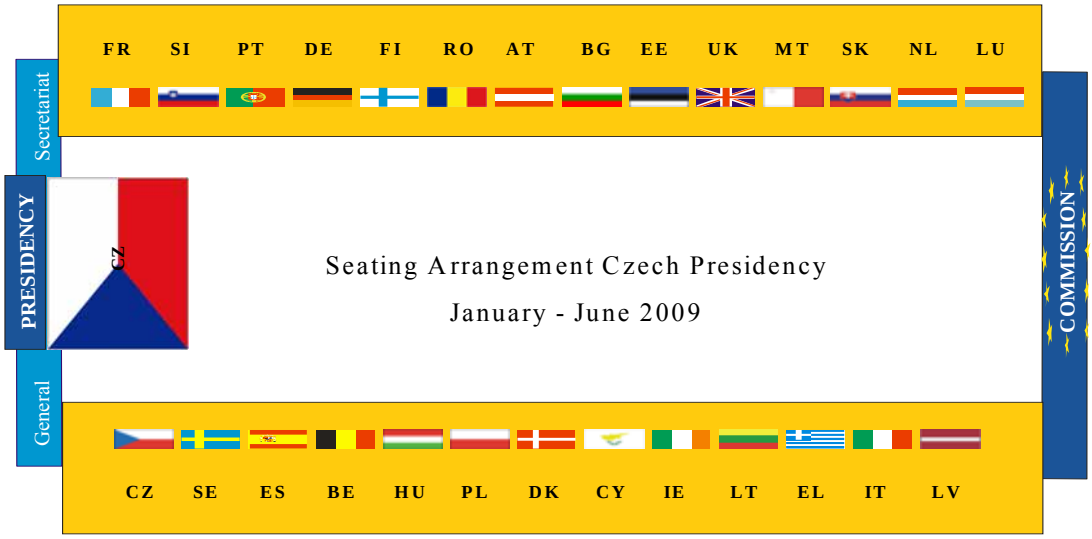
Table 4. Presidency order of rotation

2008	July-Dec	France	2015	July-Dec	Luxembourg
2009	Jan-June	Czech Republic	2016	Jan-June	Netherlands
2009	July-Dec	Sweden	2016	July-Dec	Slovakia
2010	Jan-June	Spain	2017	Jan-June	Malta
2010	July-Dec	Belgium	2017	July-Dec	United Kingdom
2011	Jan-June	Hungary	2018	Jan-June	Estonia
2011	July-Dec	Poland	2018	July-Dec	Bulgaria
2012	Jan-June	Denmark	2019	Jan-June	Austria
2012	July-Dec	Cyprus	2019	July-Dec	Romania
2013	Jan-June	Ireland	2020	Jan-June	Finland
2013	July-Dec	Lithuania			

Source: Council Decision of 1 January 2007 determining the order in which the office of President of the Council shall be held, published in the Official Journal on 4.1.2007.

[14] For a more detailed account on the Council, see F. Hayes-Renshaw and H. Wallace (2006), *The Council of Ministers*, Palgrave Macmillan (The European Union Series); L. Van Schaik et al. (2006*)*, *Policy Coherence for Development in the Council: Strategies for the way forward*, CEPS Paperback, Centre for European Policy Studies, Brussels; S. Hagemann and J. De Clerck-Sachsse (2007), *Old Rules, New Game: Decision-making in the Council of Ministers after the 2004 Enlargement*, CEPS Special Report, Centre for European Policy Studies, Brussels, March.

Figure 3. The seating order in the Council



Source: Netherlands Institute of International Relations Clingendael.

Only those aspects that could not be agreed among member state experts (so-called 'B items') are then referred to a next level: COREPER, the Committee of Permanent Representatives to the EU, which actually consists of two separate committees. COREPER II is composed of the permanent representatives of the EU member states, normally ambassadors who head the so-called permanent representations[15] of the member state to the EU. It is a close-knit group that meets once a week officially and even more frequently informally to discuss, for instance, foreign policy issues. COREPER I brings together the deputy permanent representatives and deals with most 'first pillar' policies (e.g. the single market and all its technical and regulatory aspects).

In areas where unanimity (e.g. taxation) is required, decisions tend to be based on the lowest common denominator. In the case of majority voting, however, national governments are forced to make real compromises. Traditionally preference is always given to a consensus acceptable to every country, not least, because legislative measures have to be implemented and enforced by all member states. Actual voting has been rare and the mere *possibility* of proceeding to a vote (so-called 'shadow of the vote') has been sufficient to make member states seek compromise. Whether the 'consensus mode' of the Council can be preserved in an enlarged Union is, however, an issue of some concern.[16]

[15] Permanent representations are similar to embassies, but they are diplomatic entities to the EU and not to any specific country. Non-EU member states usually also have specific diplomats working on EU issues in so-called "Missions" (e.g. the US mission to the EU).

[16] Cf. Sara Hagemann and Julia De Clerck-Sachsse (2007), *Decision-making in the Enlarged Council of Ministers: Evaluating the Facts*, CEPS Policy Brief No. 119, Centre for European Policy Studies, Brussels, January.

3.2 The European Commission

3.2.1 Composition

The Commission that has taken office in November 2004 consists of one Commissioner per member state and now numbers 27 members since Romania and Bulgaria joined in January 2007. The Commission President, currently José Manuel Barroso, is appointed by the European Council and confirmed by the EP. The position of the Commission President has been strengthened with the Treaty of Nice, giving him more powers over his colleagues than in the past. Commissioners are appointed by Prime Ministers in agreement with the designated Commission President, but need to be confirmed as a team (the so-called 'college') by the European Parliament. Commissioners are appointed for 5 years, in line with the Parliament tenure. Each Commissioner, including the President, has one vote when the Commission votes. The voting rule at such occasions is simple majority (>50%) and the vote of the Commission President decides if there is a tie. Unlike its predecessors, however, the current college has never proceeded to a vote so far. The Commission is collectively responsible for its decisions and Commissioners are pledged to serve the Community interest. In practice they have an important role to keep the link with their national government and therefore provide an important clearing-house for differences between national governments and the Commission.

The cabinets of Commissioners play an important role within the Commission. Each cabinet has about 8 members who keep the Commissioner updated on specific issues and brief the Commissioner when a discussion is scheduled for a particular Commission meeting. Separately and before the Commissioners meet, the "Chefs de Cabinet" meet under the Chairmanship of the Secretary General of the Commission to prepare the regular Commission meetings, which generally take place on Wednesdays.[17] Each Commissioner selects his or her own cabinet. In the past, cabinets were dominated by members with the same nationality as the Commissioner, which gave rise to complaints about the influence of national interests in the Commission. As a consequence, since the Prodi Commission (1999-2004) the practice of selecting half of the cabinet staff from other nationalities than the Commissioner's was encouraged. This practice was further extended during the Barroso Commission (2004-2009).

The services of the Commission are divided into Directorate Generals (DGs), which are subdivided into Policy, External Relations, General Services and Internal Services DGs (see Table 5). The Legal Service deserves a particular mention; it gives its legal opinion on planned decisions and legislative initiatives. It is rare that the opinion of the Legal Service is disregarded. Another important Service is the Secretariat General, which is responsible for the horizontal coordination and communication within the Commission. The Secretary General, currently Catherine Day, is one of the most senior officials of the Commission and chairs key committee meetings.

The number of DGs and Commissioners is not the same, as several DGs work for more than one Commissioner. In some cases one Commissioner is therefore responsible for more than one DG.

[17] On Tuesdays during plenary sessions of the European Parliament in Strasbourg.

Table 5. Directorates-General (DGs) of the European Commission

Policy DGs
Agriculture and Rural Development (AGRI)
Competition (COMP)
Economic and Financial Affairs (ECFIN)
Education and Culture (EAC)
Employment, Social Affairs and Equal Opportunities (EMPL)
Enterprise and Industry (ENT)
Environment (ENV)
Maritime Affairs and Fisheries (MARE)
Health and Consumers (SANCO)
Information Society and Media (INFSO)
Internal Market and Services (MARKT)
Joint Research Centre (JRC)
Justice, Freedom and Security (JLS)
Regional Policy (REGIO)
Research (RTD)
Taxation and Customs Union (TAXUD)
Transport and Energy (TREN)

External Relations DGs
Development (DEV)
Enlargement (ENL)
EuropeAid Co-operation Office (AIDCO)
External Relations (RELEX)
Humanitarian Aid (ECHO)
Trade

General Services DGs
Communication (COMM)
European Anti-Fraud Office (OLAF)
Eurostat
Publications Office (OPOCE)
Secretariat General (SG)

Internal Services
Budget (BUDG)
Bureau of European Policy Advisors (BEPA)
Informatics (DIGIT)
Infrastructure and Logistics (OIB/OIL)
Internal Audit Services (AIS)
Interpretation (SCIC)
Legal Service
Personal and Administration (ADMIN)
Translation (DGT)

Source: http://ec.europa.eu/dgs_en.htm

Before proposals go to the cabinets and Commissioners for approval they undergo a so-called inter-service consultation in which all related DGs are consulted on draft versions of legislative proposals. At the same time a so-called 'integrated impact assessment' process is conducted, which includes a cost-benefit analysis and a justification for the choice of policy instrument in comparison to alternative policy options.[18]

In the past appointments of Commission staff have followed a rough quota system with nationality being an important aspect. Entering the Commission normally requires passing a number of tests on EU knowledge, intelligence and drafting skills, known as the 'concours'. Written and oral tests need to be passed successfully in order to be eligible to apply for vacancies. The process is highly competitive and can easily take more than a year. The Commission employs around 20,000 officials directly, not including translators.[19] Besides life-time officials, however it also employs temporary and contract agents for much of its work.

[18] Andrea Renda (2006), *Impact Assessment in the EU: The State of the Art and the Art of the State*, CEPS Paperback, Centre for European Policy Studies, Brussels.

[19] Cf. Helen Wallace, William Wallace and Mark A. Pollack (2005), *Policy-Making in the European Union*, Oxford: Oxford University Press, p. 56.

3.2.2 Functions

The Commission has five basic functions:

- the right and duty of initiating Community action and legislation:
- the guardian of the Treaties;
- the responsibility for the implementation of Community decisions (if asked by the Council or to a lesser extent the EP);
- the decision-making authority in the field of competition policy;
- the external representation of the European Community.[20]

a) The right of initiative

In the first pillar, the Commission has a monopoly – at least in the strict legal sense – to initiate legislation (i.e. the 'right of initiative'), although politically, both the European Council and the EP have the possibility to ask the Commission to act. Smaller member states feel that this 'right of initiative' safeguards their interests best, as the European Commission is meant to be the advocate of the 'common EU interest.' The right of initiative makes the Commission the engine for integration and provides the main source of its power. Until the Commission tables a proposal, the Council and the EP cannot decide in many policy areas. This gives the Commission a key role in the identification of common interests and makes it an important target for stakeholders and interest groups. To plan its initiatives the Commission develops a strategic programme for the year ahead, the so-called Annual Policy Strategy (APS), which translates into the operational 'Work Programme' of the Commission. In January the work programme is presented by the Commission President who gives a speech in the European Parliament outlining the conditions of the Community and the objectives for the time ahead (similar to the US President's State of the Union address).

In its role as the engine for integration, the Commission consults intensively with member states, the Parliament and interest groups. In addition, the Commission is responsible for the budget and its execution. In that sense the Commission is a political manager with a unique European outlook that balances the different national and political interests coming from the other institutions, member states and interest groups.

b) The guardian of the Treaty

As guardian of the treaty the Commission is directly and immediately responsible for the implementation and enforcement of Community law. It polices the administration of EU law and assigns judgements against governments (including fines) or individuals who violate the treaties. As a last resort, it can take offenders to the European Court of Justice (see Box 4). In the past this has been mainly the case for violations of legislation related to the Internal Market. More recently the Commission has taken a tough stance if member states fail to transpose, implement or enforce Community legislation. Enforcement follows a standardised procedure.

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[20] S. Kurpas, C. Grøn and P.M. Kaczyński (2008), *The European Commission after enlargement: Does more add up to less?*, CEPS Special Report, Centre for European Policy Studies, Brussels, February.

Box 1. Infringement procedure

The infringement procedure is regulated by Article 226 of the Treaty establishing the European Community (EC Treaty): *"If the Commission considers that a Member State has failed to fulfil an obligation under this Treaty, it shall deliver a reasoned opinion on the matter after giving the State concerned the opportunity to submit its observations. If the State concerned does not comply with the opinion within the period laid down by the Commission, the latter may bring the matter before the Court of Justice."*

Detailed rules of procedure have been drawn up as the Commission's internal rules or have been established by legal practice and/or case law. Important features are the opening of the procedure by a letter of formal notice, and the possibility for the concerned member state to submit its observations on the identified problem within a given time limit. The purpose of this 'pre-litigation phase' is also to enable the respective member state to conform voluntarily with the requirements of Community law. The Commission will then issue a reasoned opinion. It is based on the letter of formal notice and gives a detailed statement of the reasons that have led the Commission to assume that the member state concerned has not fulfilled its obligations under the Treaties of secondary Community legislation. Referral by the Commission to the Court of Justice opens the actual litigation procedure. The Court will decide whether there has been an infringement and what penalty may apply (see http://ec.europa.eu/community_law/infringements/infringements_en.htm). Of the 143 ECJ judgements in 2007 concerning failure of a member state to fulfil its obligations, the Court declared infringements in 127 cases, while in only 16 cases was action dismissed. 212 new cases were brought before the Court in 2007. The average length of an infringement procedure closed in 2007 before the ECJ was 18.2 months (see http://curia.europa.eu/en/instit/presentationfr/rapport/stat/07_cour_stat.pdf).

Case law indicates that the following calculation usually applies:

Daily fine = (€600 x Cd x Cl) x A
Cd = seriousness of the breach (scale 1-20)
Cl = length of the breach
A = ability to pay based on Gross National Product and voting weight in the Council

For example, penalties for the Netherlands range from €4,710 to €282,600 per day.

c) Implementation of Community policy

This function is often performed by consultation and information. On many occasions so-called 'comitology' committees are set up as part of an EU law that has delegated authority to decide upon implementation details of EU legislation. These committees are relatively similar to Council working groups as they are composed of EU member state representatives and can sometimes resort to voting to take decisions. Unlike Council working groups, they are however not chaired by representatives of the EU presidency, but by the European Commission.[21] Comitology has at times been considered as going beyond decision-making on 'implementation details', posing a question on the legitimacy and transparency of decision-making in the EU. As concerns the implementation of acts that fall under the co-decision procedure, it was therefore decided in 2006 to give the European Parliament the opportunity to demand that decisions that the EP deems of political importance are referred back to the legislative process. The Lisbon Treaty would further strengthen the role of the EP in the comitology procedure.

[21] A list of comitology committees can be found on the Commission's website: http://ec.europa.eu/transparency/regcomitology/include/comitology_committees_EN.pdf.

d) Own decision-making authority in the field of competition policy

In most policy areas, the Commission only performs a supervisory role to check whether member states implement and enforce policies properly. With regard to competition policy the Commission is however directly and immediately responsible for taking decisions on the activities of companies active in more than one EU member state. For instance, its verdicts concerning large multinationals or individual EU member states that violate competition and state aid rules can be contested before the European Court of Justice. Important cases include those against Microsoft on the abuse of a dominant position, the prohibition of the merger between General Electric and Honeywell or cases against car producers having hindered consumers from buying cars in another EU member state than their own.

e) External representation of the European Community

The European Commission represents the European Community in bilateral and international negotiations. Where EC competence is exclusive, as in the area of trade and for most bilateral negotiations, it is even the lead negotiator of the European Union. In other negotiations it operates in close cooperation with the EU Presidency. The Commission President takes part in the meetings of the G-8, the gatherings of leaders of the 7 richest countries and Russia. The European Commission has delegations and offices all over the world. An important task for these delegations is the oversight of EC development cooperation activities; a considerable task since the EC is one of the largest donors in the world.

3.3 The European Parliament

Parliament's influence on legislation has grown steadily during the various Treaty revisions from the Single European Act (SEA) to the Maastricht, Amsterdam, Nice and now the Lisbon Treaty. The EP has taken the role of a co-decision maker on an equal footing with the Council in most policy areas of the first pillar. It also plays a significant role in the budget negotiations and has a veto right for most international agreements including enlargement through the so-called assent procedure (i.e. the EP cannot suggest any amendments, but it can approve or disapprove of the text as a whole). For other areas, such as agricultural policy, the CFSP and certain issues in the field of justice and home affairs, the EP is only involved in a consultative role. The resolutions it issues in these fields can easily be set aside by the Council.

The Parliament currently consists of 785 deputies (see Table 3). It decides by majority of its members,[22] but – like the other EU institutions – is a consensus-driven body. Despite the presence of two large political groups, the European People's Party (Christian Democrats and Conservatives) and the Socialist Party, neither is large enough to form a majority on its own. Coalition-building is a necessity to approve, reject or amend legislation.

Most of the legislation is discussed and shaped in sectoral Committees where a restricted number of MEPs from different political parties and nationalities participate. When the proposal from the Committee is voted upon in the EP plenary session, most of the coalition building and horse-trading has already been done. Of particular importance therefore is the 'rapporteur', i.e. the MEP writing the report that contains amendments to the legislative proposal supported by a majority in his or her committee. This text is usually the basis for the vote in the plenary.

[22] In the framework of the co-decision procedure, the EP decides by simple majority of all MEPs present at the plenary vote. In the second reading the EP must however decide by the absolute majority of its members (i.e. at least 393 of its currently 785 members). This creates an incentive to reach agreement during the first reading.

In recent years, the European Parliament has acted with increasing self-confidence, for example on important files and issues, such as the chemicals directive REACH, the services directive, the climate action and renewable energy package, and the hearings of new Commissioners. As the EP cannot send individual Commissioners home, it successfully threatened to veto the whole College of Commissioners in 2004, when a majority of socialists and liberals was not convinced by the hearing of the Commissioner-designate from Italy, Rocco Buttiglione. The EP also has a motion of censure for the Commission at its disposal. It has never actually censored a Commission, but successfully threatened to do so in 1999, when the Santer Commission stepped down after allegations of fraud.

3.4 The Court of Justice of the European Communities

The Court of Justice of the European Communities – often referred to as the European Court of Justice or 'ECJ' – dates back to the ECSC Treaty of 1952 and is located in Luxembourg. Its mission is to ensure the coherent interpretation and application of EU legislation across all member states. It is composed of one judge from each member state, but it usually sits as a 'Grand Chamber' of 13 judges or in chambers of five or three judges. The Court is assisted by 8 'advocates general' who present reasoned opinions on the cases brought before the Court. Judges and advocates-general are impartial and they are appointed by joint agreement between the member states for a term of six years (renewable).

In 1988 a 'Court of First Instance' (CFI) was created to help the ECJ cope with the large number of cases brought before it. The CFI deals with cases brought by private individuals and companies as well as cases relating to competition law. The European Union Civil Service Tribunal is responsible for disputes between the EU and its civil servants.

The five most common types of cases are:

- References for a preliminary ruling (article 234 TEC);
- Actions for failure to fulfil an obligation (articles 226 and 227 TEC);
- Actions for annulment (article 230 TEC);
- Actions for failure to act (article 232 TEC);
- Actions for damages (article 235 TEC).[23]

The Court has proved to be of crucial importance for the European integration process. In the past a series of Court rulings established the primacy of Community law over national law. This principle is implicit in the treaties, but only the Court made it explicit. The Court also established the direct applicability (or 'direct effect') of EU law. As a consequence, Community law can directly impose obligations on individuals but also confer rights on them, which they can invoke before national and Community courts. Thus 'direct effect' allows them to take advantage of Community provisions regardless of their transposition into national law. Both the Common Foreign and Security Policy (pillar 2) and Police and Judicial Cooperation on Criminal Matters (pillar 3) do not fall under the jurisdiction of the Court however.

EU citizens and entities do not necessarily have to go to the Court in Luxembourg, as European law is also safeguarded by national judges who look at earlier verdicts regarding possible violations of European law or put a prejudicial question to the European Court of Justice.

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[23] A more detailed explanation of all procedures can be found at http://europa.eu/institutions/inst/justice/index_en.htm.

3.5 Other institutions and bodies

Other bodies and institutions include the following:

- The **Court of Auditors** in Luxembourg achieved the status of an institution with the Maastricht Treaty. It examines the accounts of the Union's revenue and expenditures and checks whether financial management is sound. It reports to the European Parliament.
- The **European Investment Bank** in Luxembourg provides low interest loans to poorer regions both within the Union and outside (e.g. to developing countries from the African, Caribbean and Pacific (ACP) region and the EU's candidate, associated and neighbourhood countries).
- The **European Economic and Social Committee** (EESC) in Brussels has an advisory role and gives opinions concerning matters of the social partners (labour and employers organisations).
- The **Committee of the Regions** (CoR) in Brussels is another EU advisory body that deals with issues of concern for the European regions. It was created by the Treaty of Maastricht.
- The **European Central Bank** in Frankfurt is in charge of the management of the EU's common currency.
- The **European Ombudsman** in Strasbourg investigates complaints about maladministration in the institutions and bodies of the European Union. The ombudsman does not have legal powers, but can report non-compliance with its advice to the European Parliament.

3.6 Summary: Essential aspects of the EU's institutional set-up

As initiator of legislation, the European Commission plays a central role as an agenda-setter in the European decision-making process. It is generally receptive to external recommendations and maintains close ties with national experts and policy-makers (at EU and national level) as well as with the various stakeholders potentially concerned by European legislation. The Commission is always represented at Council meetings and the Commission President takes part in all meetings of the European Council. In the intergovernmental pillars of EU decision-making (CFSP and PJCC), the Commission plays a less central role however and does not have the sole right of initiative.

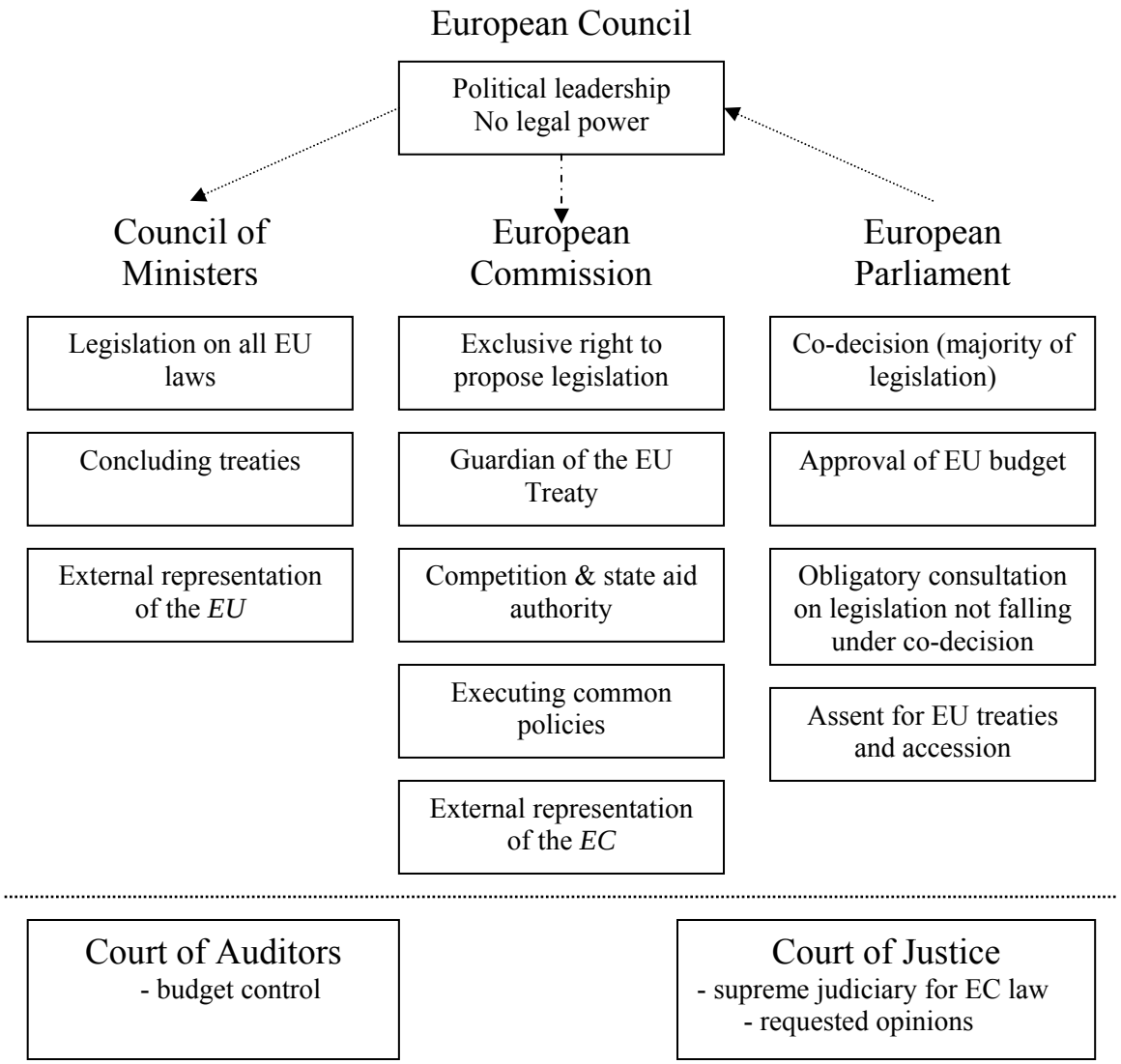
Final decisions are generally taken by the Council of Ministers and the EP, at least in the areas where co-decision applies. Where national vetoes have been abolished (i.e. 'qualified majority voting' (QMV) applies) in the Council of Ministers, national governments are forced to reach real compromise. Negotiations continue to be dominated by a 'spirit of cooperation' where preference is given to reaching consensus that is acceptable to all delegations. In areas where unanimity is required (e.g. in the area of taxation), decisions tend to be based on the lowest common denominator, so that major steps towards EU integration seldom take place. Most of the Council's work is accomplished by Council working groups (i.e. composed of national civil servants and diplomats) and within COREPER (i.e. the body bringing together EU Ambassadors or Deputy Ambassadors). As it is familiar with the situation both in the member states and in the Council, COREPER is well-placed to judge what can realistically be achieved.

The European Parliament is clearly the institution that has seen the greatest increase in competencies with each treaty reform. Under the co-decision procedure it is an equal legislator to the member states in the Council of Ministers. As the only EU institution directly elected by

European citizens it increases the democratic legitimacy of the European decision-making process, but faces the challenge of a relatively low turnout in European elections.

Other organisations such as the Committee of the Regions and the much older Economic and Social Committee are merely consultative but in certain cases can help to shape an agenda or influence the decision-making process.

Figure 4. The European institutions - Overview



Source: Adapted from J. Pelkmans (2006), *European Integration – Methods and Economic Analysis*, Third Edition, Pearson Education, p. 14.

Box 2. Key elements of the Treaty of Lisbon

The Treaty of Lisbon would bring about an important overhaul of the current Treaties (i.e. the Treaty on European Union and the Treaty establishing the European Community).

I. Horizontal changes

If the new treaty enters into force, the EU will take on a single legal personality. As a consequence, it may be easier for the EU to sign international agreements. The term "European Community" will be abolished and the "Treaty establishing the European Community" will be renamed "Treaty on the Functioning of the European Union."

The current third pillar would be abolished and the policies covered by it (i.e. 'Police and Judicial Cooperation on Criminal Matters') would be moved from the intergovernmental decision-making mode to the supranational 'community method'. Some exceptions would remain however and the new rules would not apply to the UK and Ireland unless these countries decided to 'opt-in' and join the cooperation. In contrast, the Common Foreign and Security Policy ('second pillar') would remain a policy for which a special – intergovernmental – decision-making mode would continue to apply and which would thus remain outside the remit of the European Court of Justice.

Another novelty is an explicit reference to a Charter of Fundamental Rights, which will make this Charter legally binding for EU institutions and member states when they are implementing and applying EU law.[24]

II. Institutional Changes

The three main institutions, Parliament, Council and Commission would see considerable changes, which would reform rather than revolutionise the current set-up, however.

1. The European Parliament and national parliaments

Like all former treaty reforms the Treaty of Lisbon would again strengthen the role of the European Parliament. The areas for which the co-decision procedure applies would be considerably expanded and co-decision would become the rule (i.e. the so-called 'ordinary legislative procedure'). Furthermore, the EP would get a say in all international agreements that the EU concludes (under the so-called 'assent procedure'). The Treaty would also enhance the role of national parliaments in the EU member states. They would obtain an increased right of information on EU legislation and policies in the making. In addition, if 1/3 of all national parliaments agree that the EU-level is not the most appropriate one to deal with the issue in question, they can urge the Commission to review the measure concerned. In response the Commission would have to submit a 'reasoned opinion' as to why it is proposing the law, but it would not be obliged to withdraw the proposal.

2. The European Council and the Council of Ministers

With the Treaty of Lisbon, the European Council would receive a full-time president to be elected by a qualified majority of the Heads of State and government for 2 ½ years (renewable once). At the same time, however, the different formations of the Council of Ministers would continue to be presided by a rotating chair from the member states on a six-monthly basis. Exceptions are the meetings of Ministers of Finance that discuss issues related to the common currency, the so-called Eurogroup, which will be chaired by a country that has adopted the euro. Another important exception is the Foreign Affairs Council, which will be separated from the General Affairs Council and focus exclusively on foreign policy questions. It will be chaired by the High Representative of the Union for Foreign Affairs and Security Policy, a newly created position that merges the current function of the High Representative for CFSP with the position of the Commissioner for External Relations (since the person will also be Vice-President of the

[24] The United Kingdom and Poland have negotiated an opt-out from the Charter.

European Commission, the commonly-used abbreviation for the post is 'HR/VP.') Perhaps most importantly the person will supervise a still to-be-established European External Action Service, which will bring together Commission and Council officials working on foreign affairs and external relations with seconded diplomats from the EU member states. Although the exact tasks and policy remit of the HR/VP would still need to be decided if and when the Lisbon Treaty enters into force, it is clear that this innovation has the potential to fundamentally alter the character and scope of EU foreign policy making. The proponents of the new arrangement hope that it will lead to a more coherent and effective EU foreign policy. Opponents fear that unclear provisions on competencies may lead to 'turf wars' between institutions and personalities.

For the remaining Council formations a strengthening of the system of 'team presidencies' is envisaged according to which three subsequent presidencies work closely together in their programming to ensure consistency of the Council's work. The system has already become operational in practice, however, when three subsequent presidencies started to plan their agenda together (e.g. Germany, Portugal and Slovenia; followed by France, the Czech Republic and Sweden).

Another major innovation that would be introduced by the Treaty of Lisbon is a new voting mechanism for the Council of Ministers, the so-called 'double majority' system. According to this system, a majority will be obtained, if at least 55% of member states that represent at least 65% of the EU's population are in favour of a proposal. The new voting system would replace the current rules introduced by the Treaty of Nice in 2003, but only from 2014 onwards. Moreover there will be a period until 2017 when each member state can demand to apply the current rules instead of the double-majority system. The voting system was one of the most contested elements in the Treaty of Lisbon, as certain countries (like Germany) are set to gain voting power under the new system, while others (like Poland or Spain) are set to lose. The Polish government especially was opposed to the new system until additional clauses were agreed that would guarantee further negotiations if a certain number of countries – that do not constitute a blocking minority – are against a proposal (so-called 'Ioannina compromise').

The change to a new voting system is seen as especially important as the Treaty of Lisbon would also increase the number of cases where national vetoes are abolished and qualified majority voting (QMV) would be introduced to 39 new cases. In fact, under the Treaty of Lisbon QMV and co-decision would become the 'ordinary legislative procedure.' In the field of foreign policy and other sensitive matters (like tax or defence issues) unanimity will continue to be required.

3. European Commission

Concerning the Commission, two changes were foreseen in the new Treaty: the College of Commissioners would be reduced in size to 2/3 of the number of member states from 2014 onwards (based on a system of equal rotation among all nationalities) and the President of the Commission would be officially elected by the European Parliament. The reduction of the College is set to be given up however, as the treaty itself foresees an alternative if the European Council decides unanimously for another solution. The 'loss' of the Commissioner was an important argument of the no-campaign during the Irish Referendum. In return for a commitment by the Irish government to organise a second referendum on the Lisbon Treaty, the European Council therefore announced at its meeting in December 2008 that it would take a unanimous decision to continue with a system in which each member state may nominate a Commissioner.

See also: EPC, Egmont, CEPS (2007), *The Treaty of Lisbon*, Joint study by the European Policy Centre (EPC), Egmont and the Centre for European Policy Studies (CEPS) (http://shop.ceps.eu/BookDetail.php?item_id=1554).

4. How the EU Legislates

Decision-making in the EU is highly complex. This is no different from national decision-making. One difference is, however, that EU decision-making is evolving in line with the progress of integration. Established procedures tend to be adapted relatively quickly when a new treaty enters into force.

This chapter will not enter into detail regarding the formal procedures, as they are discussed in textbooks about European integration.[25] Instead it will outline the key features to understanding the basics. The chapter should be read in conjunction with the preceding chapter on the EU institutions, where the roles of the different institutions in the decision-making process are described in greater detail.

4.1 Legal instruments

EU legislation can take a number of forms. In the 'first pillar' the following instruments are used:

- **Regulations** are addressed to all member states and persons in the EU and are directly binding in their entirety, which would mean in principle that no national legislation is needed for implementation. However, in practice, national legislation often has to be changed or removed in order to comply with Regulations.
- **Directives** are addressed to all or a specified number of member states. They normally only define the objectives and results to be achieved, and they require transposition into national law by a fixed date. Failing this, recourse to the Luxembourg Court of Justice or the Court of First Instance is possible for reasons of non-implementation. Directives are the most frequently used instrument in the EU.
- **Decisions** are addressed at particular member states, companies or private individuals, and are binding upon those to whom they are addressed. Many are issued by the Commission and typically concern cases of state aid and competition.
- **Recommendations and Opinions** give non-binding Community views on a number of topics, normally to encourage desirable, but not legally enforceable, good practice throughout the Community.

In the 'second pillar' ("Common Foreign and Security Policy", Title IV of the EU Treaty) the European Union issues binding decisions in the form of **'Common Strategies'**, **'Common Positions'** and **'Joint Actions.'**

Framework Decisions are exclusively used in the 'third pillar' ("Police and Judicial Cooperation in Criminal Matters," Title VI of the EU Treaty) with the aim to approximate (align) the laws and regulations of the member states. Proposals are made on the initiative of the Commission or a member state and must be adopted unanimously. Like directives, they are binding as to the result, but leave the choice of form and methods to the national authorities.

In all policy areas, the Commission can issue **Communications, Green Papers and White Papers** that are non-binding but have a considerable influence since they 'formulate' policy.

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[25] Elizabeth Bomberg and Alexander Stubb (2008), "The European Union: How Does it Work?", Oxford: Oxford University Press – chapter 7; Desmond Dinan (2005), *Ever Closer Union: An Introduction to European Integration*, London: Palgrave Macmillan (3rd edition); Simon Hix (2005), *The Political System of the European Union*, London: Palgrave Macmillan (2nd edition); Neill Nugent (2006), *The Government and Politics of the European Union*, London: Palgrave Macmillan (6th edition); Jeremy Richardson (2006), *European Union: Power and policy-making*, New York: Routledge (3rd edition).

Communications usually describe the status quo of a policy area with or without putting forward possible options. Green Papers usually launch a wide consultation process, while White Papers outline a more or less agreed policy and therefore make it easy to 'read' this policy. In reality the boundaries between the three are blurred, however.

The following sections will concentrate on the decision-making procedure in the first pillar.

4.2 How laws are adopted

Main actors in the legislative process are the Council of Ministers, the European Commission and the European Parliament. Traditionally, the Commission proposes (in fact, it has the sole right to make legislative proposals in the 'first pillar'), the EP amends and the Council disposes (either by unanimity or by qualified majority, depending on the subject). Over time the EP has however obtained true co-decision power in a great number of areas. This means that instead of the traditional division with the EP amending and the Council disposing, both now jointly have to agree in most cases, if necessary in a conciliation procedure (see below).

4.3 The procedures

For non-budgetary matters, four procedures exist. They are distinguished by two criteria:

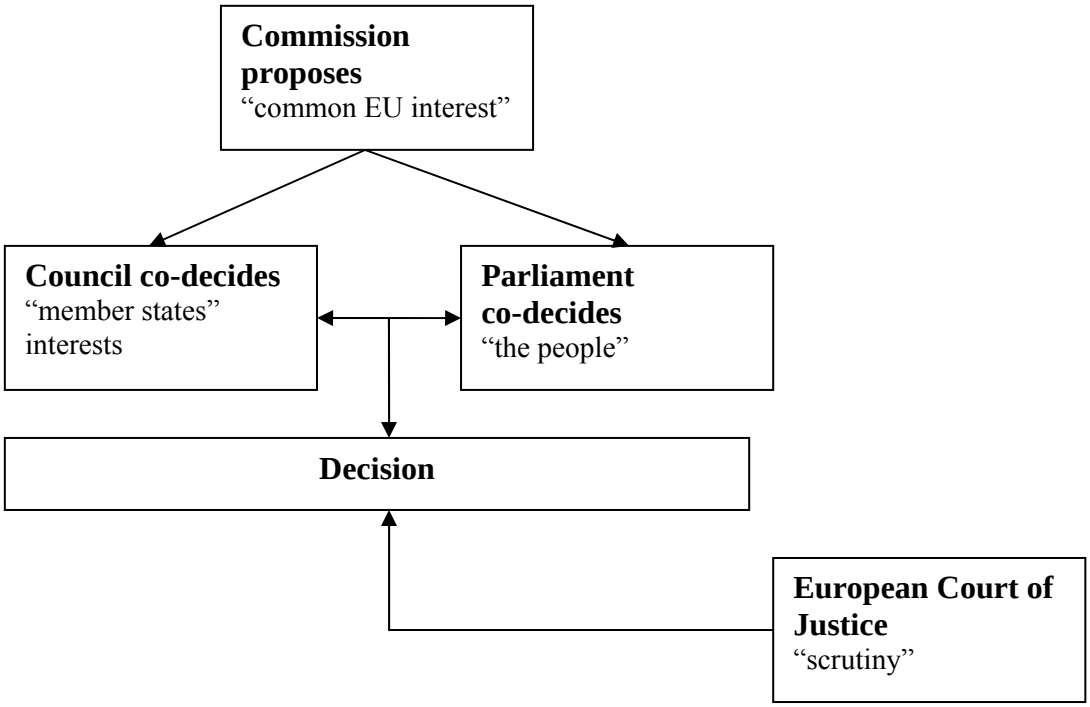
- the powers of the EP and
- the question of whether or not majority voting or unanimity is required.

The EP is strongest under the **co-decision procedure** (Art. 251 TEC), as it grants Parliament equal powers to the Council (see Figure 4 and Annex 2). The procedure was introduced by the Treaty of Maastricht and its field of application has been extended with every subsequent treaty reform (i.e. Amsterdam and Nice). The Treaty of Lisbon would make it the 'ordinary legislative procedure.' However, at present co-decision is already by far the most important procedure, both in terms of its frequency of use and the importance of decisions made. Initially, it was feared that it would make decision-making too complicated, but practice has shown that the procedure has worked well, although somewhat slowly during the first years. This has prompted the member states to attach a protocol to the Amsterdam Treaty adjuring Council, Commission and EP to use this procedure as speedily as possible. As a result, many decisions are taken in an informal fast-track procedure with consultations between the Council and the EP reduced to one reading (instead of two) in practice. Since 2004 a considerable increase in agreements reached during first reading could be observed (from 1/3 to 2/3 of all legislation agreed under co-decision), which has led to growing concern among MEPs about too many 'quick deal'-agreements that may come at the disadvantage of the European Parliament.

If the Council and EP cannot agree during the first two readings, they have a last chance in a so-called 'Conciliation Committee' where selected representatives from the Council and the EP plus the European Commission try to reach agreement (sometimes these actors already convene at earlier stages of the process in informal 'trilogues'). If the Conciliation Committee reaches an agreement, the member states in the Council and the EP plenary have to decide upon it. If no agreement is reached then, the legislative proposal has finally failed to be adopted (see Annex 2). This is not often the case however. Of the six legislative texts that were agreed in the Conciliation Committee in 2007, all have been approved subsequently by Council and EP in a third reading.[26]

[26] See http://ec.europa.eu/codecision/concluded/conciliation_en.htm.

Figure 5. Schematic overview of the co-decision procedure (see also Annex 2)



The so-called **Assent Procedure** (Art. 192 TEC) gives the EP a right to accept or reject a particular proposal. It covers only a small number of legislative areas and is particularly applied in areas such as EU enlargement (e.g. adhesion treaties for new member states) and association or trade agreements with third countries. Thus, the EP effectively has a power of veto regarding treaties with third countries. In the legislative field the assent procedure is typically applied where the EP (as any other parliament) should not get involved in the day-to-day management of highly sensitive issues, but should nevertheless be part of the decision-making process (e.g. matters concerning the European Central Bank, citizenship, Structural and the Cohesion Funds).

The **Cooperation Procedure** (Art. 252 TEC) is now only applied in a limited number of cases in the field of economic and monetary union.[27] It gives the EP the possibility to issue an opinion on a Commission proposal (first reading) and it may adopt, reject or make amendments to the Council's common position (second reading). If the EP rejects or amends the position of the Council, it must do so by an absolute majority of its members. In case of rejection by the EP, the Council still has the possibility to proceed regardless, if member states agree unanimously.

The EP is weakest under the **Consultation Procedure** (Art. 250 TEC), which merely requires its non-binding opinion.[28] Although the EP's rights in areas falling under this procedure are very limited, it still has the (political) possibility to link them to areas falling under the co-decision procedure or to its budgetary powers. Without EP agreement, there is no budget, and it has used this power in the past to extend its influence in other areas.

[27] Articles 99 (5) TEC, 102 (2) TEC, 103 (2) TEC and 106 (2) TEC.

[28] According to an ECJ ruling ('Isoglucose', Case 138/79) 'due consultation' of the EP constitutes an essential formality, however. Disregard of this formality means that the measure concerned is void.

5. What is the difference between the EU and a federal state?

The EU is often wrongly compared to a classic federation like the United States, Germany or Switzerland. Federations tend to have a separation of powers between the different levels of government and a clear distinction of competencies. Neither is true for the EU, however, where *power is dispersed* across the institutions. The Commission, the member states and the European Parliament must interact as partners in drafting, adopting, implementing and enforcing legislation. Although the Commission has the right of initiative, it consults closely with member states (and where co-decision applies also with the European Parliament) when drafting legislation. During the decision-making phase the Commission participates in the deliberations and negotiations between member states. Although it does not have a vote, the Commission still plays a crucial role at this stage. And although the Parliament will only formally decide after the Council has taken its decision, the EP is already informally consulted before. Once the decision has been adopted (by Council and Parliament), member states and the Commission must jointly implement the decision. The Parliament increasingly scrutinises this implementation, and given its extended powers in many areas, confrontation with the EP in an area where it does not have formal powers can still backfire for the Council or the Commission in another area where the EP has power. Thus, in reality at every level and in every phase of the decision-making process, the powers of the Commission, member states and the European Parliament are mixed. At times national governments present themselves in opposition to the EU ('us and them'), but they are just as much a part of the EU decision-making process as the Commission and the EP.

Another feature that distinguishes the EU from most (federal) states is its strong focus on consensus-building and the avoidance of decisions based on simple majorities. The EU decision-making process usually requires large coalitions. Majorities are not stable (i.e. government vs. opposition) as they shift from issue to issue. The decision-making process is based on 'power sharing' between institutions and requires mutual trust among the actors. A sense of constructive cooperation usually prevails over power struggles between countries and the concerns of smaller member states are traditionally respected. The wider public often perceives the EU decision-making process as opaque, slow and seemingly inefficient, but it produces lasting decisions that are acceptable in a wide range of different national contexts. This enhances the perspectives for coherent implementation across the EU.

6. Key Concepts and Principles of the European Union

The EU as a highly decentralised and emerging political system is founded on a number of key concepts and principles, which allow understanding the essence of the EU.[29] Key concepts and principles relating to the traditional economic integration objectives are:

- *'Community loyalty'* (Art. 10 TEC), which commits member states to legislate and act in pursuit of Community aims. This is particularly important given the high level of decentralisation in the EU. Consequently, if member states (in the Council) are unwilling to act, Art. 232 (TEC) offers the possibility to bring an action before the Court, a clause that has been used successfully. The loyalty principle is further reflected in the implementation of Community law. Although the European Commission and the European Court of Justice have the right to control the implementation and enforcement, without full co-operation of member states the EU legal system could not function.

[29] Most principles are discussed in greater detail in Jacques Pelkmans (2006), *European Integration – Methods and Economic Analysis*, Third Edition, Pearson Education, pp. 24-25.

- *'Non-discrimination as to nationality'* ties the hands of member states in promoting national solutions that would come at the expense of other member states. The application of this principle has been enforced by a constant review of national legislation as to potential restrictions for other EU nationals. This has resulted in ensuring the free movement of goods and services and the right of establishment.
- The *'principle of conferral'* determines that all EU competencies are voluntarily conferred on the Union by its member states. Competencies that are not explicitly agreed in treaties by all member states remain the domain of the national level. Art. 308 TEC provides a legal base for new competencies, however, if member states agree unanimously and "if action by the Community should prove necessary to attain, in the course of the operation of the common market, one of the objectives of the Community."
- *'Rules, not money'* is an implicit principle guiding the EU as a regulatory machine and not a big spender. Government functions that typically require large resources (social benefits, defence, education, pension or infrastructure) have remained in national hands. If the EU engages in policy areas via common policies, its involvement is mainly in the regulatory field. Only in the field of agriculture and regional policy (Structural Funds) can resources be termed substantial (see Box 3). All in all the EU budget remains a fraction of a national budget with public spending less than 1.3% of GDP compared to between 40% and 50% at the national level.

Further guiding principles were introduced with the Treaty of Maastricht:

- *"Stable prices, sound public finances and monetary conditions and sustainable balance of payments"* (Art. 4, paragraph 3, TEC) reflects the logic both of the Internal Market and the Economic and Monetary Union. It can be understood as cementing the shift away from a more interventionist policy (state-ownership, trade protection, subsidies, sectoral industrial policies) in the early days of the Community.
- *'Subsidiarity'* and *'proportionality'* (Art. 5 TEC) deal with the allocation of EU competencies. Subsidiarity describes the assignment principle for EU competencies, i.e. the identification of the proper level of government in a multi-tier system.[30] According to this principle an issue should only be tackled at EU level if it cannot be done just as effectively at the national level. The 'principle of proportionality' demands that all measures taken by the Community be proportionate to reaching the aims of the EC Treaty.

Another guiding principle is the *'respect of the acquis communautaire'*. The 'acquis' includes the complete body of EU legislation including secondary and case law. All the member states have to comply with it, unless they have negotiated an opt-out. The notion of the 'acquis communautaire' is particularly important in the context of EU enlargement, as new members have to accept the full 'acquis.' Although new members might get transition periods for implementation, they will not be granted permanent 'opt-outs' (e.g. like the UK and Denmark regarding the single currency).[31]

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[30] "In areas which do not fall within its exclusive competence, the Community shall take action, in accordance with the principle of subsidiarity, only if and in so far as the objectives of the proposed actions cannot be sufficiently achieved by Member States and can therefore, by reason of the scale of effects of the proposed action, be better achieved by the Community. Any action by the Community shall not go beyond what is necessary to achieve the objectives of the Treaty."

[31] 'Opt-out' means that a particular member state does not have to participate in a particular policy, but cannot stop the others going ahead with it.

Box 3. What is the EU budget?

The 2008 EU budget comprises about €129 billion, which is less than the agreed ceiling of 1.24% of total EU GDP.* The EU budget is by no means comparable to national budgets for which figures range between 40% and 50% of GDP.

The biggest share of the 2008 budget was spent on 'Sustainable Growth' (45%) and includes both cohesion (36%) and competitiveness (with 7.5% of the budget going to research and innovation). The next biggest item was 'Natural Resources' (agricultural expenditure and rural development) which accounted for 43% of the total budget (32% to agricultural expenditure). Other areas are external relations ('EU as a global player') accounting for 5.7% and 'Citizenship, Freedom, Security and Justice' (1%). 5.6% are spent on administration. Two additional expenditures fall outside the official EU budget: The European Development Fund (€22.7 billion in the period 2008-2013), and military operations, which are decided upon through an ad-hoc mechanism.

The EU has its 'own resources' to finance its expenditure. Legally, these resources belong to the Union. Member States collect them on behalf of the EU and transfer them to the EU budget. There are three kinds of 'own resources:'

- The *resource based on gross national income (GNI)* is a uniform percentage rate (0.73 %) applied to the GNI of each member state. In 2008 it accounted for approx. 67% of total revenue.
- The *resource based on value added tax (VAT)* is a uniform percentage rate that is applied to each member state's harmonised VAT revenue (accounts for approx. 16% of total revenue)
- *Traditional own resources (TOR)* mainly consist of duties charged on imports of products coming from a non-EU state (accounts for approx. 14% of total revenue).

The budget also receives *other revenue*, such as taxes paid by EU staff on their salaries, contributions from non-EU countries to certain EU programmes and fines on companies that breach competition or other laws (account for about 1% of total revenue).

The annual EU budget falls within a longer-term financial framework agreed upon between the Commission, the European Parliament and the Council of Ministers. The current agreement covers the period 2007-2013. It sets concrete ceilings for the categories of expenditure mentioned. In a first step, the 'details' of the annual budget are drafted in a proposal by the European Commission. About half of this budget is decided upon under the co-decision procedure, which gives the European Parliament the right to make amendments and to veto proposed expenditures. The other expenditures, including large parts of the agricultural expenditure, are subject only to approval of the Council of Ministers.

* For further information see European Commission, General Budget of the European Union for the Financial Year 2008 - the figures, Brussels - Luxembourg, January 2008.

Source: http://ec.europa.eu/budget/budget_glance/where_from_en.htm

Conclusion: Understanding an 'Ever-Changing Union'

This Reader has given a brief and concise overview of the EU's history, its institutions, decision-making processes and key principles. Inevitably it can only provide a temporary snapshot of an organisation that is subject to constant evolution and change. With or without the Treaty of Lisbon entering into force, the EU is set to remain a 'moving target.' Due to its complex structures that have never been designed according to any 'master plan,' many Europeans (and non-Europeans) still lack even a basic understanding of the functioning of the EU. With this guide the authors hope they that have increased the general comprehension of the EU among initial and occasional readers and stimulated their interest in further research.

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Annex 1: European organisations founded in post-war Europe

In addition to the EU a great number of organisations have been created to deal with the architecture of Europe after the Second World War. The most important of which are the following:

I. Council of Europe

The Council of Europe (started in 1949) is a forum for political discussion in which 47 European countries, including all EU countries, Turkey and Russia, meet to discuss political issues. It never achieved the political significance it once aimed at and has only considerable influence in the field of cultural and human rights issues, notably due to its court, the European Court of Human Rights, which is based in Strasbourg.

II. Defence and security organisations

1. Western European Union: The WEU was founded in 1948 (Brussels Treaty) as a defence pool among Western European countries. It included the Netherlands, Belgium, Luxembourg, France and the UK; Germany and Italy joined later. With the decision to create an integrated military structure within NATO in 1951, WEU lost its appeal. In the early 1990s there were attempts to revive the organisation and to use it as a security and defence profile for the EU. The Amsterdam Treaty decided to integrate the WEU into the EU.
2. North Atlantic Treaty Organisation (NATO), founded in 1949, was and still is the main basis for western defence and security. The decision to create an integrated military structure fostered NATO's role as the anchor for west European security. From the mid-80s, various attempts were made to strengthen the European pillar. With the end of the cold war, NATO has been re-defining its role in a changed political and economic environment. On several occasions NATO has admitted new members from the East. In order to avoid being seen as a threat by Russia, NATO has developed a partnership with Russia. Turkey has been a member of NATO since 1952.
3. The Organisation for Security and Co-operation in Europe (OSCE) is a body where East and West meet to discuss security, human rights and co-operation issues. For some time it was expected to develop into the crucial organisation for pan-European security architecture. The end of the cold war ended this ambition. Today the OSCE has nevertheless been turned into a body where the EU and Russia discuss emerging security questions.

III. Economic organisations

1. United Nations Economic Commission for Europe (UN/ECE): The United Nations and European governments' emergency organisations were combined in the UN/ECE in 1946. During the Cold War it had some success in bringing about pan-European co-operation in research, highway mapping, statistics and the removal of some obstacles to East-West trade. Although traditionally a bridge between East and West, the UN/ECE's significance has diminished rather than increased. Its current importance for East-West relations is swayed by the EC, the International Monetary Fund (IMF), the European Bank for reconstruction and development (EBRD) and the Organisation of Economic Co-operation and Development (OECD).

2. The Organisation for Economic Co-operation and Development (OECD) was originally set up to restore free trade and closer European economic co-operation. Its main success was the creation of the European Payments Union (set up in 1950). It also successfully pursued a programme to remove trade quotas. Currently the OECD has a membership that includes all industrialised countries (the EU countries, the US, Japan, Canada, etc.) and is concentrating on broader international issues which have to do with economic co-operation and development. The OECD's main role is to provide authoritative economic analysis, statistics and policy advice in a host of fields. Closely related organisations are the International Transport Forum (ITF) for co-ordination in the field of transport and the International Energy Agency (IEA), to co-ordinate the interests of energy importing countries - originally founded to counter OPEC.
3. The European Free Trade Association (EFTA) was formed as a free trade area in response to the formation of a customs union by the then six EEC member states. The scope of EFTA did not go beyond industrial and some processed agricultural goods. It has hardly any common institutions. For some time EFTA's future was uncertain with Austria, Finland and Sweden having become EU members. Current members of EFTA are Switzerland, Norway, Iceland and Liechtenstein.
4. The European Economic Area (EEA) is composed of the EU and Norway, Iceland and Liechtenstein. The three EEA countries are in fact economically fully integrated into the EU, as they fall under single market rules, EU competition law and free movement. (The only exceptions in the economic field thus being the common agricultural and fisheries policies of the EU.) In addition, EEA members are equal to full members in a number of funding programmes such as research funding and they pay into the EU budget. They only have very limited means to influence economic regulation (e.g. single market legislation), however, as they do not have a seat in the Council of Ministers. A Joint Committee consisting of the EEA countries and the European Commission has the function of extending relevant EU law to the EEA countries.
5. The European Bank for Reconstruction and Development (EBRD) was founded in 1990 in a concerted attempt to provide capital for the restructuring of Eastern Europe and the former Soviet Union economies. Its limited funds, three quarters of which come from Europe, however prevent the bank from playing a dominant role yet, other than providing money for project finance.

Annex 2: The Co-decision Procedure[32]

Source: http://ec.europa.eu/codecision/stepbystep/diagram_en.htm

[32] For a more detailed version see http://ec.europa.eu/codecision/stepbystep/text/index_en.htm.

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