# EUROPEAN UNION

## ESSENTIAL KNOWLEDGE

### ➤ INTRODUCTION

This article continues our series of articles designed to help with learning. They are written in a way which minimises the amount of material in the topic, and they are presented in a way which, it is hoped, will make the material easy to learn for the exam. Much of the explanations are therefore omitted to keep the focus on the material to be learnt.

The article is divided into two sections:

- The institutions of the EU.
- The common policies of the EU.

### ➤ WHAT IS THE EU?

The EU is a trading bloc of ~~15~~ 27 states with free trade and a common external tariff. It is trying to consolidate close political and economic co-operation. It began in 1957 with 6 members.

Treaty of Rome.

### ➤ INSTITUTIONS OF THE EU

These are the organisations which run the EU.

Each institution is covered here as follows:

- What it is.
- What it does.

#### 1. European Commission

The Commission is made up of the day to day Managers of the EU.

The Commission:

- Proposes new laws.
- Implements them.
- Prepares the EU budget.

#### 2. European Council of Ministers

The Council is made up of the EU policy-makers (who make the EU's political and economic decisions).

The Council:

- Sets the EU's political goals.
- Co ordinates national policies.
- Controls the EU budget.

**When the heads of government of the EU member states meet, as they do twice each year in an EU Summit, it is referred to as the *European Council* or the *Council of Europe*.**

#### 3. European Parliament

The Parliament is the body which monitors the performance of the Commission and has the right of veto over the Council of Minister's proposals.

The Parliament:

- Debates new legislation.
- Amends and approves the EU Budget.
- Supervises the Commission.

#### 4 Court of Auditors

The Court of Auditors watches the money to ensure that the EU Budget is spent efficiently.

The Court of Auditors:

- Examines all revenue and spending in the EU Budget.
- Spot checks spending programmes.
- Prepares an annual report.

#### 5 Court of Justice

The Court of Justice ensures that the EU laws are correctly interpreted and applied in member states.

The Court of Justice:

- Interprets EU laws.
- Ensures that laws are implemented uniformly.
- Decides on disputes between EU institutions.

#### Economic and Social Committee (ECOSOC)

This is a forum of interest groups which helps the Commission and the Council to make decisions by providing information and advice.

### ➤ THE EU DECISION-MAKING PROCESS

1. The Commission **proposes** new laws.
2. Parliament **discusses** and ECOSOC gives its **opinion/advice** on them.
3. Commission **redrafts** them.
4. The Council of Ministers **decides** on them.
5. Commission **implements** the laws by either:
   - Regulations,
   - Directives
   - Decisions.
6. All the above bodies can be **lobbied**
7. As there are **problems** in the decision-making process, other bodies are needed to check on the system.
8. The Court of Auditors **checks the money**.
9. The Court of Justice **ensures laws are applied with uniformity**.

#### Co-decision procedure

The joint responsibility of Parliament and the Council for enacting laws is called the Co-decision procedure. This means that the two bodies enact laws as equal partners.

### Decision-making by Council

The Council of Ministers makes its decisions:

(a) By the **consultation procedure** (unanimous agreement of all council members).

(b) By the **co-operation procedure** (majority voting carries the day).

### Implementing Laws

**Laws can be implemented in one of three ways:**

- **By Regulation**
  This is an **Order by EU** with immediate effect. National law **does not need to be amended** for the regulation to go into effect.
- **By Directive**
  This is an **Outline by the EU** of the goal it wants achieved, but each state implements its own laws to achieve it.

  National law **must be amended** for a directive to take effect. Directives try to harmonise EU laws.
- **By Decision**
  This is a **Judgement by EU**, binding only on those named.

### Lobbying

Lobbying is a process of persuading or pressurising decision-makers in order to influence their decisions.

Lobbying is often done by interest groups on behalf of their members.

### Problems with the EU decision-making process

- Too much power is centralised in Brussels.
- Decision-making is slow.
- There is too much bureaucracy or red tape.
- There is a democratic deficit, which means that those who are elected do not have the real power to make laws. Interest groups have greater influence than ordinary citizens.

## EU COMMON POLICIES

A common policy means that a **common agreed approach** is adopted in an area of the EU's activities.

Reasons for common policies:

- To ensure a common approach in all countries.
- To ensure uniform development of the EU.
- To improve living standards.
- To link supply and demand.

## 1. SINGLE EUROPEAN MARKET (SEM)

This policy is designed to ensure the free movement of goods, services, capital and labour throughout the EU.

There is also a Common External Tariff on goods imported from outside EU.

### Implications of the SEM

- Barriers to trade are removed (i.e., quotas, duties and subsidies are eliminated).
- Public Procurement must take place (i.e., all government contracts must go to open tender).
- There is free movement of capital.
- There is free movement of labour.

### Opportunities for Irish business from SEM

- Economies of scale possible.
- Increased exports possible.
- More variety of imports available.
- Larger markets available.
- Expansion of firms occurs.
- Mobility of labour possible.
- Reduced exporting costs.
- Location of non EU firms in Ireland for access to SEM.

### Challenges of SEM for Irish business

- Greater competition.
- Reduction in prices.
- Increased business failure.
- Less government work for Irish firms.
- Scarcity of skilled staff.

## 2 EUROPEAN MONETARY UNION

This policy is designed to achieve three things:

1. A single currency.
2. A single monetary policy for all member states.
3. Common economic and budgetary policies.

### Benefits

- No need to change currencies for international trade.
- Reduced bank charges.
- Easier to export.
- Inflation easier to control.

### Drawbacks

- Greater competition.
- Enormous cost of introducing the euro.
- Confusion for consumers.
- Risk of consumers being ripped off.
- Risk of rise in inflation.
- Loss of independence for government monetary policy.
- The UK have not adopted the euro, causing problems both for Irish exporters and importers.

# Unit7 – Short Questions

## Sample

What is Global Marketing? Name two Global businesses.

## 1999

What is a Transnational Company? Name two transnational companies.

## 2000 None

## 2001

The Single European Market helps business because it:

## 2002 None

## 2003 None

## 2004

List four institutions of the European Union

## 2005

None

## 2006

(a) Explain the term 'invisible exports'

(b) Total Imports €16 billion — Invisible Exports €11 billion

Total Exports €19 billion — Invisible Imports €9 billion

(i) Balance of Trade
(ii) Balance of Payments

## 2007

1. An EU directive is
2. What is a trading bloc? Give 2 examples

## 2008

1. Explain what is meant by the term 'Open Economy'.
2. Outline its impact on Ireland's economic development.

## 2009

1. Explain the role of the Council of Ministers in EU decision-making.
2. Name two other EU decision-making institutions.