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"A flickering public will to proceed toward Europe’s institutional ‘finality’ will not be rekindled without a renewed understanding of what ‘Europe’ is, a credible faith in what it does, and a verifiable demonstration of its ability to provide convincingly and expeditiously for citizens’ needs….How these challenges are met not only will define Europe; they will determine whether Europe has a future as the European Union that it needs to be if it is to assert its weight in the world.”

~ Simon Serfaty,
Center for Strategic and International Studies

Europe. Birthplace of Western civilization. Site of history’s greatest empire. Land of migrations, conflict, power struggles. Ground zero for the two most destructive wars the world has ever seen. A continent divided by an Iron Curtain.

For two millennia, Europe has grappled with the challenge of integrating an incredibly diverse array of peoples, cultures, and ideologies into a stable, prosperous, and peaceful region. It was not until the second half of the 20th century, however, that the Continent – or at least the Western half of it – successfully met this challenge.

It did it by once and for all setting aside the conflict mentality that had plagued Europe for centuries, and applying a new mindset: consensus. By forming a voluntary community of countries bound together by integrated markets, and by agreeing to give up a portion of their sovereignty for the greater good of the order, a true union was formed. The attitude adjustment wasn’t entirely based on idealism; it was prompted by self-preservation and self-interest.

Although Europe is more than the European Union (EU), the Union has become the Continent’s defining institution. Today’s EU is one of the most stunning achievements in the history of international relations. It comprises 27 Member States, with a population of nearly half a billion; has a gross domestic product (GDP) approaching $15 trillion – making it the world’s largest economy – and can claim bragging rights as the number one trading partner of both the United States and China.

The EU’s power and influence extend beyond the borders of its Member States, and indeed, beyond the boundaries of Europe. It is a civilian superpower, providing more development assistance to the world than any other country. It provides a model of democratic governance, market economies, and respect for human rights and the rule of law to which peoples and governments around the world aspire.

As remarkable as these achievements are, they belie the fact that Europe is at a critical juncture.

The EU’s post-Cold War policy of enlargement – bringing in new members from what used to be “Eastern Europe” – has extended peace, prosperity, and stability across the Continent. These dividends, however, have come at a price. The EU is struggling to adapt and adjust to an increasingly diverse membership that nearly doubled in the space of just three years. Efforts to reform key EU institutions to provide more effective decision-making in an enlarged Union have been plagued by lingering political doubts.

Some observers have begun to question the wisdom of continuing to expand the EU. There is a growing sense of “enlargement fatigue” – exacerbated by the economic downturn of the past year – with concerns over job security, quality of life, and dilution of a “European” identity outweighing the perceived benefits of belonging to the Union.

The global financial crisis has also highlighted how fragile the bonds among Member States still are, with countries struggling to balance often-competing national and EU interests and priorities. The real challenges are more long term, as countries across Europe confront declining birthrates and aging populations. These demographic challenges will require major – likely painful – social, economic, and immigration reforms.

Europe and the EU face the further challenge of retaining power and influence in a 21st century defined by global issues and increasingly dominated by non-European rising powers. As a result, the transatlantic relationship is more important than ever. If the United States and Europe want to achieve their respective objectives, they need to cooperate in dealing with transnational threats and reforming international institutions to reflect the new geopolitical reality.

To gain a better understanding of where Europe is headed, issues confronting the Continent, and the choices it faces in planning for its future, we begin with a look at the past.
At the same time, an Iron Curtain was descending across the ruins; infrastructure and industry were severely crippled. Unemployed. Europe’s economy had collapsed; major cities lay in ruins. Millions more were left homeless, hungry, and unemployed. It is difficult to overstate the physical and psychological toll that World War II took on Europe. A staggering 60 million people – 40 million of them civilians – are believed to have been killed during the war. Millions more were left homeless, hungry, and unemployed. Europe’s economy had collapsed; major cities lay in ruins; infrastructure and industry were severely crippled.

The modern dream of a unified Europe was born of a desire never again to see the Continent destroyed by nationalist conflicts. It began as an agreement between France and Germany (and four other countries) to form a community in which national control of the raw materials of war would be surrendered to a supranational authority. It has become one of the greatest unions in the history of international relations.

Today’s European Union (EU) controls much more than the production of coal and steel. It is building a single market, free of internal barriers; it created a single European currency, the Euro; and it is forging ever deeper ties among Member States, in areas ranging from the protection of human rights to the development of a common foreign and security policy.

The expansion of the EU’s power and purpose has not come easily, or without protest.

A New Way To Unify Europe

It is difficult to overstate the physical and psychological toll that World War II took on Europe. A staggering 60 million people – 40 million of them civilians – are believed to have been killed during the war. Millions more were left homeless, hungry, and unemployed. Europe’s economy had collapsed; major cities lay in ruins; infrastructure and industry were severely crippled.

At the same time, an Iron Curtain was descending across the Continent, as an emboldened Soviet Union began to install Soviet-controlled Communist governments in the newly occupied countries of Central and Eastern Europe. The United States, which had assumed a full leadership role in international affairs, was determined to “contain” the Soviet threat. The Great Powers of Europe, which had lost their status as a result of the war, were relegated to the sidelines as the world’s two new superpowers squared off in a Cold War.

It was against this backdrop that European leaders began to pursue seriously a means of unifying Western Europe. Some of the proposals called for the creation of a federal style “United States of Europe,” while other proposals called for a more modest union of states that would cooperate on issues of common interest. Jean Monnet, Commissioner-General of the French National Planning Board, had a different idea.

Although he was a staunch supporter of the idea of a European federation, Monnet realized that genuine European solidarity could not be imposed from above. True unification could come only through integrating key sectors of the European economies. The sectors that Monnet wanted to integrate were coal and steel – the raw materials essential to a country’s ability to wage war.

Monnet also recognized that Germany – occupying a central position in Europe, with a vital and relatively unscathed industrial sector – was key to rebuilding Europe. Bringing Germany into the fold would serve the further purpose of defusing post-war Franco-German tensions.

On May 9, 1950 – a day that is now celebrated as Europe Day – French Foreign Minister Robert Schuman, in a speech inspired by Monnet’s ideas, announced a proposal to place Franco-German production of coal and steel under a “common High Authority.” Schuman declared this to be the “first step in the federation of Europe,” and a means to ensure that “any war between France and Germany becomes not merely unthinkable, but materially impossible.”

Less than a year later, on April 18, 1951, France, Germany, and four other countries (Belgium, Italy, Luxembourg, and the Netherlands) signed the Treaty of Paris, establishing the European Coal and Steel Community (ECSC).

The ECSC established a supranational authority – an authority above that of the national governments – to coordinate the coal and steel industries of the Member Countries. This marked the first time that Europeans had ever voluntarily surrendered a portion of their sovereignty for the greater good of the order.

Towards a Common Market

The ECSC proved so successful that within a few years, negotiations were underway to integrate further the economies of the six countries. The end result was the 1957 Treaty of Rome establishing the European Economic Community (EEC). The Treaty provided for the establishment of a common market, facilitating the free movement of persons, services, goods, and capital among Member States; a customs union, eliminating internal barriers to trade; and the development of common policies.
All of that changed, however, with the 1986 Single European Act. Economic future seemed bleak,” notes Moravcsik, “as did the unemployment at home, and sluggish overall growth. “Europe’s whole was plagued by increased competition from abroad, rising International Affairs at Princeton University. The Continent as a whole was plagued by increased competition from abroad, rising unemployment at home, and sluggish overall growth. “Europe’s economic future seemed bleak,” notes Moravcsik, “as did the future of European integration.”

Over the next 25 years, the EEC (which, along with the ECSC and the European Atomic Energy Community, became known collectively as the European Communities [EC] in 1967) slowly made progress toward creating a common European market. By the 1980s, however, “there was a widespread sense that the EC was stagnating,” says Andrew Moravcsik, professor of Politics and International Affairs at Princeton University. The Continent as a whole was plagued by increased competition from abroad, rising unemployment at home, and sluggish overall growth. “Europe’s economic future seemed bleak,” notes Moravcsik, “as did the future of European integration.”

All of that changed, however, with the 1986 Single European Act. The Act not only set a much-needed deadline for creation of a single market – 1992 – but it also reformed EC institutions, making it easier to pass laws; strengthened the parliament, in an effort to make the EC more democratic; and created the basis for a European foreign policy. An ever closer union was forming.

**The European Union**

In 1993, the Treaty of Maastricht transformed the European Communities into the European Union (EU). The name change was more than symbolic. The Treaty was a major step towards achieving political integration. It established European institutions with new powers to make laws affecting the lives of its Members’ citizens, and committed Member States to cooperating with each other in areas traditionally the sole province of national governments.

The EU was born, in part, as a result of the geopolitical upheaval unfolding across Central and Eastern Europe as the Soviet Union disintegrated and the Iron Curtain dividing the Continent came down. France and Germany were once again at the forefront, proposing that political integration of the Member States be accelerated. There was also a desire to capitalize on the benefits of the single market by creating a full economic and monetary union.

The EU is built on three so-called pillars. The first pillar encompasses those areas, such as trade, in which Member States have agreed to pool much of their sovereignty. The Maastricht Treaty expanded these areas to include trans-European networks, industrial policy, consumer protection, education and vocational training, youth, and culture. This expansion of EU power was deemed necessary because of the increased ability of EU citizens to move and work within Member States, and the subsequent need for consistent laws and regulations.

The second pillar established a Common Foreign and Security Policy (CFSP) enabling Member States – for the first time – to take joint action in foreign and security affairs. This pillar is intergovernmental, rather than supranational. Member States agree to “define and implement” a foreign policy for the EU, but retain sovereignty over their own defense and foreign affairs.

The third pillar, which is also intergovernmental in nature, created a Justice and Home Affairs Policy. This pillar addresses asylum, immigration, judicial, and policing matters.

The Maastricht Treaty also formalized the process for developing an Economic and Monetary Union (EMU). EMU involves coordination of economic policies among Member States; the establishment of a European Central Bank, responsible for setting EU monetary policy; adherence to fiscal responsibility criteria; and the creation of a European currency, the Euro. To date, 16 of the EU’s 27 Member States have adopted the Euro.

Since Maastricht, Member States have ratified two additional treaties: Amsterdam, which took effect in 1999, and Nice, which took effect in 2003. These treaties, in part, were an attempt to reform the EU decision-making process and to prepare the EU for an enlarged membership – ten new countries were due to be admitted in 2004, with two additional countries joining in 2007.

In 2005, voters in France and the Netherlands rejected the Treaty establishing a Constitution for Europe. Depending on one’s point of view, the Constitution was either an “effort to institute internal reforms enabling an enlarged EU to function more effectively, more transparently, and closer to European citizens,” as argued by the EU, or a “superstate” that threatened national sovereignty, as its critics claimed.

In 2007, the EU tried again with the Treaty of Lisbon. Though it contains many of the same provisions as the Constitutional Treaty, it is much less ambitious. Despite its scaled down objectives, unanimous ratification of the Treaty by all Member States has been difficult. On October 2, 2009, the Irish – in a second referendum – finally approved the Treaty. As of this writing, there remains just one hold-out – the Czech Republic, which has mounted a legal challenge to the Treaty.
EU INSTITUTIONS AT A GLANCE

European Commission: The Commission is composed of 27 commissioners – one from each Member State – each of whom has responsibility for a particular policy area. Commissioners are charged with upholding the general interests of the EU, rather than those of their country. The Commission is the only EU body that has the right to initiate legislation.

European Parliament: The Parliament is the only EU body whose members are directly elected by EU citizens. Allocation of the 736 available seats is based upon a Member State’s population. The Parliament shares legislative and budgetary responsibility with the Council of the EU.

The Council of the European Union: The Council is composed of one ministerial level representative from each Member State who is politically accountable to his or her national parliament. The Council exercises legislative power jointly with the European Parliament on a wide range of Community issues.

The European Council: Legally, this body is not an institution of the EU; however, its members define the general political guidelines of the Union. It is composed of the heads of state or government of the EU and the president of the Commission.

Court of Justice: The Court ensures that EU legislation is interpreted and applied uniformly in all EU countries, and that Member States and institutions comply with EU laws and regulations. The Court is composed of a senior judge from each Member State.

Source: ec.europa.eu

If the Lisbon Treaty is ultimately approved, it will reform the voting system of EU institutions; eliminate the right of Member States to veto in most policy areas; create a single foreign policy post; and replace the six month rotating Council presidency with an elected president serving a two and a half year term. The EU hopes that these changes will “reinforce the EU’s capacity to take action, enhance democratic processes within the EU, and [give] the EU a single voice in external relations.”

IMPACT OF THE EU

The EU is unique in the annals of world history. It is “the first example of a truly supranational body where the ambitions of nations are curbed by a need to cooperate in order to succeed,” notes Wayne Ives of the British think tank, Civitas. This spirit of cooperation and consensus has replaced the conflict mentality that dominated the Continent for centuries, leading to six decades of peace, prosperity, and stability in Europe. Schuman’s vision of a united Europe in which war would be unthinkable has largely come to pass.

The EU has also had an impact – most would argue a positive one – on the daily lives of EU residents. They have gained the ability to travel, live, and work more freely throughout the Union. They can also generally expect to receive a consistent quality of products and services from one Member State to another as a result of EU-wide rules and regulations governing everything from cosmetics to health care services. And, perhaps most importantly, they enjoy the protection of their fundamental rights, including freedom of religion; equal access to justice; and protection for the rights of women and minorities.

Some argue that these benefits have come at the expense of national sovereignty. In addition, critics complain that the EU has a “democratic deficit.” Although EU citizens directly elect members of the European Parliament, these representatives often have much less influence than the unelected EU commissioners.

Ultimately, how one assesses the impact of the EU depends on one’s yardstick. If one’s goal is to create a single federal structure in Europe, the EU has surely failed. If one’s goal is to engender a process by which European sovereign states increasingly harmonize – if not integrate – their policies, then the EU continues to be a success.

WHERE DOES EUROPE END?

“Any European state which respects the principles [of liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law] may apply to become a member of the Union.”

~ Treaty of Maastricht, Articles 6 and 49

The European Union is a work in progress. As the ties that bind Member States have increased over the years, so too has the number of States bound by those ties. By 1986, the Union had doubled its original size to 12 countries. The geopolitical upheaval in Central and Eastern Europe that began three years later spurred the EU to undertake its most ambitious project ever. The “big bang” of enlargement across Europe in 2004 and 2007 eventually swelled EU membership to 27 countries. The queue to join the Union continues to grow, with at least nine more countries aspiring to membership.

There is no consensus on where “Europe” ends. Is it a geographic construct? Former French President Charles de Gaulle proclaimed that Europe extended “from the Atlantic to the Urals.” Is it demarcated by religion? In the debate over the draft European Constitution, some Member States advocated defining Europe as a “Christian entity,” a point disputed by the rapidly growing Muslim minority populations throughout Europe.

Clearly, the definition of “Europe” continues to be shaped by its long history of cultural, religious, and political conflict. Could one ever conceive of Russia as a “European” state eligible for EU membership? What about Turkey, which first applied for associate membership in the European Economic Community in 1959?
The successive enlargements of the EU have brought unprecedented peace, prosperity, and stability to the Continent. While continued expansion is favored by a number of political elites, much of the general public has lost its appetite for enlargement. In addition, many observers have begun to question the ability of the EU to absorb and integrate increasingly diverse members. Is there a logical geographic, political, or cultural boundary at which EU enlargement should end?

**Growing and Adapting**

The EU was never intended to be a static entity. The 1950 Schuman Declaration proposed “an organization open to the participation of the … countries of Europe.” There is no deadline for joining the Union, and there is not a cap on membership. Members must be “European,” but that term has never been defined.

Over the years, the Union has admitted new countries as circumstances—both internally and externally—have changed. In 1973, the United Kingdom joined what was then the EC after a change of heart on Britain’s part, and a change in the leadership of France, which had previously vetoed Britain’s membership. Ireland and Denmark also joined that year.

The restoration of democracy—a prerequisite for Union admission—in Greece, Spain, and Portugal in the 1970s paved the way for their admission the following decade. There were concerns at the time that these poor, culturally dissimilar countries would negatively impact the cohesion of the Union, and that the common market would be flooded with cheap products and unemployed workers. The desire to support the nascent democracies and stabilize these regions of Europe, however, outweighed any perceived disadvantages in admitting these countries.

**Europe Reborn**

The fall of the Berlin Wall in 1989, the reunification of Germany in 1990, and the collapse of the Soviet Union in 1991 presented an historic opportunity to redraw the map of Europe. With the Continent no longer artificially divided by an Iron Curtain, it had at last become possible to create a “Europe, whole and free.”

The new regimes in Central and Eastern Europe signaled their intent to look to Western Europe for aid and assistance in transforming their countries. The EU—anxious to stabilize a potentially precarious situation—responded with a massive infusion of investment and support, reminiscent of U.S. efforts to rebuild Western Europe at the end of World War II.

The EU’s “reconstruction” program was only the first step. Efforts were soon underway to anchor firmly the newly free countries of Central and Eastern Europe to the West by holding out the prospect of EU membership.

In an effort to strengthen the countries and prepare them for eventual accession to the Union, the EU entered into an agreement with each country to establish bilateral free trade, political dialogue, and guaranteed financial aid. The EU also established a set of benchmarks—known as the Copenhagen Criteria—to ensure that the countries would be able to participate effectively in the Union. These criteria include a stable democratic government that respects human rights and the rule of law; a functioning market economy; and the ability to adopt and implement all EU rules, standards and policies (the so-called “acquis communautaire”).

By 2004, ten countries had met the criteria and were admitted to the EU: Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovakia, and Slovenia. In 2007, Bulgaria and Romania joined the Union.

**An Enlarged EU: The Good, The Bad, And The Ugly**

Many observers view the EU’s post-Cold War enlargement as a success story. The EU’s decision to integrate many of the former Communist countries of Central and Eastern Europe turned out to be “a remarkably effective tool of political and economic stabilization,” notes Andrew Moravcsik, professor of Politics and International Affairs at Princeton University. “In country after country, the promise of EU membership was the political glue holding together coalitions in favor of democracy and market liberalization,” says Moravcsik. Without that “glue,” argues Moravcsik, not all of the countries would have made a successful transition.

EU expansion not only provided a boost to the new member countries, but it had a positive impact on existing members as well. Enlargement “injected new life into societies and labor markets across old Europe that were in danger of sinking into elegant, arthritic decline,” explains a recent article in The Economist. To be sure, not everyone has benefitted from an enlarged EU, but the process “made the EU as a whole more competitive and spread the benefits of global trade to every corner of Europe,” notes The Economist.

The EU has struggled, however, to adjust to its new, more diverse and complex membership. In the space of just three years, the Union nearly doubled in size, going from 15 countries with a population of 380 million, to 27 countries populated by nearly half a billion people. The supersized EU has endured protracted, contentious reforms to make its institutions more efficient and effective—a process that, some critics argue, has distracted the EU from dealing with more substantive issues.

The general public meanwhile remains skeptical of the benefits of an enlarged EU. In a 2009 Eurobarometer poll, the majority of respondents felt that enlargement had made the EU more difficult to manage; contributed to job losses; and created problems because of “divergent cultural traditions” in the new Member States. In addition, half of the respondents reported a feeling of increased insecurity in the EU as a whole because of the enlargement process.
There is also a growing backlash against immigrant populations from some of the recently admitted Eastern European countries, particularly Romania. The general public is quick to blame the migrants for increased criminal activity and other social ills, and politicians pandering to their constituents' xenophobia have done well in recent elections. Mounting opposition to Turkey's EU candidacy is due, in large part, to its predominantly Muslim population.

**The Future Of Enlargement**

The global financial crisis has focused the attention of Member States on their own domestic problems, and has increased the general public's wariness of enlargement. "The context in which we are discussing EU entry today is very different from just a few months ago," notes Olli Rehn, the European Commissioner responsible for enlargement. Even before the crisis began, a report by the European Parliament "had concluded that the Union should devote more attention to its internal cohesion before accepting new members," notes Lenard J. Cohen, director of the School for International Studies at Simon Fraser University.

Accordingly, there is no guarantee when the economic picture improves that the EU will be able to push ahead with its current plans for enlargement. "The question is not whether the EU will again be ready to expand," argues Fabrizio Tassinari, Senior Fellow at the Danish Institute for International Studies. "It is where the EU ought to end."

This reluctance of some political elites and the general public to support an ever-enlarging Union presents a problem for the EU. It has already set in motion procedures that could bring all of the countries in the Western Balkans and Turkey into the Union. The EU risks losing credibility if this process falters. Moreover, any indication that the EU is postponing its enlargement process "might also lead to serious erosion of support for democratization and free market reforms" in these countries, notes Cohen.

The EU faces tough choices in the years ahead. History has shown that transformation through integration works, and that integration leads to peace, prosperity, and stability. Applying these lessons to today's rapidly changing world, however, is easier said than done. Is it possible that the logic of enlargement has finally met its limits?

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**United We Stand, Divided We Fall**

"[F]ailure to convince skeptical publics of the benefits of deeper economic, political, and social integration and to grasp the nettle of a shrinking and aging population by enacting painful reforms could leave the EU a hobbled giant distracted by internal bickering and competing national agendas...."

~ Global Trends 2025: A Transformed World, National Intelligence Council

Although the process of unifying Europe has produced tangible results – improved standards of living, the spread of democratic values, economic clout – there is a growing sense among Europe watchers that the "European Project" has stalled.

To a generation that has known only peace and prosperity, the urgency of continuing to broaden and deepen European ties is missing. Public participation in the process is at an all-time low; political leadership and vision are too often lacking.

The global financial crisis exposed the tenuousness of the bonds between Member States, while at the same time highlighting the need for even closer integration.

**A Question Of Purpose**

Ironically, the success of the EU now threatens its further evolution. "The postwar idea of Europe has lost much of its relevance, as fears of war have receded and affluence has spread across borders," notes Simon Serfaty, a senior analyst at the Center for Strategic and International Studies. "There needs to be a sense of identity and purpose around which the citizens of Europe might agree to rally without a prolonged philosophical debate," he argues. At the moment, there does not appear to be a sense of either.

Despite its best efforts, the EU has failed to create a "European" political identity. The Maastricht Treaty conferred European citizenship on all EU citizens, but this has not created a common bond among them. "Europeans have failed to recognize each other as brothers," says Clive Crook, Washington Columnist for the Financial Times. "These are separate nations with their own histories, with their own very different political systems, with very little...political communication from one country to the next," he notes.

EU citizens are likewise disengaged from the EU political process. Voter turnout for the June 2009 European Parliament elections hit an all-time low, with only 43% of eligible voters bothering to cast a ballot. More disheartening than an apathetic public, notes an
editorial in The New York Times, were the “notable gains [made by] politicians who oppose the entire European project and run for the [European Parliament] basically to fight it.”

Some observers blame the dismal levels of participation on the fact that the EU does not have primary responsibility for the issues that matter most to voters – jobs, taxes, healthcare. Others fault the EU for failing to effectively communicate to the public the benefits of a unified Europe.

The credibility of the Union is further weakened by national leaders who engage in a “blame game,” as Finnish Foreign Minister Alexander Stubb calls it. “Everything that’s bad comes from Brussels; everything that’s good, it’s thanks to the Member States,” he explains. Using the EU as a scapegoat cannot continue, argues Stubb. “[T]he European states…need to understand that there is no alternative to European integration….”

**A Test Of Solidarity**

The global financial crisis has hit Europe hard. The economic downturn has proven especially difficult for many of the recently admitted countries of Central and Eastern Europe, whose economies are much more vulnerable than the more established economies of Western Europe.

**The Numbers Game**

A longer term challenge to Europe’s economic vitality is the Continent’s demographics: declining birthrates and aging workforces. These trends “are expected to transform our societies considerably,” notes a 2009 European Commission Report, “impinging on intergenerational solidarity and creating new demands on future generations.”

In order to compete effectively in a 21st century economy, European countries will need more labor – both highly skilled and unskilled – to raise productivity and growth rates. Yet, most European governments are reluctant, or at least very selective, in opening the immigration gates and assimilating minority populations – even those who immigrated generations ago – into their societies.

European countries also face a looming budget crisis because people are living longer. The Continent already has the world’s oldest population. Political leaders acknowledge that, without major reforms, their governments will not be able to provide the social and economic benefits that many have come to expect. To date, however, only minor reforms have been made.

Europe’s future depends on its ability to address sufficiently its demographic challenges. “The danger,” says Lord Christopher Patten, former European Commissioner for External Relations, “is that without reform and change, we’ll find ourselves with a falling population, a falling share of world output and trade, and a declining influence in value as [America’s] principal partner in the world.”

For most of these countries, entry to the EU meant completely restructuring their economies from the command structure of the Soviet era (i.e., the government controlled all aspects of economic activity) to the EU’s market economy. These new economies are based, in large part, on manufacturing durable goods – such as automobiles – for export to Member States. The financial crisis has significantly reduced the demand for such goods. In addition, critical EU investment in these new economies has also decreased.

Rather than pulling together to tackle what some experts view as the single greatest threat to the EU since its inception, European leaders initially rushed to protect their own national interests – often at the expense of fellow Union members. They are discovering, however, that shroring up their own economies without regard to the larger consequences is no longer a viable option. The integration of European economies has progressed to such a point that Member States are now irreversibly interdependent. The EU cannot afford to have even a single Member’s economy implode.

Recent reports suggest that some sectors of the European economy may be on the road to recovery. What remains to be seen is whether the EU itself can recover. Some observers, such as Clive Crook of the Financial Times, “think the crisis is going to diminish further the appetite for continued political and economic integration.” Others are more optimistic. Justin Vaisse, Senior Fellow at the Center on the U.S. and Europe at Brookings, notes that “[a] case could be made that, in the final analysis, the net effect of the downturn will be to force greater unity upon Europe.”

**Global Power And Influence**

“The key for this restless Union to operate effectively on a treacherous world stage is an appreciation of the limitations of an EU common foreign policy, and an equal wariness of over-ambition as a potentially fatal disintegrating factor.”

~ Lord David Howell, former UK Secretary of State for Energy

Some European countries are major powers in their own right, but most have limited international influence. Even the major powers have seen their relative clout diminish as new, non-European actors have ascended to the world stage. Many observers believe that Europe’s ability to shape global events depends upon its capacity to speak with a single voice. Easier said than done.

Although the EU now boasts of a Common Foreign and Security Policy, in practice, Member States have struggled to find common ground in dealing with international issues. On those occasions when they have acted in concert, their response has often been criticized as timid and ineffective – an inevitable outcome, perhaps, of having to work from consensus.

The EU may come up short in the realm of power politics, but in the race to exert influence through the exercise of soft power, the Union is leading the pack. If the buzzword of 21st century politics is cooperation, then the EU – which has spent the past 60 years honing its consensus building skills – is ideally situated to take a commanding role in tackling some of the world’s greatest challenges.
THE NEW GLOBAL REALITY

For more than 40 years, the Cold War defined the global order – and Europe. Laboring under the large shadow cast by the U.S. on one half of the Continent, and suffering under the crushing dominance of the Soviet Union on the other half, Europe’s power was marginalized.

The collapse of the Soviet Union paved the way for a reunified – and potentially more politically powerful – Europe that had been slowly transforming itself into an economic giant. At the same time, however, the forces of globalization were facilitating the rise of new powers in every corner of the world.

Europe now has to compete with the likes of China and India, which are using their own economic clout to influence and shape the international order. Europe also has to contend with a resurgent Russia, which has increasing leverage over Europe by virtue of its status as the primary supplier of natural gas to the Continent.

In this new geopolitical world order, “the relative power of even the largest European state has diminished, is diminishing, and will continue to diminish,” notes Timothy Garton Ash, senior fellow at the Hoover Institution. Like it or not, the only way for Europe to maintain its relevance is “to have a stronger, more coordinated foreign policy,” argues Ash.

IN SEARCH OF A COMMON FOREIGN POLICY

Since implementation of the Maastricht Treaty in 1993, the EU has had a Common Foreign and Security Policy (CFSP). The stated objectives of the CFSP are “to safeguard the common values, fundamental interests and independence of the Union,” and to “strengthen the security of the Union and its Member States in all ways.” Over the last 15 years, the Union has attempted to beef up the CFSP by creating an operational arm of the CFSP (the European Security and Defense Policy) and by identifying key threats and establishing objectives to deal with those threats (the European Security Strategy).

If and when the Lisbon Treaty takes effect, the EU will have a “foreign minister” and a permanent European Council president (replacing the old system of six month rotating presidencies). The EU hopes that these two new positions will enhance the Union’s visibility on the world stage and its ability to influence global events.

All of this is well and good, but the reforms have been more procedural than substantive. In practice, it remains difficult to reach the requisite consensus among 27 proudly sovereign countries, each with its own set of foreign policy and defense priorities and objectives. This is not to say that the EU has not taken any joint action. On the contrary, it has launched more than 20 missions worldwide in recent years, although many of them have been limited in scope and small in number.

On most of the “big” issues, the EU has failed to stake a claim. “There is no Europe [on issues such as] Afghanistan, Pakistan, relations with Russia and China, nuclear proliferation,” argues Timothy Garton Ash, senior fellow at the Hoover Institution. “There are individual European countries,” he says.

Europe may have a hard time agreeing on traditional hard power issues, but in the area of soft power, it has done a much better job of finding consensus. “There has been quiet progress toward close cooperation…[that] has stressed nonmilitary tools of influencing global polities, including enlargement of the EU, trade agreements, foreign aid, multilateral organizations and diplomatic initiatives,” explains Andrew Moravcsik, professor of Politics and International Affairs at Princeton University.

The power of such nontraditional tools can be extraordinary. Using the lure of participating in its single market, the EU has enticed not only European countries, but those on Europe’s periphery to reform social, political, and judicial institutions. The EU also serves as a role model for other consensus-based organizations, such as the Association of Southeast Asian Nations (ASEAN) and the African Union.

“Europe has successfully used the attraction of its successful political and economic integration to obtain outcomes it wants,” notes Joseph S. Nye, Jr., a professor at Harvard University. A further measure of the EU’s emerging soft power, “is the view that it is a positive force for solving global problems,” says Nye, “ranging from fighting terrorism to reducing poverty to protecting the environment.”

The key to European power and influence, therefore, may be a recognition and acceptance of its limitations. “Europe can come together and act effectively on specific and well-defined issues, but not on everything,” notes Lord David Howell, former UK Secretary of State for Energy.

TRANSATLANTIC RELATIONS

“For the past 60 years, the transatlantic relationship has been the world’s transformative partnership. America’s relationship with Europe – more than with any other part of the world – enables both of them to achieve goals that neither of us could achieve alone.”

~ Frank-Walter Steinmeier,
Federal Foreign Minister of Germany

The unprecedented relationship between Europe and the United States in the last half of the 20th century transformed the world, and each other. America – for the first time in its history – was committed, economically and militarily, to strengthening and
Today, the transatlantic alliance is facing new strains and pressures. Globalization and the rise of new powers have altered global dynamics. The bond between Europe and the United States may no longer be the preeminent relationship in international politics. Yet, now more than ever, the two sides need each other.

**TRANSFORMATIVE TIMES**

The physical destruction and psychological devastation of Europe after World War II was tremendous. Concerns about Communism taking root in such a political and economic climate prompted the U.S. to invest both in Europe’s economic recovery and in its security.

The first step was the Marshall Plan, named for U.S. Secretary of State George C. Marshall, who announced the plan in a June 1947 address at Harvard University. The plan called for a European Recovery Program designed to deal with the widespread hunger, unemployment, and severe housing shortage throughout Europe. Over the course of its four year life span, the Plan pumped more than $13 billion into Europe – at the time, the most expensive non-military foreign policy action ever taken.

Next, was for the U.S. to commit itself to the defense of Europe – something it had never before done in peacetime. On May 19, 1948, the U.S. Senate passed the Vandenberg Resolution, which permitted “association…with such regional and other collective arrangements … based on continuous and effective self-help and mutual aid, and as affect its national security.” Thus was born the North Atlantic Treaty Organization (NATO), signed by ten European countries, the United States, and Canada in 1949. The treaty provided the framework for an American security guarantee – Article V’s declaration that an attack on one is an attack on all – and a military presence in Europe that continues to this day.

The economic investment of the Marshall Plan coupled with the U.S. security guarantee in NATO marked the beginning of a new transatlantic relationship, and allowed Western Europe to begin the first steps towards integration.

**END OF AN ERA**

The collapse of the Soviet Union had a significant impact on the transatlantic relationship. “The end of the Cold War buried America and Europe’s existential interdependence,” says Antony Blinken, national security advisor to Vice President Joseph Biden. “Into the vacuum surged two largely complementary but sometimes conflicting phenomena: American ‘hyperpower’ and a new European identity forged by economic, political, and security integration.” This new dynamic led “American and European elites [to] focus less on our common values and interests and fixate more on our differences,” notes Blinken.

When the multi-ethnic state of Yugoslavia began its violent break-up in the early 1990s, many Europeans saw this as an opportunity to “reassert Europe’s identity on the international scene” – one of the goals outlined in the Maastricht Treaty. By 1995, however, it
Russia

Russia – or least the Western part of it – has always been viewed as part of Europe. With the collapse of the Soviet Union in 1991, the EU and NATO each began courting Russia as a partner. "NATO and EU enlargement were accompanied by an unparalleled effort to engage Moscow and work for Russia's own democratic transformation," explains Ronald D. Asmus, Executive Director of the Transatlantic Center at the German Marshall Fund. That effort produced less than satisfactory results.

Although EU-Russian economic ties have strengthened over the years, and a formal NATO-Russian forum for consultation and cooperation was established in 1997, Russia has become less democratic and more confrontational. Russia increasingly views EU and NATO efforts to expand into its claimed "sphere of influence" as a threat. Russia's relations with the West hit an all-time low in August 2008 when conflict broke out between Russia and the former Soviet Republic of Georgia over the breakaway region of South Ossetia.

Some observers fault Europe for the dismal state of Russian relations. "Europe's greatest foreign policy failure in the last 10 years has been our inability to put together a common and coherent position on Russia," argues Lord Christopher Patten, former European Commissioner for External Relations.

"European member states have cut bilateral deals with Russia on energy, and Moscow has used them to advance its political agenda," Patten notes.

Managing Russia has also created tensions in the transatlantic relationship. Some European countries – heavily dependent on Russia for their energy needs – are reluctant to provoke Moscow. These countries are upset by U.S.-led NATO efforts to admit Ukraine and Georgia as members, as well as U.S. plans (since abandoned by President Obama) to place missile defense systems in Poland and the Czech Republic – moves which Moscow views as threatening.

Other European countries – primarily in Central and Eastern Europe – "see in Russia a potential threat to the political independence and even territorial sovereignty of themselves and neighbors," explains Derek E. Mix, analyst in European Affairs for the Congressional Research Service. They "look to a U.S. approach that robustly guards against Russian assertiveness," Mix says. These countries are concerned about President Obama's decision to "press the reset button" on U.S.-Russia relations – a move that they believe could have detrimental consequences for their security.

Russia and the former Soviet Republic of Georgia over the breakaway region of South Ossetia.

was clear that Europe was not capable of playing an effective peacekeeping role, and the U.S. was asked to intervene.

That same year, the U.S. and the EU agreed on a "New Transatlantic Agenda" aimed at promoting joint action in areas of common interest, ranging from the development of global democracy to the expansion of world trade. As the decade grew to a close, however, underlying disagreements persisted between the partners on everything from missile defense to environmental protection, and anti-American sentiment in Europe was growing.

New Challenges

The attacks of September 11th added an urgent dimension to the transatlantic relationship as American and European leaders confronted a new common enemy – al Qaeda. Discussion of differences abruptly shifted to collaboration and recognition of similarities. The leading French newspaper declared: "We are all Americans." For the first time in its history, NATO invoked Article V.

The unity of purpose and sense of camaraderie was short-lived. A deep fissure erupted in 2002 as close allies – both across the Atlantic and within Europe – found themselves in substantial disagreement over the Iraq War and other issues. "Many Europeans perceived the policies of the Bush Administration as being too unilateral, too reliant on military force, and too dismissive of international treaties and norms," notes Derek E. Mix, analyst in European Affairs for the Congressional Research Service.

Transatlantic relations have been reenergized with the election of Barack Obama, viewed by many Europeans as an American leader with whom they can readily work to tackle the most pressing global issues. It will take more than a popular U.S. president, however, to get the partnership back on track and in a stronger position to tackle today's problems.

"[A] new global complexity dominates the picture," says Frank-Walter Steinmeier, Federal Foreign Minister of Germany. "Our partnership must adjust and transform to address these new global opportunities and challenges. Our military alliance remains essential. But in today's world, security can neither be ensured by hard power alone nor by any nation alone," argues Steinmeier.

The adjustment will require a change in mindset on both sides of the Atlantic in how 21st century international relations are conducted. "[T]he European nations need to become a credible partner [for the U.S.] capable of dealing with the major tasks of our time," says Thomas Bauer, Research Fellow at the Center for Applied Policy Research. This means that Europe needs to stop...
During the Cold War, responsibility for securing and protecting Western Europe fell to one institution – the North Atlantic Treaty Organization (NATO). NATO’s mission was to defend the territory of its Member States. Period. In the 42 years between its inception and the dissolution of the Soviet Union, NATO never fired a single shot in anger.

With the Cold War over, and the military threat posed by the Soviet Union and the Warsaw Pact now just a memory, NATO was forced to reconsider its function. There remained a widespread fear among many European leaders that without a continued U.S. military presence in Europe, the Continent would deteriorate into chaos and old rivalries.

To help stabilize the Continent and to anchor further the “newly independent states” in Central and Eastern Europe to the West, NATO undertook its own campaign of enlargement. NATO’s membership ranks eventually swelled from 16 countries during the Cold War to 28 countries today, as many of the former Communist countries sought the security of being part of NATO.

As NATO worked to expand its membership base, it also found a new outlet for its forces. In 1995, it assumed a formal peacekeeping role in Bosnia. More significantly, in 1999, NATO launched a military operation against Serbia to stop what was viewed as a campaign of ethnic cleansing in Kosovo. This marked the first time that NATO had ever used its forces offensively.

The events of September 11 forced NATO to redefine further its function and purpose. Since 2002, NATO has had a significant military presence in Afghanistan. Since 2004, under a United Nations Security Council Resolution, it has conducted training and mentoring in Iraq.

There is a growing divergence of opinion among NATO’s priorities, with growing pressure from Europe for NATO to be more selective in how – and where – it projects its military muscle in dealing with 21st century conflicts. In addition, NATO must now “compete” with the EU, which has spent the last decade and a half attempting to create its own defense and security policy.

The challenge in addressing contemporary security issues will be for NATO, individual European countries, and the EU to identify those areas in which it makes sense for them to participate in a way that adds value. Rather than trying to compete with one another, or to be all things to all people, the way forward will likely involve capitalizing on each institution’s or country’s strength, and allowing different combinations of countries – no matter their institutional affiliation – to take part in different operations.

being a bystander and “go strategic,” argues Bauer. Europe needs “[m]ore identity, more efficiency and more political willpower,” he explains.

For its part, the U.S. “needs to give up its reluctance to accept the reality of a multipolar world order,” explains Bauer. “It means accepting the growing influence of other actors and the decline of Western dominance on world affairs,” he says.

In recent years, Europe and America have made progress in their relationship with each other, and in responding to today’s global challenges. The two sides have close and regular consultation on a range of issues, from the global economy to anti-terrorism measures. The Obama Administration has signaled its understanding of the importance of strengthening the transatlantic alliance, and key European leaders have shown a renewed willingness to work with the U.S.

There remain areas of disagreement, however, and each partner continues to struggle internally with how to best respond to today’s new challenges. Only time will tell whether the two sides can focus on the principles and values they have in common, or be driven apart by the issues that divide them.

“Europe is at a fork in the road – either we need more Europe or less….Europe must complete its integration so it has institutions that are capable of dealing vigorously with…future crises, or Europe will disintegrate, as national politicians struggle to respond to domestic demands for action.”

~ Justin Vaisse, The Brookings Institution

Europe has much to be proud of and much to celebrate this year. This Institute comes just one week after the 20th anniversary of the fall of the Berlin Wall. Europe has broken the cycle of violence that plagued the Continent for centuries; helped freedom and democracy triumph over oppression and authoritarianism; and created unprecedented prosperity for hundreds of millions of people.

Its work is not done. The Continent continues to simmer with unresolved conflicts; the rule of law and protection of human rights continue to be threatened; and the global financial crisis has brought some European countries to the brink of collapse. The transatlantic alliance needs tending, and Europe faces new types of threats from previously dormant corners of the globe.

Europe has been challenged before. In the past, it has managed to create opportunities from adversity. Times have changed, however, and the world is a much different place than it was even ten years ago. Can Europe summon the leadership, political will, public support, and vision to match – or even exceed – the achievements of the last half century? Or, will it see its relevance and influence fade as the new century continues to unfold?
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## More about Europe

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- Italy (1951) (€)
- Luxembourg (1951) (€)
- The Netherlands (1951) (€)
- Denmark (1973)
- Ireland (1973) (€)
- United Kingdom (1973)
- Greece (1981) (€)
- Portugal (1986) (€)
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€ = Countries currently using the Euro

- Austria (1995) (€)
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- Romania (2007)

### Plans for an Enlarged EU
#### Candidate Countries*
- Croatia
- Macedonia
- Turkey

*Candidate status is granted to countries “that have already achieved sufficient reforms in complying with the values, standards, and rules of the EU.” [ec.europa.eu](http://ec.europa.eu)

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