

Europe on the move
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The EU in the world

The foreign policy of the European Union

Conscious of its global weight in economic and commercial terms, the European Union uses its power in the interests of others as well as itself. The EU promotes prosperity and supports democratic values around the world; at the same time it thereby helps to consolidate stability and well-being for the citizens within its frontiers. Integration of new countries into the EU strengthens its role on the international scene. The EU is the world's biggest trader; but it is also the biggest provider of aid to developing countries. It has created a more pro-active foreign and security policy with the capacity to carry out crisis-management and peace-keeping missions within Europe and far beyond. In today's complex world, the EU has added new tools to the traditional instruments of foreign policy. It has, for instance, taken the international lead in tackling the issue of global warming and climate change. Global problems require global solutions.

Contents

World partner

Dynamic progress

Trade helps growth

Proactive foreign and security policy

The helping hand

Humanitarian aid

Globalised and interdependent

The EU and its neighbours

Further reading

World partner

At nearly 500 million, the population of the European Union is the third largest in the world after China and India. Its sheer size and its impact in commercial, economic and financial terms make the EU a globally important power. It accounts for the greatest share of world trade and generates one quarter of global wealth.

With size and economic power come responsibilities. The Union is the biggest provider of financial assistance and advice to poorer countries. Faced with today's complex and fragile world order, the EU is increasingly involved in conflict prevention, peacekeeping and anti-terrorism activities. It supports reconstruction efforts in Iraq and Afghanistan. The Union has taken the lead in dealing with the problem of global warming and the emission of greenhouse gases.

Soft power

As it unites a continent, the European Union seeks a close relationship with its neighbours so that new artificial divisions do not replace old ones. Having brought stability and prosperity to its own citizens today, the EU seeks to work with others in an interdependent world to spread the advantages of open markets, economic growth and a political system based on social responsibility and democracy.

The EU does not try to impose its system on others, but is not shy about its values. Any democratic European country can apply to become member of the EU. A few have chosen not to. In 50 years, the Union has brought together 27 countries which have successfully pooled economic and political resources in the common interest. As such, it serves as a model for cooperation and integration between countries in other regions.

The EU acts out of enlightened self-interest just as much as global solidarity. On an increasingly interconnected planet, supporting economic development and political stability in the wider world is an investment in one's future. By helping others, the EU helps to make life safer within its frontiers for its own citizens. And a multipolar world is becoming a reality, EU member states need to speak as one if they wish their voice to be heard.

How they compare

	Size	Population	Wealth
	Land area 1 000 km ²	Millions 2006	€PPS per capita 2006
EU	4.2	492	23 600
USA	9.6	300	36 400
Russia	16.9	142	9 500
China	9.6	1 341	6 200
India	3.0	1 117	2 900
Japan	0.4	128	26 750

Source: Eurostat, World Bank.

Dynamic progress

At the time of its creation in the 1950s, the ambition of the EU was to bring together the nations and peoples of Europe as they emerged from the aftermath of World War II.

The need to develop its external relations sprang essentially from two sources. As the original six EU countries removed internal trade barriers between them, they had to handle their trade relations with outside countries as a shared responsibility. This gave rise to the common commercial policy, the first area where EU countries pooled their sovereignty in their joint interest. At the same time, the Member States agreed to share part of the financial cost of assisting their former colonies, especially in Africa, as these secured their independence.

New members have joined the EU and the Union has taken on more responsibilities. Therefore the EU has had to define further its relationships with the rest of the world and with international organisations.

The common external trade policy is a key component of the European Union's relations with the rest of the world. It operates at two complementary levels. Firstly, within the World Trade Organisation (WTO), it is actively involved in setting the rules for the multilateral system of international trade along with its partners across the globe. Secondly, the Union negotiates its own bilateral trade agreements with countries and regions. It makes a special effort to give products from developing countries easy access to its market and to promote development through its trade relations.

Financial and technical assistance, which initially concentrated on Africa, was extended to Asia, Latin America and the southern and eastern Mediterranean countries in the 1970s. At this time, the Union also began providing humanitarian aid to victims of natural and man-made disasters around the world.

More than trade and aid

The EU's agreements with its partners around the globe go beyond trade and traditional development assistance. They cover support for economic reforms, health and education, infrastructure programmes and in some cases cooperation in areas like research and development and environmental policy. They also provide a framework for discussing political issues like democracy and human rights. Recent agreements also require partners to commit themselves to the non-proliferation of weapons of mass destruction.

A long-standing relationship

As one of the world's least developed countries, Tanzania benefits from duty-free access for all its exports to the European Union except arms and munitions. Tanzania is also one of the EU's 79 partners in the African-Caribbean-Pacific (ACP) group which benefit from the Cotonou trade and aid Agreement. The EU is Tanzania's biggest external market, taking more than 50 % of its exports, while the Union provides just over 20 % of Tanzania's imports, mainly of capital goods and equipment. EU aid to Tanzania is worth more than €100 million a year. EU-funded projects focus on the transport infrastructure, education, water supply, the environment, AIDS prevention and support for good governance.

Adding a new dimension

Under the 1992 Maastricht Treaty, the EU has been developing a common foreign and security policy (CFSP) so that it can take joint action when the interests of the Union as a whole are at stake. Defence is becoming an important aspect of the CFSP as the EU works to promote and maintain stability around the world. As it deals with terrorism, international crime, drug trafficking, illegal immigration and global issues like the environment, the Union works closely with other countries and international bodies.

Managing the Union's external relations is a dynamic process: as the EU crafts its own foreign policy, it must also respond to external forces. These include growing economic interdependence brought on by the combined effect of a wave of market liberalisation around the world, the global communications revolution and accelerating technological progress. The EU has had to update its priorities in a context of more international competition, greater cross-border investment flows and rising global demand for raw materials, especially oil and gas.

Trade helps growth

The European Union is the world's biggest trader, accounting for nearly 20 % of global exports and imports. The United States is the EU's largest trading partner, followed by China and Russia. Two-way trade flows across the Atlantic are worth close to €400 billion a year.

Open trade among members of the EU has led to the single European market with freedom of movement for people, goods, services and capital. The Union therefore takes a lead in pushing for further trade liberalisation at world level for the benefit of rich and poor countries alike. Trade sanctions — e.g. removing trade preferences or limiting or freezing trade with a partner in breach of human rights or other international standards of behaviour — are also a tool of European foreign policy.

The rules of the game

To benefit all players, trade has to be free and fair, with the same transparent and mutually-agreed rules applied to everyone. The EU firmly supports the World Trade Organisation which lays down a set of rules to help open up global trade and ensure fair treatment for all participants. The system, although imperfect, offers a degree of transparency and legal certainty in the conduct of international trade.

Free and fair

The most visible way to make trade free is to reduce, or remove altogether, import duties or quotas which countries apply to products. Suppliers, whether domestic or foreign, can then compete openly on price and quality. But there are also hidden or 'technical' barriers to trade whereby governments and companies try to gain an unfair advantage over others. These unfair trade practices include the following:

- selling goods on foreign markets below cost or domestic price in order, for example, to force producers in these countries out of their home market — so called 'dumping',
- paying subsidies from the state budget to companies, including to 'national champions', to give them an unfair advantage in export or domestic markets,
- reserving public contracts for local firms, even though foreign bidders submit better offers,
- disregarding intellectual property rights (trade marks and copyrights) by producing pirated or counterfeit goods which are sold cheaply to undercut the original manufacturer.

The WTO also provides a dispute settlement procedure when direct disputes arise between two or more trading partners. While the EU sometimes takes action in the WTO against its trade partners, the EU has also been on the receiving end of WTO disputes in cases involving notably its agricultural sector.

In parallel with its WTO membership, the EU has developed a network of bilateral trade agreements with individual countries and regions across the world. These agreements complement moves at the WTO to remove barriers to trade internationally and help us move more quickly to secure mutual advantage with key commercial partners. There are clear WTO rules establishing conditions for these agreements to prevent them being used to discriminate against other trade partners, and all EU agreements are compatible with these rules.

Spreading the benefits

But trade agreements are not just based around commercial interests. The EU is particularly sensitive to the interests of developing countries and has long recognised that trade can boost their economic growth and their productive capacity.

Developing countries enjoy duty-free access or cut-rate tariffs on exports to the EU market for the 7 200 products covered by the EU's generalised system of preferences (GSP). Vulnerable countries with special development needs enjoy duty free treatment for all products covered by the GSP. This is a one-way concession which does not require reciprocal action on the part of beneficiaries. The world's 50 least developed countries have totally free access to the EU market for all their products, except exports of arms and ammunition.

The special trade and aid relationship between the EU and the 79 countries of the African-Caribbean-Pacific (ACP) group dates from the Lomé Agreements of 1975. This relationship is being further developed through so-called 'economic partnership agreements' (EPA). These agreements will combine EU trade and aid in a new way. The ACP countries are encouraged to foster economic integration with regional neighbours as a step towards their global integration, while more aid is focused on institution-building and good governance. Under the EPA the development dimension becomes the cornerstone of the EU-ACP relationship.

Proactive foreign and security policy

The idea that EU countries should act together to promote and defend their strategic interests is as old as the Union itself. It started when the six founder members tried unsuccessfully to create a European Defence Community in 1954. They went on to found the European Economic Community instead.

The roots of the current foreign and security policy are to be found in the process called European Political Cooperation, which was launched in 1970, to coordinate the position of EU countries on big foreign policy issues of the day. Decisions were taken by consensus and it sometimes proved hard to find the required unanimity on sensitive issues where the interests of the different countries diverged.

As the EU grew in size and entered new policy areas, it intensified efforts to play an international diplomatic and security role more in line with its economic power. The conflicts that broke out in south-east Europe in the 1990s after the collapse of Yugoslavia convinced EU leaders of the need for effective joint action. More recently, the fight against international terrorism has strengthened this conviction.

The principle of a common foreign and security policy (CFSP) was formalised in the Maastricht Treaty in 1992. This defined the types of diplomatic and political activities the EU could undertake in conflict prevention and resolution.

The lessons of failure

Following the failure of its diplomatic efforts to broker peace between the warring parties as Yugoslavia disintegrated, and in light of major conflicts in Africa, EU leaders gave the go-ahead in 1999 for a specific European security and defence policy (ESDP) which is incorporated into the overall framework of the CFSP. The first military missions took place in 2003 in the Balkans, scene of earlier diplomatic failures, and in the Democratic Republic of the Congo.

Under the ESDP, European military or police forces can be sent to conflict areas to carry out crisis management, humanitarian and rescue missions, peacekeeping and even peace-making operations. They also support and train local police.

In addition, the EU has also created a military rapid reaction capability; separate from NATO, but with access to NATO resources. It is based on what is called the battlegroup concept. At any one time, the EU now has two battlegroups on permanent standby, enabling the EU to respond rapidly to emerging crises by military means. Battlegroups are multinational, consist of about 1 500 soldiers, and are available for a period of six months under a system of rotation.

Over the years, attempts have been made to streamline the way CFSP decisions are taken. But key decisions still require a unanimous vote. This is sometimes hard to achieve as illustrated by the different ways EU countries responded to the US-led invasion of Iraq.

Reducing the human and economic cost

Since 1990 more than 4 million people have died in conflicts around the world. Ninety per cent of them were civilians. Dealing with the seven biggest conflicts of the 1990s cost the international community €200 billion that could otherwise have been used for peaceful purposes. This is why the European Union is determined to act more effectively to prevent conflicts happening in the first place. The European security and defence policy (ESDP) is now part of this effort.

Besides the rapid reaction missions which can intervene early on as crisis situations develop, the ESDP also has an information-gathering and analysis function and the ability to monitor the application of international agreements to anticipate potential conflicts.

These new capabilities reinforce the EU's traditional tools of external relations, including technical and financial assistance, support for institution-building and good governance in developing countries, humanitarian aid and diplomatic instruments like political dialogue and mediation. In this way, the EU can be ready to respond to specific situations as they arise — with the right mix of instruments.

The helping hand

Promoting trade and opening its market is one side of the EU's international development strategy. Lifting poor countries out of poverty via direct technical and financial assistance is the other. More than 1 billion people around the world live on a euro a day or less. One third of them are in sub-Saharan Africa.

The European Union and its member states currently provide over 56 % of all official development assistance delivered by the major industrialised countries. In 2006, the total value was €47 billion, which translates to nearly €100 per citizen. This compares to €53 per citizen from the United States and €69 from Japan. In 2006 European aid rose to 0.42 % of gross national income (GNI), still short of the UN target of 0.7 % of GNI.

Only four EU countries, Denmark, Luxembourg, the Netherlands and Sweden have achieved (and exceeded) the UN target. The EU has set 2015 as the year for reaching the collective target of 0.7 %, with an interim target of 0.56 % set for 2010. African countries receive €15 billion annually, the lion's share of EU development assistance.

Empowering the poor

The primary objective of EU development cooperation is the eradication of poverty in the context of sustainable development, including the pursuit of the millennium development goals (MDGs). EU aid aims to improve basic physical and social infrastructures and productive potential as well as to strengthen democratic state institutions. This support can also help poor countries benefit from international trade opportunities and attract more inward investment to broaden their economic base.

The privileged relationship of ACP countries with the EU has not prevented many ACP countries from losing market share in Europe and becoming increasingly marginalised in the global economy. This is why the formula of economic partnership agreements has been devised.

The EU's development cooperation aims to give disadvantaged people in the third world control over their own development. This means attacking the sources of their vulnerability, including poor access to food and clean water, or to health, education and jobs and a sound environment. It also means fighting disease and promoting access to cheap medicines to combat scourges like AIDS as well as action to reduce their debt burden that diverts scarce resources away from vital public investments back to lenders in the industrialised countries. The EU also uses development cooperation as a way to promote human rights and gender equality and to prevent conflicts.

The EU delivers its aid in many ways — direct cooperation with governments, the implementation of individual projects (often through NGOs), humanitarian aid, assistance in crisis prevention and support for civil society. An increasing share of the aid is contributed to partner countries' general and sector budgets to support local ownership.

Small amounts can go far

Over the years, the European Union has funded thousands of development projects across the third world. Often relatively small amounts of cash can go a long way. Recent success stories include:

° help for a group of 250 women in the Indian state of Gujarat to export handicrafts to Europe, North America and Japan,

- support for a local firm in Belize to switch to sustainable logging and forest-management techniques;
- assistance to farmers in central Cameroon to diversify production,
- training for small farmers in Uganda to share the cost of using essential business support services.

Humanitarian aid

The countries and regions where the European Union provides humanitarian aid mirror the list of the world's trouble spots. Assistance is unconditional. It does not matter whether the disaster is natural or man-made; the aim is to get help to the victims as quickly as possible, irrespective of their race, religion or the political convictions of their government.

The EU channels emergency relief funding through its humanitarian aid department (ECHO). Since it was set up in 1992, ECHO has been active in more than 100 countries around the world, getting essential equipment and emergency supplies to disaster victims as soon as possible. From its budget of more than €700 million a year, ECHO also funds medical teams, mine-clearance experts, transport and communications, food aid and logistical support.

A challenging year

The year 2006 was a particularly challenging one, with extra calls made on the EU's humanitarian aid resources because of:

- the plight of thousands of people displaced by the conflict in Darfur in southern Sudan and border regions of neighbouring Chad,
- the worsening situation of Palestinians in the West Bank and Gaza,
- the humanitarian consequences of the war in Lebanon between Israel and Hezbollah.

ECHO is also present in around 60 other countries including Afghanistan, the Democratic Republic of the Congo, Sri Lanka and Tanzania. The EU continues to support victims of what it calls the forgotten crises, which accounted for 14 % of its 2006 humanitarian budget. The main forgotten crises identified were in Nepal, the Myanmar/Thai border area, Chechnya, Kashmir and the precarious situation of refugees from Western Sahara in neighbouring Algeria.

Teamwork

As an active humanitarian donor, the European Commission, through ECHO, cooperates closely with implementing partners — non-governmental organisations, UN bodies and the Red Cross/Red Crescent movement — to provide food and equipment, clean water and sanitation, shelter, medical facilities and temporary communications systems. The EU expects the present high level of natural disasters and conflicts to continue and has increased the number of field officers with experience in the rapid evaluation of needs, to improve its humanitarian response.

Chechnya: a long-running crisis

The conflicts of 1994 and 1999 still affect the population of Chechnya and the need for humanitarian aid remains. About a quarter of the republic's population of about 800 000 was displaced. Many have returned in recent years from neighbouring Ingushetia and Dagestan. Living conditions are difficult throughout Chechnya, including in the capital, Grozny.

While the situation has improved, allowing ECHO to reduce its programme for the first time since 1999, many people still depend on funding channelled through organisations like the Red Cross, the UN High Commissioner for Refugees and the World Food Programme. As part of its programme, the EU is funding training for vulnerable local people, with the aim of making them more self-sufficient. This includes income-generating activities such as building and tending greenhouses.

Globalised and interdependent

To participate in the globalised economy in an interdependent world, the European Union is increasingly required to look beyond the traditional instruments of diplomacy and trade. There are new international rules covering things like financial markets or labour, health and environmental standards. Stand-alone solutions will not always work. Take energy and the environment.

Global warming

There is a consensus in Europe among governments, citizens and the business community that global warming, linked mainly to emissions of carbon dioxide from the use of fossil fuels (coal, oil and gas), needs immediate action on the part of the EU. Its response to this challenge has an impact on other countries. The EU has taken the international lead in seeking to limit the effects of global warming under the Kyoto protocol, and is committed to cutting its carbon emissions by 8 % from their 1990 levels in 2008-12. Thereafter it intends to cut greenhouse gas emissions by another 20 %, which it will raise to 30 % if other countries follow suit.

The EU has also brought in the world's first market-based mechanism to cut carbon emissions. It has set a ceiling for the amount of allowable CO₂ emissions from industrial plants, leaving companies free to buy or sell available emissions rights, depending on whether they come in under their ceiling limits or not. At the same time, the EU cooperates with other countries like China in devising ways to use energy more efficiently and to burn fossil fuels more cleanly.

Energy dependence

But even as the EU tries to cut its energy consumption and promote renewable energy sources, its dependence on outside suppliers for fossil fuels is increasing. The main reason is that its own reserves of oil and gas are dwindling. The European Union is the world's biggest importer of energy and its second largest consumer.

The EU already depends on just three countries, Russia, Norway and Algeria, for nearly half of its supplies of gas, the least polluting fossil fuel, and without radical action in the short term, its dependence on imported oil will rise from the present 50 % to 70 %. In addition, global demand for oil and gas will increase as countries like China and India press ahead with their economic expansion.

It is therefore in the interest of the EU to reduce its dependence on a small number of suppliers, and to deepen relations with those on which it is most dependent for their mutual benefit as trading partners. The EU's strategy includes cooperation on investments, technology transfer, mutual access to markets and predictability in commercial relations with countries like Russia, a major source of fossil fuels and potentially of electricity, and the oil and gas producers of north Africa, the Gulf region and central Asia.

The EU and seven countries of southeast Europe have set up a single energy community in which energy market rules will be the same for all. The EU will benefit from greater security of supply of gas and electric power transiting through these countries. The energy markets of the seven countries will operate more efficiently as they apply EU rules and standards.

A world currency

The euro has become a world currency since its creation in 1999, second only to the dollar for use in commercial transactions and as a reserve currency for countries around the globe. It has even overtaken the dollar in the international bond market where in 2005, the euro made up 46 % of outstanding bonds compared to 37 % for the dollar.

By mutual agreement, the euro is the official currency of three outside countries: Monaco, the Vatican City and San Marino. Andorra, Kosovo and Montenegro use it as their de facto currency. A number of countries use the euro as one of the reference currencies to determine their exchange rate policy. These include Botswana, Croatia, Israel, Jordan, Libya, Morocco, Russia, Serbia, Tunisia and the former Yugoslav Republic of Macedonia.

Since 1999, the euro has increased its role as a reserve currency among the world's central banks, mainly at the expense of the dollar and the Japanese yen. The switch to the euro has been greater in the case of developing countries than for industrial ones. The figures in the table are for all countries.

Use of the main currencies in the world		
	1999	2005
US dollar	71.0	66.5
euro	17.9	24.4
yen	6.4	3.6
pound sterling	2.9	3.8
Swiss franc	0.2	0.1
Others	1.6	1.6

Percentage of main currencies in identified reserve holdings of all countries.
Source: IMF, 2006 Annual Report.

The EU and its neighbours

In 50 years, the European Union has united a continent from the Atlantic to the Black Sea. Its membership has risen from six to 27. Since the Union is open to any European country which is democratic, runs a market economy and can handle the rights and obligations of membership, enlargement is an ongoing process. There is no shortage of candidates and would-be aspirants to membership.

Candidates and applicants

Three countries are currently candidates for membership: Croatia, Turkey and the former Yugoslav Republic of Macedonia. Once negotiations are completed, the entry of each new member has to be approved by every EU country and by the European Parliament.

Besides the three candidates, four countries in the western Balkans — Albania, Bosnia and Herzegovina, Montenegro and Serbia — are potential candidates for EU membership. The EU already allows all the western Balkan countries free access to its market for most exports and supports their domestic reform programmes.

In addition to the candidate countries, the Union keeps its closest relations with four other neighbours, Iceland, Liechtenstein, Norway and Switzerland. All are members of the European Free Trade Association (EFTA), and have so far decided against EU membership. The four have aligned themselves with large parts of the EU's single market legislation, and follow the EU in other policy areas. All except Switzerland participate along with the EU in the European Economic Area (EEA).

A coherent neighbourhood policy

The European Union is moving to consolidate relations with neighbouring countries to the east and south. Although not candidates to join the EU, Russia, Ukraine, Moldova and the republics of the Caucasus and central Asia are building individual relationships with the Union, based on partnership and cooperation agreements covering trade and other economic sectors, plus joint action in many areas of common interest.

The agreement with Russia goes further than the others, focusing on economic issues, cooperation on research and education as well as internal and external security. The EU seeks to update the relationship via a new framework agreement to include, inter alia, closer cooperation on energy. The aim with Ukraine is to move towards negotiations for a comprehensive free-trade agreement.

With its southern partners, the EU's aim has been to create a vast free-trade area to cover the EU, the Arab states with a Mediterranean seaboard and Israel. The individual association agreements between these countries and the EU are one element in the relationship, but they are currently being extended to cover other areas, such as trade in services and investments.

To make sure that its eastern enlargements would not produce new dividing lines between the Union and its direct neighbours, the Union created its European neighbourhood policy (ENP) in 2004. This covers all the Mediterranean and east European countries plus the Caucasus, but not Russia. The ENP aims to bring about privileged economic and political relationships between the Union and each neighbouring country. Assistance for the partner countries will total €12 billion for the period 2007-13, a rise of 32 % over previous levels.

The strongest bonds

Links with the United States are at the heart of the EU's external relations. In addition to the huge transatlantic trade and investment flows, both sides share common values and in instances, common interests. The USA has supported European integration since the outset.

Contacts and dialogue are permanent features of the relationship — between business groups, trade unions, and environmental organisations, members of the European Parliament and the US Congress and many others. The way the EU and the USA have solved bilateral problems has served as a model for the Union's relations with other countries like Japan and Canada.

Regional groups

Besides its bilateral ties, the EU is intensifying relations with international organisations (including the UN, NATO and the Council of Europe) and regional groupings around the world. This enables the EU to promote trade and investment flows with the regions concerned, particularly in Latin America and Asia. With its Asian partners, the EU has moved away from a policy of trade and aid to a more balanced relationship, reflecting their growing production and trading capacities.

Further reading

For more information on the different facets of the European Union's external relations and on its offices around the world, visit ec.europa.eu/world

50 years — 50 stories of solidarity: this publication tells 50 stories of European solidarity for those beyond the EU borders who need it most; the poor, the hungry, the sick and those deprived of freedom: ec.europa.eu/europeaid/reports/50-50/50-50_en.pdf