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# The European Union: Ongoing Challenges and Future Prospects

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## Summary

The European Union (EU) is a unique partnership in which member states have pooled sovereignty in certain policy areas and harmonized laws on a wide range of economic and political issues. The EU is the latest stage in a process of European integration begun after World War II, initially by six Western European countries, to promote peace, security, and economic development. The EU currently consists of 28 member states, including most of the formerly communist countries of Central and Eastern Europe.

The EU is largely viewed as a cornerstone of European stability and prosperity. For much of the last decade, however, many EU countries have faced considerable economic difficulties. Despite an improved economic situation in the EU since 2017, economic pressures and societal changes have contributed to the rise of populist and antiestablishment political parties, at least some of which harbor anti-EU or “euroskeptic” sentiments. Such trends have complicated the EU’s ability to deal with multiple internal and external challenges. Among the most prominent challenges are

- the pending departure of the United Kingdom (UK) from the EU (“Brexit”);
- democracy and rule-of-law concerns in Poland, Hungary, and other EU members;
- migration and related societal integration concerns;
- a resurgent Russia; and
- a heightened terrorism threat.

Amid these difficult issues, some are questioning the future shape and character of the EU. Supporters of the EU worry that certain aspects of EU integration could be stopped or reversed. Others contend that the multiple crises could produce some beneficial reforms and ultimately transform the EU into a more effective, cohesive entity. Recently, considerable attention has focused on developing a “multispeed EU,” in which some EU members could pursue greater integration in specified areas while others could opt out.

Successive U.S. Administrations and many Members of Congress have supported the European integration project since its inception, viewing it as crucial to European peace and security and as a way to foster strong U.S. allies and trading partners. Despite some tensions over the years, the United States and the EU share a dynamic political partnership on various foreign policy issues and an extensive trade and investment relationship. How the EU evolves in the years ahead may have strategic and economic repercussions for the United States.

At the same time, some EU leaders are concerned about President Trump’s apparent skepticism of the EU and his reported assessment of the bloc as an economic competitor. Those of this view also worry that elements of the Trump Administration’s “America First” foreign policy—such as the U.S. decision to withdraw from the 2015 multilateral nuclear deal with Iran—pit the United States against the EU. A number of European officials and analysts question whether traditional U.S. support for close U.S.-EU relations may be shifting and whether the United States will remain a reliable international partner. Some observers suggest that managing relations with the United States under the Trump Administration has emerged as another, somewhat unexpected, challenge for the EU. At the same time, many in the EU hope to preserve close U.S.-EU ties and EU policymakers continue to seek to cooperate with the Trump Administration where possible on issues of common interest and concern.

This report provides a brief history of the EU and the major challenges confronting the bloc. It also discusses the potential implications for the EU and for U.S.-EU relations. Also see CRS Report RS21372, *The European Union: Questions and Answers*, by Kristin Archick.

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## Overview

The European Union (EU) is a political and economic partnership that represents a unique form of cooperation among sovereign states. It is the latest stage in a process of European integration begun after World War II, initially by six Western European countries, to promote peace and economic recovery. Its founders hoped that by pooling sovereignty in certain sectors (primarily economic ones at first), integration would foster interdependence and make another war in Europe unthinkable. The EU currently consists of 28 member states, including most of the formerly communist countries of Central and Eastern Europe (see map in the **Appendix**).

The EU has been built through a series of binding treaties, and has characteristics of both a supranational entity (in specified areas, sovereignty is shared and EU institutions hold executive authority) and an intergovernmental organization (in other areas, cooperation is based on consensus among the member state governments). Over the years, member states have sought to harmonize laws and adopt common policies on an increasing number of issues. EU members share a customs union; a single market in which goods, services, people, and capital move freely (known as the “four freedoms”); a common trade policy; a common agricultural policy; and a common currency (the euro), which is used by 19 member states (collectively referred to as the “eurozone”). Twenty-two EU members (and four non-EU countries) participate in the Schengen area of free movement, which allows individuals to travel without passport checks. (See **Table 1** for eurozone and Schengen membership.) In addition, the EU has taken steps to develop common foreign and security policies and has sought to build common internal security measures.

Various European policymakers and analysts have likened the European integration project to a bicycle, which must keep going forward to avoid falling over. Currently, however, the EU faces a range of political and economic pressures—including successful populist, antiestablishment political parties in many EU countries—and multiple internal and external challenges, which have raised questions about the EU’s future shape and character. Although many experts maintain that the EU will continue to pedal along, others worry that the EU bicycle appears wobbly.

Perhaps the most prominent challenge for the EU is the United Kingdom’s (UK’s) expected exit from the EU (known as “Brexit”). In a public referendum in June 2016, British voters favored leaving the EU by 52% to 48%. The UK has been engaged in withdrawal negotiations with the EU but remains a member of the EU until it formally exits the bloc (which is widely expected to occur in March 2019). In addition, the EU faces a number of other salient issues; these issues include addressing concerns about democratic backsliding in some member states (especially Poland and Hungary), managing migratory pressures and integration of newcomers, dealing with a resurgent Russia, and combating a heightened terrorism threat.

Despite Brexit, the other 27 EU member states appear committed to sustaining the EU and are considering further EU reforms. In the longer term, some analysts suggest the EU likely faces a fundamental choice between those supporting further integration as the solution to the bloc’s woes and those contending that integration has gone too far and should be put on hold (or possibly even reversed in certain areas). Whereas some experts argue that “more EU” is necessary to deliver robust economic growth and ensure security, others are skeptical that national governments will be inclined to cede more authority to a Brussels bureaucracy viewed as opaque and out of touch with the problems of average citizens.

Successive U.S. Administrations and many Members of Congress have strongly supported the European integration project as a key pillar of the transatlantic relationship. In the aftermath of World War II, the United States viewed European integration as a way to entrench democratic systems and free markets, and the creation of NATO was meant to provide collective defense and

security. With the end of the Cold War, the United States was a key advocate for EU enlargement to the countries of Central and Eastern Europe, believing it would help to promote stability and prosperity in the region. Today, the United States and the EU share a dynamic political partnership and a huge trade and investment relationship.

**Table I. Current Membership in the EU, Eurozone, and Schengen Area**

EU Member	Eurozone	Schengen	EU Member	Eurozone	Schengen
Austria	X	X	Italy	X	X
Belgium	X	X	Latvia	X	X
Bulgaria			Lithuania	X	X
Croatia			Luxembourg	X	X
Cyprus	X		Malta	X	X
Czech Rep.		X	Netherlands	X	X
Denmark		X	Poland		X
Estonia	X	X	Portugal	X	X
Finland	X	X	Romania		
France	X	X	Slovakia	X	X
Germany	X	X	Slovenia	X	X
Greece	X	X	Spain	X	X
Hungary		X	Sweden		X
Ireland	X		United Kingdom		

**Source:** Congressional Research Service.

**Note:** Iceland, Liechtenstein, Norway, and Switzerland also participate in Schengen.

Although U.S.-EU relations have experienced numerous ups and downs in the past and political and economic tensions have arisen periodically, U.S. and EU policymakers have tended to view the overall partnership as mutually beneficial. During the Obama Administration, the numerous challenges facing the EU worried many U.S. officials who feared that a politically divided, economically weak, and internally preoccupied EU would threaten European stability, jeopardize U.S.-EU economic relations, and make the EU a less robust and effective global partner. In the 114<sup>th</sup> Congress, several hearings addressed some of the specific issues facing the EU, including the Greek debt crisis, the conflict in Ukraine, Europe’s migration and refugee crisis, and potential threats to Europe posed by the Islamic State terrorist organization. Some hearings also considered the EU’s future development more broadly and its possible strategic and economic implications for the United States.<sup>1</sup>

Many in the EU are concerned about the future trajectory of U.S.-EU relations under the Trump Administration and about whether the United States will continue to be a reliable partner in the years ahead. President Trump’s reported questioning of the EU’s value and utility is largely unprecedented and in contrast to long-standing U.S. support for the European integration project. EU leaders have been taken aback by what they regard as President Trump’s hostility toward the bloc. U.S.-EU divisions have emerged on a growing number of issues, from trade to climate change to the 2015 nuclear deal with Iran. Some analysts suggest that managing relations with the United States under the Trump Administration has emerged as another, somewhat unexpected,

<sup>1</sup> House Foreign Affairs Committee, Subcommittee on Europe, Eurasia, and Emerging Threats, “The European Union’s Future,” 114<sup>th</sup> Cong., 1<sup>st</sup> sess., July 14, 2015; and Senate Foreign Relations Committee, “Strains on the European Union: Implications for American Foreign Policy,” 114<sup>th</sup> Cong., 2<sup>nd</sup> sess., February 3, 2016.

challenge for the EU. At the same time, the EU hopes to preserve close U.S.-EU ties, and EU policymakers continue to seek to cooperate with the Trump Administration where possible on issues of common interest and concern.

Congressional interest in the EU, its ongoing challenges, and the state of U.S.-EU relations has persisted in the 115<sup>th</sup> Congress. Various congressional hearings have focused on Brexit, EU policy toward Russia, and European efforts to address societal and security concerns posed by continued migration. In the 115<sup>th</sup> Congress, some House and Senate Members also have sought to reassure EU officials and member state governments of continued U.S. support for the EU, in part through visits to Brussels and key European capitals, the reestablishment of the EU Caucus in the House, and the introduction of resolutions reaffirming the importance of a strong U.S.-EU partnership.<sup>2</sup>

## **Evolution of the European Integration Project and Internal Dynamics**

### **The Past as Prologue**

In the aftermath of World War II, leaders in Western Europe were anxious to secure long-term peace and stability in Europe and to create a favorable environment for economic growth and recovery. In 1951, six countries—Belgium, the Federal Republic of Germany, France, Italy, Luxembourg, and the Netherlands—decided to establish the European Coal and Steel Community (ECSC), which is regarded as the first step in the European integration project. The ECSC was envisioned as a single market in which sovereignty over coal and steel would be pooled and production controlled by an independent supranational authority. In embarking on this plan, the six founders hoped to greatly diminish the chances of another catastrophic conflict in Europe by binding their economies together, controlling the raw materials of war, and promoting political reconciliation (especially between France and Germany). The ECSC began operations in 1952; over the next five years, coal and steel trade among the six members increased 129%.<sup>3</sup>

In light of the ECSC's success, in 1957, the six ECSC countries signed two new treaties in Rome: one treaty established the European Economic Community (EEC) to develop common economic policies and merge the separate national markets into a single market for goods, people, capital, and services; the other created a European Atomic Energy Community (EURATOM) to ensure the use of nuclear energy for peaceful purposes. These two treaties, commonly referred to as the “Treaties of Rome,” came into force in 1958. In 1967, the ECSC, the EEC, and EURATOM collectively became known as the European Community (EC).

The EC first added new members in 1973, with the entry of the United Kingdom, Ireland, and Denmark. Greece joined in 1981, followed by Spain and Portugal in 1986. The Single European Act modified the EC treaties in 1987 to facilitate the creation of the single market and ultimately resulted in the mostly free movement of goods, people, capital, and services (known as the “four freedoms”) within the EC.

On November 1, 1993, the Treaty on European Union (also known as the Maastricht Treaty) went into effect, encompassing the EC and establishing the modern-day European Union. The EU was intended as a significant step on the path toward not only greater economic integration but also

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<sup>2</sup> See S.Res. 93, congratulating the EU on the 60<sup>th</sup> anniversary of the signing of the Treaty of Rome, introduced by Senator Jeanne Shaheen on March 23, 2017; and H.Res. 817, reaffirming the importance of the U.S.-EU trade and investment relationship, introduced by Representative William Keating on April 6, 2018.

<sup>3</sup> Delegation of the European Union to the United States, *The European Union: A Guide for Americans*, 2016.

closer political cooperation. The Maastricht Treaty contained provisions that resulted in the creation of the eurozone, in which participants share a common currency, a common central bank (the European Central Bank, or ECB), and a common monetary policy (there is no common fiscal policy, however, and member states retain control over national spending and taxation, subject to certain conditions designed to maintain budgetary discipline).

The Maastricht Treaty also set out a blueprint for greater coordination on foreign policy and internal security issues. Since the mid-1990s, EU member states have worked to forge a Common Foreign and Security Policy (CFSP), including a Common Security and Defense Policy (CSDP), and sought to establish common policies in the area of Justice and Home Affairs (JHA). In the late 1990s, the Schengen Agreement of 1985—which established the framework for eliminating border controls among participating states—became EU law.

With the end of the Cold War, the EU pursued further enlargement. Austria, Finland, and Sweden joined in 1995. Enlargement to Central and Eastern Europe was an especially key priority viewed as fulfilling a historic pledge to further the integration of the continent by peaceful means and promote stability and prosperity throughout Europe. In 2004, eight formerly communist countries (the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia) acceded to the EU, along with Cyprus and Malta. Bulgaria and Romania joined in 2007. Croatia became the EU’s newest member on July 1, 2013.

## **Inherent Differences and Persistent Tensions**

The European integration project has long been viewed as a way for participating countries to magnify their political and economic clout (i.e., the whole is greater than the sum of the parts). European publics have historically been favorably inclined toward the EU, with many citizens valuing the freedom to easily travel, work, and live throughout Europe. Nevertheless, tensions have always existed within the EU between those member states that seek an “ever closer union” through greater integration and those that prefer to keep the EU on a more intergovernmental footing in order to better guard their national sovereignty. As a result, some EU countries have “opted out” of certain aspects of integration, including the eurozone and the Schengen area.

In addition, different histories and geography often influence member states’ policy preferences. The EU’s enlargement to the east has brought in many members with relatively recent memories of Soviet domination, which may make some of them more wary of EU ties with Russia. Meanwhile, southern EU countries that border the Mediterranean may have greater political and economic interests in North Africa than EU members located farther north.

Questions have also existed for years on whether EU “deepening” (i.e., further integration) is compatible with EU “widening” (i.e., further enlargement). In the 1990s and 2000s, the EU engaged in several efforts to reform its institutions, simplify often cumbersome decisionmaking processes, and thereby allow a bigger EU to function more effectively. These efforts culminated with the entrance into force of the Lisbon Treaty in 2009 (which also sought to enhance the EU’s global role and increase democratic accountability within the EU). Nevertheless, critics charge that EU decisionmaking processes remain extremely complex, lack transparency, and are still too slow and unwieldy. Others note that differences in viewpoint are inevitable among so many countries and that decisions thus take time in what remains a largely consensus-based institution.

The EU maintains that the enlargement door remains open to any European country that fulfills the political and economic criteria for membership. Since 2003, the EU has recognized and welcomed the EU aspirations of all the countries of the Western Balkans. At the same time, some European leaders and publics worry about the implications of additional EU expansion on the EU’s institutional capacities, its finances, and its overall identity. This is especially true with

respect to large, culturally distinct countries, such as Turkey, or the poorer countries of “wider Europe” (usually considered to include Ukraine, Moldova, Georgia, Armenia, and Azerbaijan) that may harbor EU aspirations in the longer term. Some observers suggest that should the EU ultimately enlarge to encompass an even wider array of countries, further integration in the economic and financial fields may be unlikely, and forging a common foreign policy could become more difficult. Others contend that EU enlargement is already reaching its limits, both geographically and in terms of public enthusiasm for further expansion.

### How Is the EU Governed?

EU member states work together to set policy and promote their collective interests through several common institutions. Decisionmaking processes and the role played by EU institutions vary depending on the subject under consideration. For most economic and social issues, EU member states have largely pooled their national sovereignty and EU decisionmaking has a supranational quality. Decisions in some areas, such as foreign policy, require the unanimous approval of all 28 member states. The EU’s institutions do not correspond exactly to the traditional branches of government or division of power in representative democracies; rather, they reflect the EU’s dual supranational and intergovernmental character.

The **European Council** acts as a strategic guide and driving force for EU policy. It is composed of the heads of state or government of the EU’s 28 member states, the European Council President (currently Donald Tusk), and the President of the European Commission; the council meets several times a year in what are often termed *EU summits*. The European Council President organizes the council’s work, seeks to ensure policy continuity, and facilitates consensus.

The **European Commission** serves as the EU’s executive and upholds the common interest of the EU as a whole. It implements and manages EU decisions and common policies, ensures the provisions of the EU’s treaties are carried out properly, and has the sole right of legislative initiative in most policy areas. It is composed of 28 Commissioners, one from each country; each Commissioner holds a distinct portfolio (e.g., agriculture, trade, EU enlargement). One Commissioner serves as Commission President (currently Jean-Claude Juncker).

The **Council of the European Union** (or the **Council of Ministers**) represents the member states. It enacts legislation, usually based on proposals put forward by the European Commission and agreed to (in most cases) by the European Parliament. In a few sensitive areas, such as foreign policy, the Council of Ministers holds sole decisionmaking authority. It consists of ministers from the 28 national governments; different ministers participate in council meetings depending on the subject (e.g., foreign ministers would meet to discuss the Middle East, agriculture ministers to discuss farm subsidies). The Presidency of the Council (often termed the *EU Presidency*) rotates among the member states every six months (Austria currently holds the EU Presidency).

The **European Parliament (EP)** represents the citizens of the EU. The EP shares responsibility for enacting most EU legislation with the Council of Ministers and decides on the allocation of the EU’s budget jointly with the European Council. The EP currently consists of 751 members who are directly elected in the member states for five-year terms. Members of the European Parliament (MEPs) caucus according to political affiliation rather than nationality; there are currently eight such political groups in the EP spanning the political spectrum from the far left to the far right. One MEP is elected as EP President (currently Antonio Tajani). The next EP elections are due in May 2019; as these elections presumably will be held after the UK ceases to be a member of the EU, the number of seats contested is expected to decrease to 705.

## Current Political and Economic Context

A number of political and economic factors are contributing to the current uncertainty surrounding the future of the EU. To varying degrees, they are also challenging the legitimacy and structure of the EU and its institutions.

### Improving Economies but Lingering Concerns

The 2008-2009 global recession significantly affected EU economies, and the subsequent eurozone debt crisis sparked concerns about the fundamental structure and viability of the 19-member eurozone, the EU’s flagship integration project. For almost a decade, many EU countries struggled with weak economic growth and persistently high unemployment. Some EU



governments imposed unpopular austerity measures in an effort to rein in budget deficits and public debt. To stem the eurozone crisis, European leaders and EU institutions responded with a variety of policy mechanisms. To avoid default, Greece, Ireland, Portugal, and Cyprus received financial assistance from the EU and the International Monetary Fund (IMF). The eurozone crisis also put pressure on Europe's banking system, leading to the collapse of insolvent banks in several countries and an EU recapitalization plan for Spanish banks.

In 2015, amid ongoing financial difficulties and disputes with its EU creditors, prospects grew that Greece might exit the eurozone (dubbed "Grexit"). Although Grexit was averted when the Greek government acceded to eurozone demands for more austerity and economic reforms in exchange for a new financial assistance package, the fraught negotiations generated significant acrimony within the EU. While France and Italy emphasized the political importance of maintaining the integrity of the eurozone, Germany (and others such as the Netherlands, Finland, Slovakia, and Slovenia) stressed the need to adhere to eurozone fiscal rules. Tensions also persisted between Greece, its eurozone creditors, and the IMF over the terms of Greece's assistance program and the need for debt relief.

Some suggest that given how close the EU came to Grexit, the crisis called into question the eurozone's irreversible nature. Others contend that the eurozone has emerged stronger from its debt crisis and near-Grexit experience. Since 2010, the EU has taken steps to bolster the eurozone's architecture and improve fiscal discipline among member states. Following the Greek crisis in 2015, both France and Germany have sought to work together on some measures to strengthen the eurozone's economic governance, although reaching agreement between themselves and among all eurozone members remains challenging.<sup>4</sup>

Since early 2017, the EU's overall economic prospects have improved, with a sustained economic recovery taking hold across most of the EU. Although some concerns exist about an unfavorable external environment amid growing trade tensions (including with the United States), the European Commission predicts EU growth will remain resilient. Recent estimates forecast roughly 2% average growth in both the EU and the eurozone in 2018 and 2019.<sup>5</sup>

Some economic anxieties linger, however. Several EU countries continue to struggle with sluggish growth and high unemployment (especially among young people in countries such as Spain and Italy). Although Greece received a degree of debt relief in June 2018 (its eurozone creditors agreed to extend loan maturities due in 2023 by 10 years to ease Greece's repayment burden) and officially exited its financial assistance program in August 2018, Greece's economy remains fragile. Austerity measures are still in place, the country faces a long road to a full economic recovery, and questions persist about the strength of Greece's banking system.<sup>6</sup>

Increasingly, some experts voice renewed concerns about financial stability in Italy, the eurozone's third-largest economy. Following Italian elections in March 2018, a new coalition government took office composed of two largely antiestablishment, populist parties that are critical of the EU and believe eurozone fiscal rules have constrained Italy's economic growth. In September 2018, the Italian government unveiled a new budget for 2019 that rejects austerity

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<sup>4</sup> Anne-Sylvaine Chassany and Guy Chazan, "Eurozone Reform: Solving the Franco-Germany Puzzle," *Financial Times*, June 28, 2018; David M. Herszenhorn, Jacopo Barigazzi, Lili Bayer, and Pierre Briancon, "4 Takeaways from Mother of All EU Summits," *Politico Europe*, June 29, 2018.

<sup>5</sup> European Commission, "Autumn 2018 Economic Forecast: Sustained but Less Dynamic Growth Amid High Uncertainty," press release, November 8, 2018.

<sup>6</sup> Economist Intelligence Unit, "ECB Publishes Stress Test Results for Greek Banks," May 8, 2018; Bjarke Smith-Meyer, "Greek Deal Paves Way for August Bailout Exit," *Politico Europe*, June 22, 2018; Bart Oosterveld and Alexatrini Tsiknia, "This Greek Tragedy Is Not Over Just Yet," Atlantic Council, August 21, 2018.

measures and foresees significantly higher public spending. This proposed budget has become a point of tension between Italy and the European Commission, which believes the Italian government's plans will do little to reduce what many view as Italy's unsustainable debt load of around 130% of gross domestic product (GDP). The European Commission has demanded that the Italian government revise its budget plans, but Italy has so far declined to do so and is expected to face EU disciplinary action for breaching EU fiscal rules. Italy ultimately could face financial sanctions. Some experts worry that this budget dispute could reignite investor concerns about Italy's debt sustainability and threaten the eurozone's integrity and stability again. Since the release of its 2019 budget, Italy's borrowing costs have risen and key credit rating agencies have downgraded Italy's debt rating.<sup>7</sup>

## Rise of Anti-EU or “Euroskeptic” Political Parties

Over the last several years, many EU countries have seen a rise in support for populist, nationalist, antiestablishment political parties. These parties are often termed “euroskeptic” because many have also been fueled by worries that too much national sovereignty has been relinquished to Brussels. Although not a completely new phenomenon in the EU, the uptick in support for such parties largely began in response to Europe's economic difficulties, austerity measures, and the eurozone crisis. For some voters, how Brussels handled the eurozone crisis renewed long-standing concerns about the EU's “democratic deficit”—a sense that ordinary citizens have little say in decisions taken in faraway Brussels. Increasingly, heightened fears about immigration amid a sizeable influx of migrants and refugees in Europe appear to be driving rising poll numbers for populist and/or euroskeptic parties. Fears about globalization and a loss of European identity also have been factors in the growth in support for such parties.

Populist and euroskeptic parties, however, are not monolithic. Most are on the far right of the political spectrum, but a few are on the left or far left. The degree of euroskepticism also varies widely among them, and they hold a range of views on the future of the EU. While some advocate for EU reforms and a looser EU in which member states would retain greater sovereignty, others call for an end to the eurozone or even to the EU itself.

Austria, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Italy, the Netherlands, Poland, Spain, and Sweden are among those EU countries with prevalent populist, and to at least some extent, euroskeptic parties. A range of euroskeptic parties did well in the 2014 European Parliament elections (see **text box**), and euroskeptic parties have made significant gains in national and local elections in some countries. For example, parties with varying degrees of euroskeptic views lead the government or are part of coalition governments in Italy, Poland, Hungary, Austria, and Finland. In Denmark, a minority government relies on a euroskeptic party to provide parliamentary support. In Germany, the anti-immigrant and euroskeptic Alternative for Germany party secured enough support in federal elections in 2017 to enter parliament, becoming the first far-right German political party to do so since the end of World War II.

Such euroskeptic parties are challenging the generally pro-European establishment parties and have put pressure on mainstream leaders to embrace some of their positions. The UK government's decision to hold the June 2016 public referendum on continued EU membership

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<sup>7</sup> European Commission, “European Commission Requests that Italy Presents a Revised Draft Budgetary Plan for 2019,” press release, October 23, 2018; Megan Greene, “Italy's Budget Enemy Numero Uno Is Not Brussels,” *Politico Europe*, October 25, 2018; Colleen Barry and David McHugh, “What's at Stake as Italy Plays Chicken with Markets, EU,” Associated Press, October 26, 2018; Bjarke Smith-Meyer, “EU Governments to Back Commission on Budget Disciplinary Action Against Italy,” *Politico Europe*, November 29, 2018.

was driven largely by pressure from hard-line euroskeptics, both within and outside of the governing Conservative Party. Some euroskeptical parties may hope to influence the formation of EU policies and stem further EU integration.

At the same time, opinion polls indicate that a majority of EU citizens remain supportive of the EU. According to one recent EU-wide survey, 68% of respondents believe their country has benefitted from being in the EU.<sup>8</sup> Some observers note that many of the most stridently anti-EU parties did not do as well as predicted in key elections in 2017, including France's former National Front party (renamed National Rally) and the Netherlands' Freedom Party, and are not part of their respective national governments.

### **The European Parliament and Euroskeptical Parties**

In the 2014 European Parliament elections, a range of antiestablishment and euroskeptical parties secured up to 25% of the current 751 seats. Such parties, however, have struggled to form a cohesive opposition and are riddled with political divisions and different views on numerous issues (including EU reforms). Antiestablishment and euroskeptical Members of the European Parliament are spread among at least three political groups in the current European Parliament, and many analysts claim that euroskeptical parties have failed to exert significant influence. Although some observers believe antiestablishment and euroskeptical parties may further increase their share of seats in the 2019 European Parliament elections (due in May 2019), it remains questionable whether these parties could form a more unified parliamentary force. At the same time, experts suggest that more Members of Parliament from such parties could further fracture the parliament and threaten the status quo in which the parliament's mainstream center-right and center-left parties traditionally exert the most control and largely drive the legislative process.

## **Lack of Strong Leadership and Decreased Solidarity**

Historically, the development of the EU has been driven forward largely by several key countries acting as an "engine." French and German leadership was essential to establishing the common currency, and France and the UK were instrumental in forging EU common foreign and security policies. Many experts suggest, however, that a strong EU "engine" has been lacking over the last few years. Although German Chancellor Angela Merkel has played a central role in responding to the eurozone crisis, Russian aggression in Ukraine, and the migrant and refugee flows, critics view her as being too hesitant and tactical in many instances, rather than acting as a leader of Europe writ large. Other analysts argue that too much power in the EU has been concentrated in Germany alone, in part because leaders of other key European countries have been hindered by domestic politics and economic preoccupations.

Following the 2017 election of French President Emmanuel Macron, EU supporters hoped that France would resume its traditional role as a strong leader of the EU alongside Germany. Many viewed this as crucial for the EU's future, especially in light of Brexit. Although Macron is a committed European integrationist and has proposed ambitious EU reforms, Merkel's tenure is drawing to a close. Now in her fourth term of office, Chancellor Merkel is increasingly facing domestic opposition and challenges to her authority, including from within her own center-right political grouping, amid growing tensions over migration and asylum policy. In late October 2018, Merkel announced she will step down as her party's leader in December and will not run for reelection in 2021. Various commentators contend that Merkel has been too constrained domestically to pursue significant new EU initiatives along the lines advocated for by Macron.

Furthermore, some observers assert that European leaders do not have a robust or shared strategic vision for the EU. Those of this view point to what they consider to be ad hoc, piecemeal

<sup>8</sup> Eurobarometer Survey, *Parlemeter 2018 Taking Up the Challenge*, commissioned for the European Parliament, October 2018.

responses that eschew hard decisions about further integration or fail to address issues with an eye to ensuring a strong, stable, united, economically vibrant EU in the long term. Differences also have emerged between Germany and France on certain aspects of key issues, including potential eurozone reforms and the future of EU defense policy. A number of analysts suggest that smaller EU members, such as the Netherlands, Sweden, Denmark, and the Baltic countries, are not keen to see a reinvigorated Franco-German engine in the absence of the UK, which often served as a check on more federalist impulses. Meanwhile, as noted above, Italy's current government harbors euroskeptic views and is considered unlikely to champion EU reforms.<sup>9</sup>

Observers contend that the crises over Greece and migration have produced significant divisions, a high degree of acrimony, and a lack of trust among EU member states. Moreover, these crises threatened the core EU principle of solidarity. While horse-trading and protecting national interests have always been part of EU politicking, analysts assert that narrow national agendas are increasingly taking priority over European-wide solutions. Some commentators also have begun to question the commitment of some European leaders and publics to the European integration project in light of demographic and generational changes. For younger Europeans, World War II and even the Cold War are far in the past, and some may not share the same conviction as previous generations about the need for a strong and united EU.<sup>10</sup>

## Simultaneous Challenges

Against this complex political and economic backdrop, the EU is grappling with several major challenges. Many observers contend that the breadth and difficulty of these multiple issues are unprecedented. How the EU responds may have lasting implications not only for the EU itself, but also for its role as an international actor and as a key U.S. strategic and economic partner.

### The UK Decision to Leave the EU<sup>11</sup>

The UK has long been considered one of the most euroskeptic members of the EU, with many British leaders and citizens traditionally cautious of ceding too much sovereignty to Brussels. As a result, the UK chose to remain outside the eurozone and the Schengen free movement area, and it negotiated the right to participate in only selected justice and home affairs policies. Amid the challenges to the EU over the last few years, former UK Prime Minister David Cameron faced growing pressure from hard-line euroskeptics, both within his own Conservative Party and outside of it, to reconsider the UK's relationship with the EU.

In response, the Cameron government announced it would renegotiate the UK's membership conditions with the EU and hold an "in-or-out" public referendum on the UK's continued membership in the EU. In February 2016, Cameron reached a deal with other EU governments on measures that sought to better guard British sovereignty and economic interests in the EU. The Cameron government set June 23, 2016, as the date for the referendum on the UK's continued membership in the EU.

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<sup>9</sup> Steven Erlanger, "Macron Had a Big Plan for Europe. It's Now Falling Apart," *New York Times*, April 19, 2018; Judy Dempsey, "Macron and Merkel Will Struggle to Show Europe a United Front," *CarnegieEurope.eu*, June 18, 2018.

<sup>10</sup> Katya Adler, "EU Solidarity Damaged by Splits on Migrants and Greece," *BBC News*, June 16, 2015; Rem Korteweg, "The Four Horsemen Circling the European Council Summit," *Centre for European Reform*, June 24, 2015; Anne-Marie Slaughter, "Europe's Civil War," *Project-Syndicate.org*, July 21, 2015.

<sup>11</sup> Also see CRS Report RL33105, *The United Kingdom: Background, Brexit, and Relations with the United States*, by Derek E. Mix; and CRS Insight IN11002, *Brexit at a Pivotal Moment*, by Derek E. Mix.

As noted previously, UK voters decided in favor of a British exit from the EU (or “Brexit”) by a relatively narrow margin of 51.9% to 48.1%. Several factors heavily influenced this outcome, including economic dissatisfaction (especially among older and middle- to lower-income voters), fears about globalization and immigration, and anti-elite and antiestablishment sentiments. The “leave” campaign appears to have successfully capitalized on arguments that the UK would be better off if it were free from EU regulations and from the EU principle of free movement, which had led to high levels of immigration to the UK from other EU countries.

The UK government, led by Prime Minister Theresa May, enacted the results of the referendum in March 2017 by invoking Article 50 of the Treaty on European Union—the so-called exit clause, which outlines procedures for a member state to leave the EU. The invocation of Article 50 triggered a two-year period for withdrawal negotiations to be concluded. The UK remains a full member of the EU until the withdrawal process is completed, and EU law continues to apply in the UK until that time.

EU-UK negotiations on the UK’s pending withdrawal, which is widely expected to occur in March 2019, have been contentious. In December 2017, the EU and the UK reached an agreement in principle covering main aspects of three priority withdrawal issues (the Irish border, the rights of UK and EU citizens, and the financial settlement). In March 2018, talks began on the UK’s future relationship with the EU.

The UK government and public remains largely divided on whether it wants a “hard” or “soft” Brexit. As such, and despite the December 2017 accord with the EU, fleshing out many of the details related to the UK’s withdrawal—including on customs arrangements and trade relations—has proved difficult. A key sticking point has been devising a “backstop” for Northern Ireland—a sort of insurance policy to guarantee there will be no “hard” land border (with customs and security checks) between Northern Ireland and Ireland. Although UK and EU officials have repeatedly pledged to avoid a hard border to protect the Northern Ireland peace process, reaching precise agreement on how a backstop would function has not been easy. The protracted negotiations have prompted fears of a “no deal” scenario in which the UK would “crash out” of the EU in March 2019 without settled arrangements in place.

In mid-November 2018, UK and EU negotiators announced they had concluded a draft withdrawal agreement (outlining the terms of the “divorce”) and a draft political declaration (setting out the broad contours of the future UK-EU relationship).<sup>12</sup> The draft withdrawal agreement includes a 21-month transition period in which the UK would no longer be an EU member but would continue to apply EU rules while negotiations continue on the details of the UK’s future political and economic relationship with the EU. The backstop arrangement in the draft withdrawal agreement essentially would keep all of the UK in a customs union with the EU (with areas of deeper regulatory alignment between Northern Ireland and the EU) pending agreement on a more preferable solution in the forthcoming negotiations on the future UK-EU relationship. UK officials maintain that it will never be necessary to implement the backstop.

EU leaders approved the withdrawal agreement and political declaration on November 25, but concerns are growing that Prime Minister May’s government may not have sufficient votes to secure the necessary approval in the UK Parliament. The backstop and other elements of the draft withdrawal agreement face opposition from a diverse group of UK parliamentarians with varying concerns. Some critics argue that the proposed withdrawal agreement ties the UK too closely to

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<sup>12</sup> The texts of the draft UK-EU withdrawal agreement and political declaration, released November 14, 2018, are available at, <https://www.gov.uk/government/publications/progress-on-the-uks-exit-from-and-future-relationship-with-the-european-union>.

the EU and leaves the UK in a “half in, half out” situation where it will be forced to accept many EU rules without having a say in EU decisionmaking. Northern Ireland’s Democratic Unionist Party (DUP)—which lends parliamentary support to May’s minority government—and others worry that the potential backstop could ultimately threaten the constitutional integrity of the United Kingdom. Fears of a “no deal” scenario thus persist.<sup>13</sup>

Some observers view the EU as taking a tough line in Brexit negotiations—refusing to allow the UK to “cherry-pick” the benefits of the EU without assuming the required obligations—in part to discourage other member states and euroskeptic publics from contemplating a break with the EU that would further fracture the bloc. Euroskeptic parties, including in France, the Netherlands, Italy, and Sweden, have been encouraged by the British decision and called for similar referendums on either EU and/or eurozone membership. Although conventional wisdom holds that most EU countries are simply too small to “go it alone,” some EU officials worry that Brexit could undermine the EU if it prompts other countries to demand special membership conditions or additional policy opt-outs. Other experts note that the considerable difficulties the UK is facing in pursuing Brexit have served as a cautionary tale for publics in other EU countries and contributed to increased support for the EU in most other member states.<sup>14</sup>

EU leaders maintain that “the Union of 27 countries will continue,”<sup>15</sup> but the departure of a member state is unprecedented in the EU’s history. Brexit will have political and economic repercussions for both the UK and the EU. The UK is the EU’s second-largest economy and a key diplomatic and military power within the EU. Along with Germany and France, the UK has long been viewed as one of the EU’s “big three” and has served as a key driver of certain EU initiatives, especially EU efforts to forge more common foreign and security policies.

Some experts suggest that given the UK’s foreign policy clout and defense capabilities, Brexit could diminish the EU’s role as an international actor. At the working level, EU officials are aggrieved to be losing British personnel with significant technical expertise and negotiating prowess on issues such as sanctions and dealing with countries like Russia and Iran. Brexit also might dampen prospects for further EU enlargement, in part because the UK had long been one of the staunchest supporters within the EU of continued expansion, including to Turkey.

At the same time, some contend that Brexit could ultimately lead to a more like-minded EU, able to pursue deeper integration without UK opposition. For example, Brexit could strengthen the prospects for closer EU defense cooperation because the UK traditionally served as a brake on certain measures in this area. The UK typically sought to circumscribe EU initiatives (such as establishing an EU military headquarters) that the UK viewed as infringing too much on national sovereignty or on NATO’s role in European security (also see “Possible Future Scenarios for the EU and Next Steps”).

## **Democracy and Rule-of-Law Concerns**

Concerns have grown over the last few years about what many EU officials and observers view as democratic backsliding in some member states, particularly Poland and Hungary. EU leaders and

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<sup>13</sup> James Blitz, “Uncertainty Grows over the Commons Vote,” *Financial Times*, November 9, 2018; Charlie Cooper, “Theresa May Faces Hostility on All Sides as She Fights to Save Brexit Deal,” *Politico Europe*, November 15, 2018.

<sup>14</sup> Bruce Stokes, Richard Wike, and Dorothy Manevich, *Post-Brexit, Europeans More Favorable Toward the EU*, Pew Research Center, June 15, 2017; Eddy Wax, “UK Support for Remain Jumps in EU Survey,” *Politico Europe*, October 17, 2018.

<sup>15</sup> European Council, “Statement by the EU Leaders and the Netherlands Presidency on the Outcome of the UK Referendum,” press release, June 24, 2016.

civil society organizations have criticized both countries for passing laws and adopting policies that appear to conflict with basic EU values and democratic norms.

In Poland, EU concerns center on judicial and media reforms undertaken since 2015 by the ruling conservative-nationalist Law and Justice Party (PiS) that opponents charge increase government control over the courts and public broadcasters. Many observers contend that there has been a similar erosion of checks and balances in Hungary under Prime Minister Viktor Orbán and his conservative-nationalist Fidesz party. Since 2010, Orbán's dominant political position has allowed Fidesz to adopt a new national constitution and to reform state institutions in ways that critics argue have centralized power around the prime minister's office and have entrenched Fidesz as the dominant political party. Many experts also assert that Orbán and Fidesz increasingly are targeting media and civil society groups that oppose their policies.

Both the Polish and the Hungarian governments largely dismiss EU criticisms of democratic backsliding in their countries, and both have defended their respective policies vociferously. In Poland, PiS maintains that judicial reforms were necessary to root out Communist-era judges and improve efficiency and that granting the government power to hire and fire management at public broadcasters has helped to correct political bias. In Hungary, supporters of Orbán and Fidesz argue that constitutional and electoral reforms seek to address government corruption and mismanagement. Government officials also note that public support for PiS in Poland and Fidesz in Hungary remains steady, citing this as an indication of their democratic legitimacy.

Over the past year, however, EU concerns have continued to mount and both Poland and Hungary are now subject to *Article 7 proceedings*—an infringement process outlined in Article 7 of the Treaty on European Union for member states accused of violating EU fundamental rights. Ultimately, Article 7 could lead to a loss of a country's voting rights in the Council of Ministers. The European Commission initiated Article 7 proceedings against Poland in December 2017, and the European Parliament triggered Article 7 against Hungary in September 2018.

EU officials maintain that the goal of the Article 7 proceedings is not to sanction Poland or Hungary but rather to encourage dialogue and revisions to practices that pose concerns. Most EU officials and outside analysts view the prospects of either country actually losing its voting rights as highly unlikely, given that this would require unanimous agreement among all other EU member states and it is expected that Poland and Hungary would each block consensus for such action against the other. News reports suggest that additional countries such as Bulgaria and the Czech Republic also would oppose suspending the voting rights of a fellow member state.<sup>16</sup>

In addition, EU officials have voiced concerns recently about the rule of law and corruption in Romania and Malta. The EU is currently debating its next seven-year budget, and the European Commission has proposed tying the disbursement of EU development and other assistance funds to member states' records in upholding the rule of law. Although some member states support doing so, others—including Poland and Hungary—are opposed.<sup>17</sup>

Some experts worry that EU tensions with Poland and Hungary reflect broader divisions within the EU. Poland and Hungary bristle at what they see as EU interference in their national sovereignty, in part because they believe that member states have ceded too much sovereignty in

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<sup>16</sup> Maia de la Baume, "Brussels Puts Warsaw on Path to Sanctions over Rule of Law," *Politico Europe*, December 20, 2017; Maia de la Baume and Lili Bayer, "After Parliament Slaps Hungary, What Next?," *Politico Europe*, September 13, 2018; Tsvetelia Tsolova, "Bulgaria Pledges Solidarity with Hungary in Rights Standoff with EU," Reuters, September 19, 2018.

<sup>17</sup> Eszter Zalan, "Poland, Hungary Push Back at EU Budget Conditionality," EUObserver.com, May 14, 2018.

certain areas to Brussels. Both Poland and Hungary appear skeptical of further EU integration in some policy fields, such as migration, and charge that they are being unfairly targeted for their different views on the bloc's purpose and future shape. Hungarian officials, including Prime Minister Orbán, also contend that the initiation of Article 7 proceedings is "Brussels' revenge" for Hungary's hard-line migration policies.<sup>18</sup>

Other analysts contend that Poland and Hungary's apparent disregard for core EU values endangers the character of the union and undermines the trust among member states upon which the EU ultimately rests. Some criticize the EU for addressing rule-of-law concerns belatedly, especially with respect to Hungary. Others note that the EU has few options, as there is no mechanism for expelling a country from the EU.<sup>19</sup>

## Migratory Pressures and Societal Integration Challenges<sup>20</sup>

Over the last few years, Europe has experienced significant migrant and refugee flows as people have fled conflict and poverty in Syria, Iraq, Afghanistan, Africa, South Asia, and elsewhere. According to the United Nations, more than 1 million refugees and migrants reached Europe by crossing the Mediterranean Sea in 2015, roughly 363,000 did so in 2016, over 172,000 in 2017, and over 105,000 thus far in 2018.<sup>21</sup> Greece and Italy have been major arrival and transit points, and Spain has seen an uptick in arrivals since 2017. Many refugees and migrants are eager to travel onward to northern EU member states. Germany and Sweden traditionally have been preferred final destinations due to their strong economies and perceptions that they are more likely to grant asylum and provide better welfare benefits.

During the height of the migrant and refugee flows in 2015, various EU initiatives to manage the crisis proved largely unsuccessful. In 2016, the EU began to focus on discouraging people from undertaking the journey as a way to stem the flows and save lives. In March 2016, EU leaders agreed to end the "wave-through approach" that was allowing individuals arriving in Greece (primarily across the Eastern Mediterranean from Turkey) to transit the Western Balkans to seek asylum in other EU countries. At the same time, the EU also announced an agreement with Turkey to curtail the flows to Greece.<sup>22</sup> In 2017, Italy and the EU introduced new measures to help the U.N.-backed Libyan government curb migration across the Central Mediterranean.<sup>23</sup>

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<sup>18</sup> Lili Bayer, "Hungary and Poland to EU: Don't Shut Us Out," *Politico Europe*, April 20, 2018; Keno Verseck, "Hungary's Viktor Orbán Challenges EU Over Article 7 Sanctions," *Deutsche Welle* (dw.com), September 25, 2018.

<sup>19</sup> Heather Grabbe and Stefan Lehne, "Defending EU Values in Poland and Hungary," *CarnegieEurope.eu*, September 4, 2017; Griff Witte and Michael Birnbaum, "In Eastern Europe, the EU Faces a Rebellion More Threatening than Brexit," *Washington Post*, April 5, 2018.

<sup>20</sup> For additional background, see CRS In Focus IF10259, *Europe's Refugee and Migration Flows*, by Kristin Archick and Rhoda Margesson.

<sup>21</sup> U.N. High Commissioner for Refugees, "Mediterranean Situation," at <https://data2.unhcr.org/en/situations/mediterranean>.

<sup>22</sup> The main provisions of the EU's accord with Turkey centered on Turkey taking back all new "irregular migrants" crossing from Turkey to the Greek islands in exchange for EU resettlement of one Syrian refugee from Turkey for every Syrian returned. Among other measures, the EU also pledged to speed up the disbursement of a previously allocated €3 billion in aid to Turkey and to provide an additional €3 billion in assistance for Syrian refugees in Turkey. See European Council, *EU-Turkey Statement*, March 18, 2016, at <https://www.consilium.europa.eu/en/press/press-releases/2016/03/18/eu-turkey-statement/>.

<sup>23</sup> EU efforts to help Libya curtail migration include providing increased training and better equipment for the Libyan coast guard, improving conditions at Libyan reception centers, and enhancing EU cooperation with Libya's neighbors to limit the numbers of migrant and refugee arrivals in Libya. See European Council, *Malta Declaration by the Members of the European Council on the External Aspects of Migration: Addressing the Central Mediterranean Route*,



Since these arrangements with Turkey and Libya went into effect, the number of migrants and refugees reaching Europe has decreased substantially. Nevertheless, the EU deals with both Turkey and Libya have been controversial, as human rights advocates charge they violate international law and the rights of refugees.<sup>24</sup> Meanwhile, Spain has experienced a surge in migrant and refugee arrivals across the Western Mediterranean since mid-2017, and some reports suggest that migrant smugglers are seeking to exploit new transit routes in the Western Balkans.

The EU has faced considerable criticism for lacking coherent, effective migration and asylum policies, which have long been difficult to forge because of national sovereignty concerns and sensitivities about minorities, integration, and identity. Despite the overall reduction in migrants and refugees currently seeking to enter Europe, the influxes continue to have significant political and societal ramifications for the EU. These include the following:

- **Challenges to EU Solidarity.** The migrant and refugee flows have exposed deep divisions within the EU. Frontline states Greece and Italy and key destination countries farther north express dismay at what they view as insufficient EU burden sharing in managing the flows and processing asylum requests. Other EU countries complain that authorities in frontline countries are often lax about registering new arrivals properly, enabling many to leave and seek asylum elsewhere. This is in contravention to the EU’s “Dublin regulation”—the EU rules on asylum processing, which usually deem the first EU country an asylum-seeker enters as responsible for examining that individual’s asylum application, with some exceptions. Governments in Central Europe have been particularly vocal opponents of efforts to redistribute asylum-seekers throughout the EU, fearing that migrants and refugees, many of whom are Muslim, could alter the primarily Christian identities of their countries. Some Central European officials also have objected to accepting migrants and refugees because of their relatively less affluent economic positions within the EU.<sup>25</sup>
- **Threats to the Schengen Area of Free Movement.** The migration and refugee flows have strained the Schengen area—regarded as central to the European integration project. The area largely depends on confidence in the security of the bloc’s external borders. Schengen has been tested not only by the magnitude of the migration flows but also by concerns that some terrorists may have been able to slip into Europe as part of the flows (see “European Security Concerns,” below, for more information). In 2015, several Schengen countries (including Germany, Austria, Denmark, and Sweden) instituted temporary border controls in some areas in response to the migratory pressures. These temporary controls remain in effect, and some experts worry that repeated extensions could make them permanent, at least on a de facto basis. In June 2018, mounting German concerns about ongoing “secondary movements”—or flows of asylum-seekers who already had applied for asylum in another EU country—prompted fears of new border closures in Germany, Austria, Italy, and other Schengen countries.<sup>26</sup>

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February 3, 2017, at <https://www.consilium.europa.eu/en/press/press-releases/2017/02/03/malta-declaration/>.

<sup>24</sup> “Migrant Crisis: EU Leaders Agree Plan to Stop Libya Influx,” BBC News, February 3, 2017; Nikolaj Nielsen, “Libyan Authorities Oppose EU Migrant Plans,” EUObserver.com, February 8, 2017.

<sup>25</sup> Steven Erlanger and James Kanter, “Plan on Migrants Strain the Limits of Europe’s Unity,” *New York Times*, September 22, 2015.

<sup>26</sup> Anthony Faiola and Robert Samuels, “As Human Flood Continues, Germany Slaps Controls on Border with Austria,” *Washington Post*, September 13, 2015; Matthew Karnitschnig, “Kurz: Austria to Impose Brenner Controls If Germany Turns Back Refugees,” *Politico Europe*, June 23, 2018.

- **Renewed Concerns About Integrating Minorities.** The influxes of refugees and migrants have rekindled questions about EU countries' ability to integrate minorities into European culture and society. Such anxieties have become more pronounced amid reports of criminal activity and sexual assaults allegedly committed by some migrants and asylum-seekers and by revelations that many of the recent terrorist attacks in Europe were carried out by extremists of Muslim background born and/or raised in Europe. Some member states in Central and Eastern Europe cited potential terrorism or other security risks in arguing against accepting migrants and refugees into their countries. At the same time, concerns exist about increasing societal tensions and xenophobia in the EU. Germany, Sweden, Italy, and other EU countries have seen an increase in the number of violent incidents against migrants and refugees.<sup>27</sup>
- **Economic Implications.** Debate has arisen over the economic impact of the migrant and refugee flows in the EU. The surge in migrants and refugees in 2015-2016 strained welfare, education, and housing systems in many European countries. Some segments of the public worry that the newcomers could take jobs or reduce wages. In the longer term, some leaders and analysts contend that the influxes of migrants and refugees could be economically beneficial and help offset unfavorable EU demographic developments (such as aging populations and shrinking workforces), thus strengthening fiscal sustainability. Many experts point out, however, that much will depend on how well migrants and refugees are integrated into the labor market in European host countries.<sup>28</sup>

The EU continues to work on developing a more comprehensive migration and asylum policy and on measures to better manage both legal and irregular migration. However, progress has been slow, and many EU national governments face considerable domestic pressure for ever-stricter policies designed largely to curb continued and future migration. A particularly contentious issue centers on revising the Dublin regulation. Proposed reforms to the Dublin regulation include a “fairness mechanism” to relieve some of the burden on frontline states facing heightened asylum pressures during times of increased migratory flows, as well as measures to curb secondary movements that can strain favored destination countries.<sup>29</sup>

Various EU member states oppose different elements of the proposed Dublin regulation revisions, and agreement has proven elusive to date. In the absence of EU consensus, Germany has sought to strike “bilateral or trilateral agreements” among a subset of EU countries to stop secondary movements of asylum-seekers into Germany. The German government has concluded deals on secondary movements with Spain and Greece and is reportedly working on one with Italy. Chancellor Merkel contends that she remains supportive of an EU-wide solution on secondary movements and other asylum issues, but some analysts believe these separate deals could

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<sup>27</sup> Jim Yardley, “Sexual Attacks Widen Divisions in European Migration Crisis,” *New York Times*, January 13, 2016; Ivan Watson and Bryony Jones, “In Sweden, Tensions Temper Pride over Refugee Policy,” CNN.com, February 23, 2017; “Germany Hate Crime: Nearly 10 Attacks a Day on Migrants in 2016,” BBC News, February 26, 2017; Lorenzo Tondo and Angela Giuffrida, “Warning of ‘Dangerous Acceleration’ in Attacks on Immigrants in Italy,” *The Guardian*, August 3, 2018; “Reality Check: Are Migrants Driving Crime in Germany?,” BBC News, September 13, 2018.

<sup>28</sup> European Commission, *European Economic Forecast Autumn 2015*, Institutional Paper #11, November 2015; International Monetary Fund, *The Refugee Surge in Europe: Economic Challenges*, January 2016.

<sup>29</sup> European Commission, “Towards a Sustainable and Fair Common European Asylum System,” press release, May 4, 2016; Giulia Paravicini and David M. Herszenhorn, “Southern Rim Rebels against EU Migration Proposal,” *Politico Europe*, May 5, 2018.

reinforce fractured migration and asylum policies among EU member states and further inhibit agreement on common EU measures.<sup>30</sup>

EU member states are divided on other potential migration policies, and implementation of agreed policies is often difficult. In June 2018, EU leaders announced they would set up “controlled centers” within the EU for housing asylum-seekers, processing asylum claims, and speeding repatriations of rejected asylum-seekers; they also decided to explore developing “regional disembarkation platforms” outside the EU for people saved at sea. However, some analysts note that these plans were vague and efforts to flesh them out have produced additional disagreements. Reportedly, no EU country has offered to host a “controlled center” on its territory, and some member states question whether it is feasible and legal to establish “disembarkation platforms” outside the EU. The latter would require the EU to persuade non-EU countries (primarily in Africa) to host such facilities; press reports indicate that some countries, such as Morocco, Tunisia, and Libya, have ruled out doing so.<sup>31</sup>

EU officials assert that they remain strongly committed to Schengen and have sought to improve EU border controls. Among other measures, in October 2016, a new European Border and Coast Guard became legally operational. It reinforces Frontex (the EU’s border management agency) and seeks to bolster member states’ capacities at the external borders through joint operations and rapid border interventions. European Commission President Juncker has called for strengthening Frontex further by increasing its staff from 1,500 currently to 10,000; news reports suggest, however, that this proposal may be encountering resistance from some member states that worry about a larger agency with potentially new powers encroaching on national sovereignty.<sup>32</sup>

## European Security Concerns

Over the past several years, the EU has struggled with how best to address significant changes in Europe’s security environment. The most prominent concerns relate to the ongoing conflict in Ukraine, a more militarily assertive Russia, and terrorist activity in Europe linked to the Islamic State organization. Such issues have challenged the EU’s ability to forge common foreign and security policies (often complicated by the need to reach consensus among all member states) and to advance integration in the area of Justice and Home Affairs. The heightened terrorism threat also poses risks to the Schengen area of free movement.

### Managing a Resurgent Russia

Like the United States, the EU has been forced to reconsider its relationship with a more assertive Russia and the implications for European security and stability. The EU has sought to support Ukraine’s political transition, condemned Russia’s annexation of Crimea in March 2014, and strongly urged Russia to stop backing separatist forces in eastern Ukraine. The EU has worked both to engage Russian President Vladimir Putin in promoting a political solution to the conflict in Ukraine and to impose a series of sanctions on Russia (including those targeting the financial, energy, and defense sectors of the Russian economy). Crafting common EU policies has been

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<sup>30</sup> “Chancellor Angela Merkel Advocates Bilateral, Trilateral Deals over Migrants to EU,” *Deutsche Welle* (dw.com), June 24, 2018.

<sup>31</sup> Jennifer Rankin, “EU Leaders Hail Summit Victory on Migration but Details Scant,” *The Guardian*, June 29, 2018; “EU Ministers Meet in Innsbruck as Migration Tension Continues,” *Agence France Presse*, July 12, 2018; “Migrant Crisis: Libya Opposes EU Plan for Centres, Says Minister,” *BBC News*, October 19, 2018.

<sup>32</sup> David M. Herszenhorn and Jacopo Barigazzi, “EU Push to Clean Up Migration Mess Only Makes it Messier,” *Politico Europe*, September 19, 2018.

arduous, however, given the different national histories and economic relations with Russia among the EU's various member states.

The EU has tied lifting its Ukraine-related sanctions on Russia to the full implementation of the Minsk peace agreements for Ukraine, and the EU appears committed to maintaining sanctions. At the same time, questions persist in some EU countries about the sanctions' effectiveness, especially amid concerns that they could be hindering EU relations with Russia on other global priorities and harming European business interests. The EU sanctions (and Russian countersanctions) have come with financial costs for certain industries in some EU member states, including Germany, Finland, and the Baltic states.<sup>33</sup> Some European officials have periodically floated ideas about restructuring EU sanctions. Other EU members—including the UK, Poland, and the Baltic states—firmly reject suggestions to relax or recalibrate EU sanctions and have urged the Trump Administration to uphold U.S. sanctions.<sup>34</sup>

Beyond Ukraine, the EU and many member states are concerned about a range of other Russian activities, including Russian disinformation efforts and potential election interference in Europe, Russian actions in Syria, cyber threats, and alleged human rights abuses. EU leaders condemned the March 2018 nerve agent attack that Russia allegedly carried out in the United Kingdom against former Russian intelligence officer Sergei Skripal and his daughter. In October 2018, the EU approved a new legal framework that will allow it to impose sanctions on persons and entities involved in the development and use of chemical weapons. Although this measure is not aimed at Russia specifically, observers largely view the Skripal attack as providing political impetus. The EU has not yet named individuals or entities subject to these new sanctions, but many analysts expect that the two Russian intelligence officers suspected of carrying out the Skripal attack will be among those ultimately designated.<sup>35</sup>

At the same time, fundamental differences exist among EU countries about how best to manage Russia in the longer term. Some still hope that Russia can be a partner for the EU, maintaining that Russia is too big to isolate or ignore and that, ultimately, Europe's stability and security depend on forging good relations with Moscow. Many EU countries have extensive commercial ties with Russia (including Germany and Italy) and rely on Russia to help meet their oil and gas needs. Some European policymakers also argue that Russian cooperation is essential to solving key international challenges, including the ongoing conflict in Syria.

Other EU countries are more inclined to view Russia as a potential threat and appear to favor a harder stance toward Russia. Many EU governments have been alarmed by the uptick in Russian military exercises and incursions by Russian fighter jets into the airspace of countries such as Sweden and Denmark. Some European leaders and EU officials—including several dozen Members of the European Parliament—advocate for an “EU Magnitsky Act” to impose sanctions on Russians complicit in human rights abuses, money-laundering activities, and other “anti-democratic” activities (similar to U.S. legislation named for Russian lawyer Sergei Magnitsky, who died in police custody in Russia in 2009). The UK and the Netherlands also reportedly are

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<sup>33</sup> Sarantis Michalopoulos, “Baltic Farmers: Russian Embargo Creates Need for New Export Market,” EurActiv.com, July 11, 2016; Rick Noack, “U.S. Sanctions Against Russia Are Also Hurting Germany – A Lot,” *Washington Post*, December 14, 2017.

<sup>34</sup> For more information on EU sanctions on Russia, see “U.S. and EU Coordination on Sanctions,” in CRS Report R45415, *U.S. Sanctions on Russia*, coordinated by Cory Welt.

<sup>35</sup> Council of the EU, “Chemical Weapons: The Council Adopts a New Sanctions Regime,” press release, October 15, 2018.

pressing for new EU sanctions against people and organizations that carry out cyberattacks, which could be used against Russian individuals and groups.<sup>36</sup>

EU countries with histories of Soviet domination are particularly wary of Russia and President Putin's intentions. Poland and most Central European members, for example, strongly oppose a proposed Russian gas pipeline project—the so-called Nord Stream 2, which would increase the amount of Russian gas delivered to Germany and other parts of Europe via the Baltic Sea. EU members opposed to Nord Stream 2 contend it would undercut Ukraine (the pipeline would bypass the country and thereby deny Ukraine transit fees), increase rather than decrease European reliance on Russian gas, and do little to improve European energy security. Supporters of Nord Stream 2 include Germany, Austria, and France; these countries primarily view Nord Stream 2 as a commercial project and argue that it would help increase the supply of gas to Europe.<sup>37</sup>

Some experts in Europe and the United States contend that Brexit may be a “win” for Putin's Russia, potentially leading to a more accommodating EU approach. Although the UK has been a staunch supporter of EU sanctions on Russia and vocal in its concerns about Russia's more assertive military posture, it is not the only EU member state to hold such views. Thus, arguments suggesting that without the UK, the EU would automatically seek to recalibrate its policies toward Moscow may be overblown. However, Brexit could further complicate efforts to forge and maintain any common EU stance toward Russia given the diplomatic and military capabilities the UK brings to the EU table and its frequent leadership role in building EU consensus on major foreign policy and security issues. Observers also note that Brexit and other divisions within the EU, especially if they weaken the EU as an institution, could provide an assist to Putin's broader goal of challenging the Western-oriented, post-Cold War order in Europe.

### Countering Terrorism<sup>38</sup>

European governments and the EU are alarmed by the Islamic State terrorist organization's connections to and influence in Europe. Many recent terrorist incidents in Europe—including the November 2015 attacks in Paris and the March 2016 bombings in Brussels—were carried out by European citizens who had trained and/or fought with the Islamic State in Syria or Iraq. Experts believe that the Islamic State may have steered the Paris and Brussels attacks from Syria. The May 2017 suicide bombing at a music concert in the UK—carried out by a young British citizen of Libyan descent—raised concerns that the Islamic State also could be seeking to direct attacks from Libya, given the group's presence and activities there.<sup>39</sup>

#### EU Foreign Fighters

An estimated 5,000-6,000 EU citizens have traveled to Syria and Iraq to become “foreign fighters” for the Islamic State and other groups since 2011 (with the height of the flows occurring in 2014-2015). Key countries of origin include Belgium, France, Germany, and the United Kingdom, and to a somewhat lesser extent Austria, Denmark, the Netherlands, and Sweden. Studies suggest that approximately 25%-30% of European fighters have returned home.

**Sources:** *International Centre for Counter-Terrorism (ICCT), The Soufan Group.*

<sup>36</sup> Rikard Jozwiak, “MEPs Urge EU Magnitsky Act to Tackle Kremlin's ‘Antidemocratic’ Activities,” RFE/RL, April 26, 2018; Natalia Drozdiak and Nikos Chrysoloras, “UK, Netherlands Lead EU Push for New Cyber Sanctions,” Bloomberg.com, October 11, 2018.

<sup>37</sup> Also see CRS In Focus, *Nord Stream 2: A Geopolitical Lightning Rod*, by Paul Belkin, Michael Ratner, and Cory Welt.

<sup>38</sup> Also see CRS In Focus IF10561, *Terrorism in Europe*, by Kristin Archick, and CRS Report RS22030, *U.S.-EU Cooperation Against Terrorism*, by Kristin Archick.

<sup>39</sup> Rukmini Callimachi and Eric Schmitt, “Manchester Bomber Met with ISIS Unit in Libya” *New York Times*, June 3, 2017.

The Islamic State's ability to attract European followers and its use of social media and violent extremist propaganda to inspire "lone wolf" attacks also trouble European authorities. Following several incidents in 2016 and 2017 in which cars or trucks were used as weapons—in France, Germany, the United Kingdom, Sweden, and Spain—the Islamic State claimed that those responsible were its "soldiers." However, evidence suggesting a direct connection with the Islamic State varies and is absent in some cases. Analysts note that the Islamic State has heightened calls for its followers to attack in Europe amid territorial losses in Syria and Iraq and as travel to these conflict zones has become more difficult. The uptick in terrorist activity has reinforced long-standing anxieties about the integration of Muslims in Europe and the potential for radicalization among some segments of Europe's Muslim populations.

Although EU leaders warn against equating refugees with terrorists, they acknowledge that terrorists could make use of migration routes to gain entrance into Europe. Two of the November 2015 Paris assailants may have entered Europe through Greece several weeks before the attacks by posing as refugees with fake Syrian passports. Press reports suggest that a Swedish national charged in both the Paris and Brussels attacks may have traveled back to Europe from Syria as part of the refugee flows.<sup>40</sup> In addition, several lone wolf incidents over the last three years perpetrated by asylum-seekers or refugees in Germany, Sweden, and Finland have elevated fears that some refugees or immigrants (especially youths) could be particularly vulnerable to radicalization due to trauma and feelings of dislocation and marginalization.

European governments have employed a range of tools to combat Islamist terrorism and foreign fighters, including increasing surveillance and prohibiting travel, and have thwarted a number of plots. The EU also has sought to play a leading role given the cross-border nature of the threat and the weaknesses in European intelligence sharing and border controls exposed by many of the recent terrorist incidents. Efforts to improve EU-wide counterterrorism capacities include enhancing information-sharing among national and EU authorities; strengthening the Schengen area's external border controls; bolstering counter-radicalization measures (including online and in prisons); and augmenting efforts to curb terrorist financing.

Nevertheless, agreeing upon and implementing common EU policies to combat terrorism has proved challenging. This is largely because such initiatives often relate to police, judicial, and intelligence prerogatives viewed as central to a state's sovereignty. The imperative to balance promoting security with protecting human rights and civil liberties also has complicated the formulation of certain EU-wide policies. For example, data privacy and protection concerns slowed progress for years on a proposal for an EU-wide system to collect airline Passenger Name Record data (the proposal was formally adopted in April 2016).

Some analysts suggest that the EU's collective response to the broader crisis in Syria and Iraq and its ability to counter the Islamic State in the region has been constrained by differing views among its national governments, especially regarding the use of force. While some EU countries have participated militarily in the U.S.-led air campaign against the Islamic State, for example, others have not. Following the November 2015 attacks in Paris, the EU invoked its "mutual defense clause" (Article 42.7 of the 2009 Lisbon Treaty) at France's request, obligating other member states to provide France with unspecified "aid and assistance." Invoking this clause, however, was viewed largely as an act of political solidarity, and EU officials asserted that it did not imply the establishment of an EU security mission.<sup>41</sup>

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<sup>40</sup> "Paris and Brussels: The Links Between the Attackers," *The Guardian*, April 20, 2016; "Idle Swede Charged with Brussels Terrorist Murders," *The Local* (Sweden), at <http://www.thelocal.se>, April 10, 2016.

<sup>41</sup> Christian Mölling, "France Makes the Case for European Defense – à la Française," German Marshall Fund of the United States, November 18, 2015.

## Possible Future Scenarios for the EU and Next Steps

In light of the internal and external challenges facing the EU, the future shape and character of the bloc are being questioned. Considerable debate exists on whether more or less EU integration is necessary going forward. Although most experts consider a complete dissolution of the EU unlikely, advocates worry that for the first time in the EU's history, some aspects of integration could be stopped or reversed. Others contend that the multiple crises currently facing the EU could produce some beneficial reforms and ultimately transform the bloc into a more effective and cohesive entity.

Possible scenarios for the EU in the years ahead include the following:

- **Muddling Through.** The EU would largely continue to function as it currently does, without any significant treaty changes or decisionmaking reforms, and find some degree of common solutions to crises such as those posed by migration or terrorism. The EU would continue to pursue integration and common policies where possible, although doing so could be increasingly difficult.
- **Establishing a Two-Speed or Multispeed EU.** The EU would become a two-speed entity, consisting of a strongly integrated group of “core” countries and a group of “periphery” countries more free to select those EU policies in which they wish to participate. A multispeed variant could see further integration pursued by some member states in selected fields, such as European defense or eurozone governance, and other EU members could choose to opt out. Some European policymakers and analysts suggest that such a multispeed EU already exists in practice, with varying membership on a range of EU initiatives—including the eurozone, Schengen, justice and home affairs issues, and defense policy—and thus it is unclear how formalizing a multispeed EU would differ from existing practice.
- **A Looser, More Intergovernmental Configuration.** Further EU integration essentially would be put on hold, and possibly reversed in some areas, with sovereignty on certain issues reclaimed by national capitals. This outcome may be most likely should reform-minded euroskeptic parties come to power in more EU countries. A looser structure may make it easier for the EU to expand to include Turkey, the remaining aspirants in the Western Balkans, and other countries such as Georgia and Ukraine.
- **A Tighter, More Integrated Configuration.** The EU would emerge from its current challenges more united and integrated. Some suggest such an outcome could actually be more likely as a result of Brexit, resulting in an EU of member states more aligned on the need for further political and economic integration. This configuration likely would not encourage further EU enlargement.

Following the UK's Brexit referendum in June 2016, EU leaders acknowledged that it could no longer be “business as usual” and announced that the other 27 member states would launch a “political reflection” to consider the EU's future.<sup>42</sup> In September 2016, the EU-27 leaders held an initial discussion in Slovakia. The resulting Bratislava Declaration asserted that “although one

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<sup>42</sup> European Council, *Informal Meeting at 27*, June 29, 2016, at <https://www.consilium.europa.eu/en/press/press-releases/2016/06/29/27ms-informal-meeting-statement/>.

country has decided to leave, the EU remains indispensable for the rest of us.”<sup>43</sup> Despite the attempt to demonstrate unity in Bratislava, some EU officials and experts reportedly were disappointed that measures proposed were not bold enough, did not offer a future strategic vision for the EU, and mostly focused on implementing tactical responses to the various crises or recommitting support to existing initiatives.<sup>44</sup>

The EU concluded its reflection process in March 2017 during its commemoration of the 60<sup>th</sup> anniversary of the Treaties of Rome. In the 60<sup>th</sup>-anniversary Rome Declaration, the leaders of the EU-27 renewed their commitment to the European integration project, acknowledged the challenges facing the EU, and pledged to “make the European Union stronger and more resilient, through even greater unity and solidarity amongst us.”<sup>45</sup> Ahead of the 60<sup>th</sup> anniversary meeting, press reports indicated that some EU governments were in favor of developing a multispeed EU. A reported German-led effort to commit to a multispeed EU in the Rome Declaration, however, ultimately was unsuccessful. Poland and other member states were concerned that making the multispeed concept central to the EU’s identity would be divisive, undermine EU solidarity, and potentially lead to different classes of EU membership (essentially, one for richer, more prosperous EU countries in the west and another for relatively poorer EU members in the east).<sup>46</sup>

Regardless of a formal decision to move toward a multispeed EU, the EU appears to be pursuing greater integration in certain areas, with varying degrees of success. Over the past two years, EU leaders have announced several new initiatives to bolster security and defense cooperation, including a new European Defense Fund to support joint defense research and development activities. In late 2017, 25 EU member states agreed on a new defense pact (known officially as Permanent Structured Cooperation, or PESCO) aimed at spending defense funds more efficiently, developing military capabilities jointly, and increasing interoperability.

French and German leaders also continue to discuss measures to bolster the eurozone’s stability and improve its economic governance. In June 2018, French President Macron and German Chancellor Merkel announced a proposed road map for eurozone reforms. Other eurozone members, however, subsequently voiced significant reservations about some aspects of the German-French plan. A potential common eurozone budget remains particularly controversial.<sup>47</sup> Many analysts note that such policy debates are common in the EU and to be expected, but suggest that implementing any significant EU reforms or restructuring likely will be a years-long endeavor subject to continuous debate and prolonged negotiations.

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<sup>43</sup> European Council, *Bratislava Declaration and Roadmap*, September 16, 2016, at <https://www.consilium.europa.eu/en/press/press-releases/2016/09/16/bratislava-declaration-and-roadmap/>.

<sup>44</sup> David M. Herszenhorn and Tara Palmeri, “EU Leaders Promise New Push to Overcome Crisis,” *Politico Europe*, September 16, 2016.

<sup>45</sup> European Council, *The Rome Declaration*, March 25, 2017, <https://www.consilium.europa.eu/en/press/press-releases/2017/03/25/rome-declaration>.

<sup>46</sup> Maia de la Baume, “Multispeed Europe: The EU’s Loch Ness Monster,” *Politico Europe*, March 10, 2017; Matthew Karnitschnig, “With Plenty of Pomp, Europe’s Leaders Renew Vows,” *Politico Europe*, March 24, 2017.

<sup>47</sup> Pierre Briancon, “Three Fudges and a Funeral for Eurozone Reform,” *Politico Europe*, June 21, 2018; Anne-Sylvaine Chassany and Guy Chazan, “Eurozone Reform: Solving the Franco-Germany Puzzle,” *Financial Times*, June 28, 2018; David M. Herszenhorn, Jacopo Barigazzi, Lili Bayer, and Pierre Briancon, “4 Takeaways from Mother of All EU Summits,” *Politico Europe*, June 29, 2018; Bjarke Smith-Meyer, “Italian Budget Standoff Gets in Way of Eurozone Reform,” *Politico Europe*, November 16, 2018.



## Issues for the United States

### U.S. Policy Considerations

The United States has resolutely supported the European integration project since its inception in the 1950s as a way to help keep European nationalism in check, promote political reconciliation and economic interdependence, and encourage stability and security on the European continent. Successive Administrations and many Members of Congress have long viewed the EU (and its predecessors) as fostering democratic allies and strong trading partners in Europe. During the Cold War, U.S. policymakers considered the European integration project—and the peace and prosperity it helped to engender in Western Europe—as essential to helping deter the Soviet threat and keeping Western Europe out of the Soviet orbit.

Since the end of the Cold War, the United States has often looked to the EU for partnership on common foreign and security concerns worldwide. Many analysts assert that the United States and the EU have a strong track record of cooperation. The United States and the EU have promoted peace and stability in various regions and countries (including the Balkans, Ukraine, and Afghanistan), enhanced law enforcement cooperation, worked together to counter terrorism, and sought to tackle cross-border challenges such as cybersecurity. The United States and the EU also share an extensive and interdependent trade and investment relationship. The EU accounts for about one-fifth of U.S. total trade in goods and services, and the United States and the EU are each other's largest source and destination for foreign direct investment.<sup>48</sup>

Despite some periodic disagreements on issues such as the 2003 U.S.-led war in Iraq and a number of U.S.-EU trade disputes, U.S. officials and analysts mostly have regarded the U.S.-EU partnership as serving their respective political and economic interests. Over the years, some U.S. officials and analysts occasionally have suggested that a potentially stronger, more united EU could rival U.S. power and prestige. Such views, however, traditionally have not shaped broad U.S. policy toward the EU in any significant way.

Some U.S. policymakers, analysts, and Members of Congress have expressed concern that the various challenges currently facing the EU could have negative implications for the EU's ability to be a robust, effective U.S. partner. Those of this view worry that internal preoccupations could prevent the EU from focusing on key U.S. priorities, such as Russian aggression in Ukraine, the conflicts in Syria and Iraq, and countering terrorism. Some observers also have suggested that a politically unstable and economically fragile EU could take U.S. attention and resources away from managing strategic challenges elsewhere, including the rise of China and continued instability in the Middle East.

A number of analysts posit that Brexit in particular could change U.S.-EU dynamics in the years ahead. The United States has long valued the UK's role in the EU in light of the UK's political and economic clout, its Atlanticist orientation, and the fact that U.S. and UK views traditionally align on most major foreign policy issues. Some observers suggest the United States is losing its best advocate within the EU for policies that bolster U.S. goals and protect U.S. interests. Those of this view are concerned that in the longer term, the UK's absence could lead to greater U.S.-EU divergence on issues such as managing Russia or the centrality of NATO to European security. Others contend that the United States has close bilateral ties with most EU countries and

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<sup>48</sup> For more information, see CRS In Focus IF10930, *U.S.-EU Trade and Investment Ties: Magnitude and Scope*, by Shayerah Ilias Akhtar.

shares common political and economic preferences with many of them. Those of this view argue that the U.S.-EU partnership is broader than U.S. relations with any one member state and thus the UK's departure will not significantly alter U.S.-EU relations.<sup>49</sup>

## **Does the United States Pose a Challenge for the EU?**

Since the earliest days of the European integration project, European leaders have valued U.S. support and recognized the U.S. role in helping to ensure European security and prosperity. EU and European officials widely view NATO and the U.S. security guarantee as central to maintaining peace and stability on the European continent. Many consider U.S.-EU trade and investment ties, by virtue of their size and interdependence, as crucial to European economic well-being. Furthermore, as asserted in a September 2018 European Parliament resolution, many EU policymakers regard a cooperative U.S.-EU partnership as “the fundamental guarantor for global stability” and as being in “the interest of both parties and of the world.”<sup>50</sup>

U.S.-EU relations traditionally have been undergirded by shared common values and a commitment to the post-World War II international order based on alliances and a rules-based, multilateral trading system. Given the long-standing U.S. backing for and partnership with the EU, President Trump's largely critical views of the EU have surprised many Europeans and raised concerns about what these views may portend for future U.S.-EU relations. European Council President Donald Tusk conveyed the anxiety of many in the EU when he stated in January 2017 that “the new administration [is] seeming to put into question the last 70 years of American foreign policy” and remarked that potential changes in the U.S. posture toward Europe could pose further challenges to EU cohesion, stability, and security.<sup>51</sup>

On the economic front, the EU is deeply concerned about what it regards as protectionist U.S. trade policies—including the imposition of tariffs on imports of steel and aluminum from the EU—and President Trump's apparent view of EU trade practices as being detrimental to the United States. In mid-July 2018, President Trump reportedly asserted that the EU was a U.S. “foe” for “what they do to us in trade,” although he also noted, “that doesn't mean they are bad ... it means that they are competitive.”<sup>52</sup> Some European analysts speculate that contrary to past U.S. views, the Trump Administration might be indifferent to the collapse of the EU if this were to allow the United States to negotiate better bilateral trade deals with individual member states.<sup>53</sup> President Trump has been vocal in his support for the UK's decision to leave the EU and for a future U.S.-UK free trade agreement following Brexit.

Many in the EU greeted the July 25, 2018, accord between President Trump and European Commission President Juncker on renewing U.S.-EU economic cooperation as a positive first step toward de-escalating tensions on trade and tariff issues. EU officials hope that U.S.-EU discussions will lead to an end to U.S. tariffs on steel and aluminum products and prevent

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<sup>49</sup> David E. Sanger, “With Brexit, Washington's Direct Line to the Continent Suddenly Frays,” *New York Times*, June 26, 2016; Benjamin Oreskes, “Germany: America's Real Special Relationship,” *Politico Europe*, June 30, 2016.

<sup>50</sup> European Parliament, *Resolution on the State of EU-US Relations*, P8\_TA(2018)0342, September 12, 2018, adopted by 490 votes to 148, with 51 abstentions.

<sup>51</sup> European Council, “United We Stand, Divided We Fall: Letter by President Donald Tusk to the 27 EU Heads of State or Government on the Future of the EU Before the Malta Summit,” press release, January 31, 2017.

<sup>52</sup> As quoted in, “I Think the European Union Is a Foe, Trump Says Ahead of Putin Meeting in Helsinki,” CBSNews.com, July 15, 2018.

<sup>53</sup> Steven Erlanger, “For Europe, There's a New Threat in Town: The U.S.,” *New York Times*, February 2, 2017.

potential new U.S. tariffs on autos and auto parts. Administration officials and supporters credit President Trump's approach with compelling the EU to address U.S. trade concerns.<sup>54</sup>

Nevertheless, some EU policymakers and experts remain skeptical about the prospects for resolving trade differences with President Trump. U.S.-EU differences have surfaced about the extent and scope of the proposed new trade talks, especially related to whether agricultural products should be part of upcoming trade discussions. Meanwhile, U.S. officials have expressed frustration with what they perceive to be slow progress on the EU side.<sup>55</sup>

U.S.-EU divisions have emerged on a growing number of other issues, as well. Many EU officials are uneasy with elements of the Trump Administration's "America First" foreign policy and with U.S. positions on a range of international challenges—including relations with Russia and China, the nuclear deal with Iran, the Middle East peace process, migration, and climate change. Some in the EU have bristled at concerns voiced by several Administration officials that EU defense efforts must not distract European countries from their NATO commitments. EU policymakers also express concerns about what they regard as the Trump Administration's ambivalence toward multilateral organizations such as the United Nations and the World Trade Organization. Many in the EU are anxious about the degree to which the United States will continue to play a leading role in supporting the multilateral trading system.

Various EU officials and European analysts increasingly question whether the United States will remain a credible and reliable partner in the years ahead. The aforementioned European Parliament resolution, for example, expresses concern that "the current one-sided 'America first' policy harms the interests of both the EU and the US, undermines mutual trust and may also have wider implications for global stability and prosperity."<sup>56</sup> Some Europeans worry that there is a risk of U.S. global disengagement and argue that the EU must be better prepared to address both regional and international challenges on its own.

Many observers view EU efforts over the last few years to conclude trade agreements with other countries and regions (including Canada, Japan, and Latin America) and to enhance defense cooperation and as aimed, in part, at reducing European dependence on the United States. Some analysts suggest that recent calls by French President Macron for a "European army" seek to underscore the need to boost European military capabilities in the face of growing uncertainty about the future U.S. role in the world. German Chancellor Merkel subsequently supported Macron's position on developing a European army, although she noted that it should seek to complement not compete with NATO.<sup>57</sup>

Others maintain that despite U.S.-EU tensions on certain policy issues, the EU will seek to work with the Trump Administration on common interests—such as countering terrorism and promoting cybersecurity—and will aim to preserve political, security, and economic relations with the United States for the long term. Some observers point to European Commission

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<sup>54</sup> Vicki Needham, "Ross Credits Trump's Tough Trade Policy for Bringing the EU to the Table," *TheHill.com*, July 26, 2018.

<sup>55</sup> Quentin Aries and James McAuley, "Europeans Are Skeptical of Trade Truce with Trump," *Washington Post*, July 26, 2018; Jakob Hanke, Christian Oliver, and Megan Cassella, "Juncker and Trump's Transatlantic Truce Falter," *Politico Europe*, October 17, 2018.

<sup>56</sup> See footnote 50.

<sup>57</sup> Michael Birnbaum, "Europeans Approve Defense Pact in Bid to Reduce Dependence on U.S.," *Washington Post*, November 13, 2017; Philip Blenkinsop and Noah Barkin, "America Last? EU Says Trump Is Losing on Trade," *Reuters*, January 15, 2018; Maia de la Baume and David M. Herszenhorn, "Merkel Joins Macron in Calling for EU Army to Complement NATO," *Politico Europe*, November 14, 2018.

President Juncker's efforts to reduce trade tensions with President Trump as a clear indication that the EU remains committed to ensuring close U.S.-EU relations for the foreseeable future. EU foreign policy chief Federica Mogherini has asserted, "I have no doubt that the European Union and the United States are and will remain natural partners, natural friends, in spite of disagreements we may have with the U.S. Administration."<sup>58</sup>

Many U.S. officials and analysts also contend that EU fears of a demise in relations are largely overblown, especially in light of recent statements of support for the EU from President Trump and other Administration officials. Following his July 2018 meeting with European Commission President Juncker, President Trump tweeted that the United States and the EU "love each other," and he appeared to give a more upbeat assessment of U.S.-EU economic relations.<sup>59</sup> In September 2018, new U.S. Ambassador to the EU Gordon Sondland observed that there have always been disagreements between the United States and the EU and that "one of the key strengths of the U.S.-EU relationship is our ability to talk candidly and freely about our differences. That is not an advantage we enjoy with all our partners, and we should not lose sight of its importance." Sondland further noted that on a multitude of strategic and economic concerns, the United States and the EU "work best when we work in tandem," and he pledged continued support for close U.S.-EU cooperation.<sup>60</sup>

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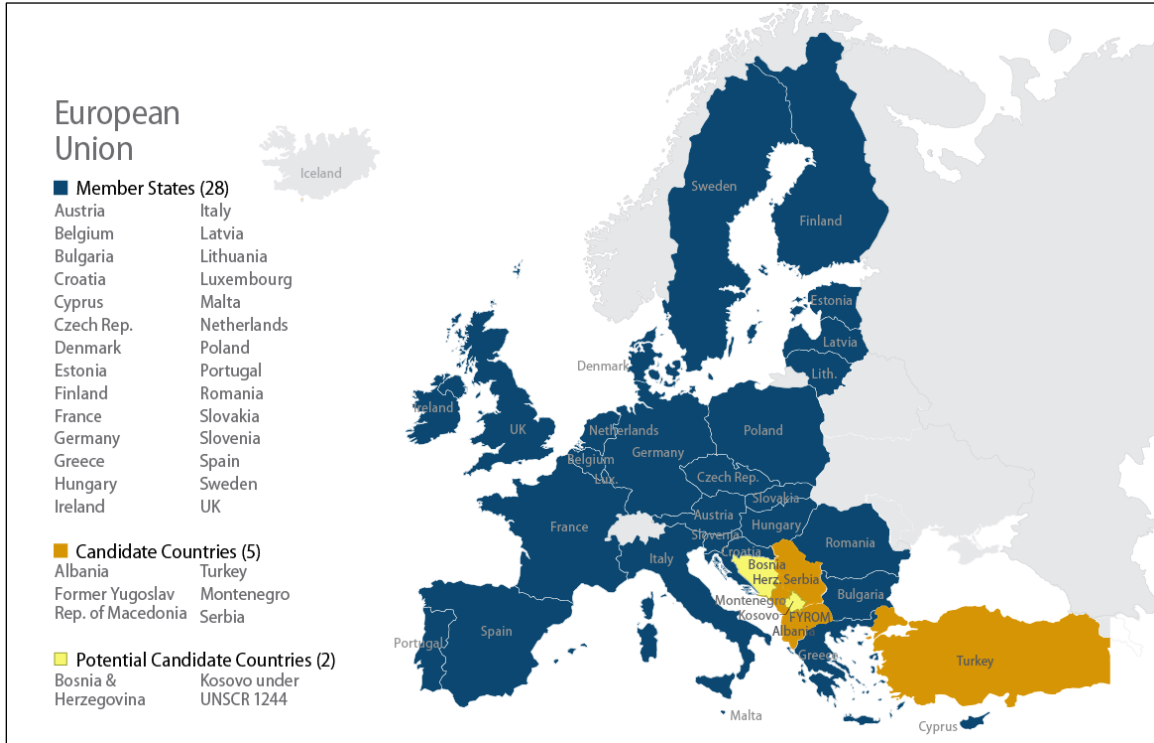
<sup>58</sup> Delegation of the European Union to the United States, "Speech by High Representative/Vice-President Federica Mogherini at the Plenary Session of the European Parliament on EU-US Relations," press release, September 11, 2018.

<sup>59</sup> As quoted in, Zoya Sheftalovich, "Sealed with a Juncker Kiss, Trump Says EU and US Love Each Other," *Politico Europe*, July 26, 2018.

<sup>60</sup> Gordon Sondland, "The Power and Potential of the US-EU Relationship," *Politico Europe*, September 7, 2018.

# Appendix. Map of the EU and Candidate Countries

Figure A-1. European Union (EU) Member States and Aspirant Countries



**Source:** Delegation of the European Union to the United States, “On the Path to EU Membership: The EU Enlargement Process,” *EU Insight*, December 2010. Adapted and updated by CRS.

**Notes:** Despite the June 2016 public referendum in the United Kingdom in which voters favored leaving the EU, the United Kingdom remains a full member of the bloc until it officially exits the EU, expected in March 2019.

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

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