Chapter 1
The Political Institutions of the European Union

[1.05] Introduction

The European Union (EU) is an economic trading bloc comprising 27 nations. The Member States are (in order of accession): Belgium, the Netherlands, Luxembourg, France, Germany, Italy, the United Kingdom, Ireland, Denmark, Greece, Spain, Portugal, Austria, Finland, Sweden, Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia, Slovak Republic, Bulgaria and Romania. Given its membership, the EU is one of the world’s most important trading entities.

European Union Law is of considerable interest to international trade lawyers and businesspeople in non-member States such as the United States, Australia, Canada, New Zealand and South Africa. First, the EU is a major trading and investment partner. Secondly, the EU is one of the great powers in the world’s economic affairs. Thirdly, the future regional development of other regions of the world will at some stage need a reference point. The EU is a viable model of regional economic integration.

It is a fallacy to assume that lawyers and businesspeople who have not been trained in EU law would be able to deal efficiently with the avalanche of complex legal acts adopted by the European Union. While it is practically impossible to keep up with all of the legislation and case law issued by EU legislators and the European Court of Justice, an understanding of the EU legal system as a whole substantially facilitates the work of lawyers and businesspeople involved in trade with the European Union. This book thus gives an account of the most important areas of European Union business law. It has been written from the viewpoint of legal practitioners, businesspeople and law students from non-member States.

[1.10] Outline of This Chapter

This chapter discusses the development of the EU, the trading relationship between the EU and a number of common law nations, the EU’s
political institutions and the legal acts which they may adopt. In subsequent chapters, specific trade-related topics will be discussed in order to provide a comprehensive overview of the EU’s legal system so far as it is relevant to the development of trading opportunities.

[1.15] Basic Policies of the European Union


The founding Treaties detail the specific economic policies by which the EU pursues its aims. The EU is described as “a highly competitive social market economy, aiming at full employment and social progress” (Art 3(3) TEU). The Treaties require that Member States operate in conformity with the principle of “an open market economy with free competition” (Art 120 TFEU).

The EU constitutes an internal market (Art 3(3) TEU). The internal market comprises “an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured” (Art 26(2) TFEU). The EU is empowered to adopt measures which have as their object the establishment and functioning of the internal market (Art 26(1) TFEU). See generally, Rodolphe Munoz, “The Development of the Ex-ante Control Mechanism Regarding Implementation of the Internal Market” in Takis Tridimas and Paolisa Nebbia (eds), European Union Law for the Twenty-First Century (Oxford: Hart, 2004), II: 103; Niamh Nic Shuibhne (ed), Regulating the Internal Market (Cheltenham, UK: Edward Elgar, 2006).

The TFEU requires the implementation of four fundamental freedoms, namely abolition as between the Member States of obstacles to the freedom of movement of goods, persons, services and capital (Arts 21(1), 28, 45, 56, 63 TFEU). The freedom of EU nationals to establish a business in another Member State is also guaranteed (Art 49 TFEU).

Some characteristics of the single market should be noted. There are no border controls concerning goods at the internal frontiers between EU Member States. There are also no controls on persons at these internal frontiers (Arts 67(2), 77(1) TFEU). There is mutual recognition of the various national laws regarding goods, so that a good that may be sold under the law of one Member State may be sold in the other Member States. The EU seeks to harmonise indirect taxation between the Member States so far as is required for the operation of the internal market (Art 113 TFEU).