Explain each of the following challenges currently facing European Union member states:

• Social challenges • Economic challenges.

The European Union (EU) is a political, economic and social union of currently 28 member states located primarily on mainland Europe. It has an area of just 4.5 million square kilometres and an estimated population of over 500 million people. The EU currently faces many social challenges due to the uncontrolled migration of people. In 2015 alone, there was more than 1,8 million illegal immigrants coming to the EU, with 980,000 seeking asylum. This was/is mainly due to the ongoing conflicts in countries in the Middle east. While many of them have been successfully integrated into countries, notably Germany, with 186,644 asylum seekers in 2017 and 280,000 in 2016. The high influx of immigrants have put a strain on the EU's resources. The EU provides one billion euro worth of humanitarian aid to refugees a year, but the situation is continuing and there is now difficulty in how to sustainably manage this problem. Furthermore, many immigrants arrive without identity papers and it raises question of security for the EU. In fact, there were 440,000 people refused entry and 190,000 non-EU citizens were returned outside of the EU in 2017 alone. However, the EU has agreed to seek better ways of managing migration flows of refugees fleeing from conflict strewn countries. They now see it as critically important to reform the common EU asylum system and also to strengthen the EU's external borders. They hope to do this through an upgraded Schengen information system and a new entry-exit system for non-EU nationals. The EU is also seeking to focus on developing cooperation on migration and asylum with third countries outside the EU to create pathways for migration returns and legal admission into the EU such as sponsorship by companies with specific skill set requirements.

However, at present, the European Union also faces many economic challenges to maintain economic solvency. The EU is a self financing organisation and is prohibited from operating at a deficit level such as member states frequently do. The entire budget for the period from 2014 to 2020 is just over €1 trillion or 1% of the the member states combined gross domestic product. However, when the UK decided to leave the EU in 2016, this presented a significant financial challenge. The UK contributes £350 million per week to the EU which is a significant amount of money which will have to be found through other sources.

The EU also developed a monetary union called the Euro in 1999 which is used by over 350 million people in 19 member states. Since 1999, the Euro has faced many challenges as it was more of a political development to reinforce the idea that the one market could function with one currency. In reality, it ignored fiscal management believing that the function of the European central bank was only to control interest rates. A key example at the moment is that Italy is unable to devalue its currency to promote economic exports and economic productivity as it is aligned with the Euro and cannot compete with German manufacturing that is more efficient. The challenge to the Euro is how to create economic growth in the Euro-zone with a fixed exchange rate and disparate economies. The EU is built on an unwavering belief in the free market economy and it therefore does not support state intervention to assist economic recovery or increase competitiveness. This may force Italy to abandon the Euro and return to the Lira with control over the exchange rate of its own currency. This would be severely resisted by Germany as the poor economic conditions in Italian productivity help to lower the value of the Euro which ironically boasts German exports as the Euro remains competitive against the Dollar and the Japanese Yen. If Italy were to abandon the Euro, it would put the entire Euro-zone into crisis and create recessionary conditions with Spain possibly following Italy with a return to the Peseta currency.

Initially, the Euro created increased trade and jobs, however, the cost per hour of work ranges from an average of €4 per hour in Greece up to €40 per hour in countries such as Germany. Greece is essentially a service economy and Germany is essentially a production economy so each country requires different economic policies which is not suited to a single currency. The challenge facing the EU is whether weaker economies such as Greece should leave the Euro-zone or whether to create EU-wide harmonisation in taxation and social security systems.

There is much debate in Ireland regarding the low corporation tax rate as it is perceived to create an undue economic advantage for Ireland by many in the EU. This ignores other such advantages such as a highly educated labour force, cultural and historic links to the US, favourable geographical and time zone location. In this respect, Ireland functions very much along the lines of Germany and then the weaker EU economies such as Greece, Portugal, and Spain, which weaken the Euro, assist Ireland in maintaining a competitive advantage for our multinational industries.