

# APPLE STATE AID CASE LESSON

## TEACHER'S VERSION

### Lesson Information

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#### **Suggested Courses:**

- ☞ CHV2O - Civics
- ☞ CIA4U - Analyzing Current Economic Issues, Grade 12
- ☞ CLN4U - Canadian and International Law, Grade 12
- ☞ CPW4U - Canadian and International Politics, Grade 12

**Time Requirement:** 75 minutes (one class period)

#### **Description:**

The purpose of this lesson plan is to introduce students to the devolved powers of the European Union and how EU interference in sovereignty can cause international disputes. A comparison is made with a federated country to provide context. EU integration and its limitations and benefits are explored. The Apple State Aid case is used as a guiding example to lead discussion and further research.

#### **Objectives:**

The primary objective of this lesson is to give students an overview of European Union integration and the benefits and pitfalls of such a system. It aims to introduce the concept of international integration and sovereignty by making a comparison to Canada's federal system. Students will engage with an example of conflict within the framework of an international union and debate the merits of developing trading blocs into a more unified governmental system.

#### **Materials:**

- ☞ Teacher's Version: Lesson Plan
- ☞ Student Version: Handout
- ☞ Internet connection, computer, projector/screen

## Warm Up

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**Format:** Individual / pair work

**Activity:** Brainstorming

**Time:** 15 minutes

**Instructions:**

Introduce the topic of national and regional powers. Ask the students what they think is the difference in Canada between the federal government and provincial/territorial governments in general. Write some ideas on the board in bullet format.

Distribute the handout and ask students to work on their own to complete the table of government responsibilities. Allow about five minutes of individual work before pairing up the students to compare and share their answers. Allow another five minutes for the students to complete their tables and brainstorm more ideas.

Lead a class discussion and sharing of ideas for approximately 5 minutes. Write some main points or key suggestions from the discussion on the board.

**Suggested Answer Key:**

Federal Government	Provincial/Territorial Government
Foreign policy	Road maintenance
National defence	Healthcare
Immigration	Schools
Citizenship	Taxation
Indigenous affairs	Property rights
Taxation	Civil rights
Money and banking	Administration of justice
Railways	Formalizing marriage and divorce
Fisheries	Incorporation of companies
International trade	Management and sale of public lands

# Research Activity

**Format:** Individual / small groups (2-3)

**Activity:** Reading, research

**Time:** 25 minutes

**Instructions:**

Give the students the article and allow them 2-3 minutes to read the text for context. Answer clarifying questions if any concepts are unfamiliar to the students.

Arrange the students in small groups of 2-3 participants. Direct the students to the exercise on the handout and explain that they will be looking at the pros and cons of different aspects of EU integration. Ask them to conduct research online to complete the chart. Allow approximately 10-15 minutes for this task.

Allow about 10 minutes at the end of the exercise to share ideas as a class. Write the salient points on the board.

**Suggested Answer Key:**

	Pros	Cons
<b>Single Market</b>	<ul style="list-style-type: none"> <li>Increased free trade</li> <li>Reduced costs</li> <li>Greater investment opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Loss of national sovereignty</li> <li>Reduces competition</li> <li>Loss of jobs</li> </ul>
<b>Common Currency</b>	<ul style="list-style-type: none"> <li>Increased price stability</li> <li>Exchange rate stability</li> <li>Lower transaction costs</li> <li>Improved trade and investment efficiency</li> </ul>	<ul style="list-style-type: none"> <li>Loss of monetary sovereignty</li> <li>Loss of national identity</li> <li>Increased risk of contagion from economic shocks</li> </ul>
<b>Harmonization of Standards and Regulations</b>	<ul style="list-style-type: none"> <li>Increased efficiency</li> <li>Improved consumer safety and protection</li> <li>Increased competition between businesses</li> <li>Facilitates the free movement of goods</li> <li>Improved consistency</li> </ul>	<ul style="list-style-type: none"> <li>Decrease in consumer choice</li> <li>Difficult for companies to keep up with constantly changing regulations</li> <li>Decrease in innovation</li> <li>Increased costs for businesses</li> </ul>

<b>Freedom of Movement</b>	<ul style="list-style-type: none"> <li>☞ Increased economic opportunities for citizens</li> <li>☞ Individuals are able to travel freely within the Schengen Area</li> <li>☞ Increased cultural exchange</li> </ul>	<ul style="list-style-type: none"> <li>☞ May increase competition for jobs and resources</li> <li>☞ May lead to an increase in illegal immigration</li> <li>☞ May lead to security concerns</li> <li>☞ May lead to a drain on public services in some countries</li> </ul>
<b>Common Foreign Policy</b>	<ul style="list-style-type: none"> <li>☞ Provides a unified front on the international stage</li> <li>☞ Facilitates collective decision-making on foreign policy issues, increasing collective bargaining power</li> <li>☞ Promotes cooperation and dialogue among member states</li> </ul>	<ul style="list-style-type: none"> <li>☞ Limits the autonomy of member countries to set their own foreign policy agendas</li> <li>☞ Potential disagreements between member countries</li> <li>☞ Can be difficult to implement, as it requires consensus among all members</li> </ul>
<b>Common Environmental Standards</b>	<ul style="list-style-type: none"> <li>☞ More consistent enforcement of environmental standards</li> <li>☞ Easier for environmental policies and actions to be implemented in multiple countries at once</li> <li>☞ Ability to identify problems that span multiple countries</li> </ul>	<ul style="list-style-type: none"> <li>☞ Potential for environmental standards to be too weak</li> <li>☞ Potential for the standards to be too strict</li> <li>☞ Risk of a “one-size-fits-all” approach to environmental policy</li> </ul>
<b>Cultural Integration</b>	<ul style="list-style-type: none"> <li>☞ Increased cultural understanding and appreciation</li> <li>☞ Increased flow of information and knowledge</li> <li>☞ Exchange of ideas and best practices</li> <li>☞ Increased opportunities for travel and education</li> <li>☞ Improved economic opportunities</li> <li>☞ Increase in cultural diversity</li> </ul>	<ul style="list-style-type: none"> <li>☞ Loss of cultural identity</li> <li>☞ Increased competition</li> <li>☞ Political disunity</li> <li>☞ Conflict between different cultural norms</li> <li>☞ Possible tensions between different cultures</li> <li>☞ Potential increased marginalization of certain cultural groups</li> </ul>

**Text:**

## **MODERN EUROPEAN INTEGRATION: THE EUROPEAN UNION**

The European Union (EU) is a unique political and economic partnership established in the wake of World War II. Since its inception in 1993, the European Union has been a cornerstone of European integration, providing a framework for economic and political cooperation among its 27 Member States.

The EU's purpose is to promote economic and social progress, maintain peace and security, and to advance the values of democracy, human rights, and the rule of law. It achieves this through a range of legislative and executive instruments, such as the Common Agricultural Policy, the Common Fisheries Policy, and the European Monetary System.

The EU is a supranational organization, meaning that it has authority that supersedes the authority of its member states. Unlike a federated country, in which member states have certain autonomy and responsibility for governing their own affairs, the EU has the power to make laws that are binding on all of its member states. Additionally, the EU has its own institutions and executive structures, such as the European Council and the European Commission, which are not replicated in a federated country. The EU also has its own currency, the euro, and the ability to impose economic and legal sanctions on its member states if they do not comply with EU law.

However, the EU's relationship to its member states is similar to a federated country in that both organizations are composed of multiple individual states or provinces that are united under a common system of government. They both have a central government that exercises certain powers over its members, while each member state retains some degree of autonomy. Additionally, both organizations have a shared set of values and laws, and each member state contributes to the organization's collective resources.

The EU has achieved a great deal in its relatively short lifespan, from establishing a single market and a common currency, to introducing measures to promote economic and social cohesion. It has also sought to promote peace and stability in Europe, and to strengthen ties between its Member States.

The EU has also worked to expand its membership to include countries from the former Soviet bloc. This has been achieved through the enlargement process, which has seen the EU grow from 15 Member States in 1993 to 28 today. This process of enlargement has been accompanied by a process of deepening integration, as the EU seeks to become more integrated and more unified.

The EU has also sought to deepen its ties with other countries and regions, both within and beyond Europe. It has established a number of free trade agreements with countries such as the United States, Canada, Mexico, and South Korea, and has also sought to promote closer links with the African, Caribbean, and Pacific regions.

# Video Activity

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**Format:** Individual

**Activity:** Listening, multiple choice questions, short answer questions

**Time:** 30 minutes

**Video Link:** <https://www.youtube.com/watch?v=r-HMliA8tJU&t=2s>

**Instructions:**

Introduce the idea of the Apple State Aid case. Distribute the first page of the video handout. Using a projector, screen or smartboard, play the video for the class and ask the students to take notes on their handout about what they hear in the relevant sections.

Distribute the handout with the video questions. Allow the students a few minutes to complete the questions using their notes. Play the video a second time, allowing the students to complete any missing answers from their question sheets.

Allow 5 minutes to check the answers as a class. Answer clarifying questions if any concepts are unfamiliar to the students.

**Answer Key:**

- 1) State aid occurs when there is a company and they receive some form of support from the government, and this support puts them in an advantage over its competitors.
- 2) c
- 3) Ireland
- 4) Tax sovereignty/tax avoidance
- 5) The salience of debate; the actor expansion; polarization
- 6) The European Commission
- 7) The European Commission is perceived as a foreign entity; they're going to have a harder time trying to connect with national audiences, and also to justify their State Aid decisions
- 8) It fosters debate; it can make citizens aware about what the Union does
- 9) Politicization might harm the way these policy-making processes are in terms of efficiency
- 10) False
- 11) An international conflict trajectory means that specific issues end up going into wider debates about how integrated the Union should be and how legitimate not only the decisions are, but also the Union, or the European Union in itself, is as well.
- 12) b
- 13) Since 2018, the European Commission is losing more cases in the European Court of Justice, which can have some repercussions on how legitimate its decisions are being perceived.

## Video Transcript:

**Laura Gardner:** My name is Laura Gardner, and I am a research assistant at the Jean Monnet Network on Transatlantic Trade Politics. This is part of a series of interviews for the network called the Transatlantic Trade Videos. We're here today with Elena Escalante-Block, who is a post-doctoral researcher in the Department of Political Science in the University of Antwerp in Belgium.

Let's get started with the first question. Your recent research has focused on the EU's legitimization through the Apple State Aid case. What was the Apple State Aid case, and can you describe what first drew your attention to it?

**Elena Escalante-Block:** So, before I answer your question, I think it is important to talk about what is State Aid. So, **State Aid occurs when there is a company and they receive some form of support from the government, and this support puts them in an advantage over its competitors.** So, within the EU, the European Commission is in charge of making sure that its member states follow State Aid rules. So, in 2016, the European Commission charged Apple with a **13 billion Euro fine**. And then this triggered both the **Irish government** and Apple to appeal its decision, with the Irish government stating that it didn't think that Apple owed them any money. This to me raised awkward questions about who is the victim here and also who is in charge of corporate taxation. Is it the EU or is it the member state. So on the one hand you have Margrethe Vestager, the EU Competition Commissioner, stating that she's looking into these cases with the DG Competition because people are angry about unpaid taxes, unpaid taxation, and then on the other hand you have people from the Irish government stating that, you know, the Apple State Aid decision is an encroachment on **tax sovereignty**, on their tax sovereignty. So then, this kind of triggered my attention into it and I wanted to kind of see whether the European Commission was perceived as this institution which was, you know, trying to aid or fight against **tax avoidance issues**, or whether it was perceived as this institution which wanted to encroach tax sovereignty in a member state.

**LG:** In your research, you have studied media debates about the Apple State Aid case in Ireland. You mainly look at what they reveal about the politicization of European integration. What is politicization, and why is it an important question in analyzing European integration?

**EE-B:** So, there is no one definition that has been agreed on what politicization is, but the way I understand it, or the way I evaluate it, is that it's a process that involves a multiple of actors, who discuss European governance or European integration issues, and usually the literature tends to measure it through three dimensions. These are **the salience of debate, the actor expansion**, so how many different types of actors talk about these issues, **and also polarization**. So, not only the polarization of opinions, but also of the actors themselves. So, when it comes to why politicization is kind of an important thing to study, I think it is relevant because it can, while you study or analyze politicization, it can also tell you more about how different actors legitimize the decisions and the role of the European Commission, or the EU and its institutions much more generally.

**LG:** What were your main findings about the politicization of the EU's decision in the Apple State Aid case?

**EE-B:** So, the m..., first of all, the Apple State Aid case was extremely politicized, was widely politicized. What we tended to see, or what I tended to see in my analysis is that, after the decision date, this was kind of like the trigger point in the Apple State Aid case to become widely politicized. So, after the decision was made by the, by the European Commission, we saw more salience in terms of more people making claims about the State Aid case. We saw more actors, different types of actors talking about the Apple State Aid case. But we also saw a lot of polarization, not only about the debate surrounding the State Aid case, but also in terms of the actors themselves. So, **the European Commission, for example, was twice as likely than the Irish government or than Apple in receiving negative claims made towards it.** But also, at the same time, there were also more positive claims made towards the European Commission as well. On top of this, I think another interesting finding is that the Irish government actually had to justify or legitimize its decisions quite hard to its constituencies, because there were a lot of other voices that were kind of questioning why Ireland, or the Irish government, didn't want to, you know, take back the 13 billion Euros, because this 13 billion Euros could actually help Irish citizens, or it could go towards public services, and so on. And the Irish government actually was quite successful in legitimizing its decision to appeal the Apple State Aid case decision. Meanwhile, what I found is that the European Commission actually had a harder time in justifying its State Aid decisions and it was kind of perceived as this abstract or foreign entity. So, **as long as the European Commission is perceived as this abstract or foreign way, foreign entity, then they're going to have a harder time trying to connect with national audiences, and also to justify their State Aid decisions as well.**

**LG:** With the level of integration currently achieved by member states, do you believe it is possible, or desirable, for the EU to entirely avoid becoming politicized?

**EE-B:** So, the debate surrounding whether the European Union should be politicized have been ongoing for many years, and they have been debated widely across the literature by a number of scholars as well. So, what you see, what you tend to see in the literature is that some might argue that **politicization is a good thing for the European Union, as it fosters debate and it can kind of create this sense of...it can make citizens aware about what the Union does,** and so on. And this, in turn, can create some form of democratic legitimacy for the, for the European Union. At the same time, you have other voices as well, who suggest, or who tend to be concerned about how, how efficient the European Union is in its policy making processes, and then **they might see politicization as something that might be negative, because politicization might, kind of, harm the way, the way these policy making processes are in terms of efficiency.** So, when it comes to politicization, actually since the Eurozone crisis, since the migration crisis, and since Brexit, what we're seeing is that **the European Union is becoming more and more politicized.** And what we're seeing as well is that there are a number of...of policy areas and policy issues that used to be apolitical before, and they're starting to become widely debated. So, I think politicization is here to stay, and I think it is something that can no longer be not politicized.



**LG:** To what extent can media debates like the ones you studied contribute to the legitimization or delegitimation of EU competition policy or European integration more generally?

**EE-B:** What I analyzed through my claims is the politicization of how different actors politicize these cases, and through this analysis also how they legitimize or delegitimize the European Commission and the European Union more widely as well. In my results, I saw that the politicization took what the literature calls an **international conflict trajectory**. **So, in this conflict trajectory, what ends up happening is that specific issues, so like, for example, State Aid in this case, end up...the debates end up going into wider debates about how integrated the Union should be and how legitimate not only the decisions are, but also the Union, or the European Union in itself, is as well.** So, with the international conflict trajectory as well, a lot of these debates are put as the nation state versus the supranational entity, or the EU, so then when conflicts are kind of framed in this way, what this means as well is that issues about sovereignty and about national identity come into line, and then this again raises questions about how legitimate the, you know, EU governance is. And in this case, how legitimate the EU State Aid decisions were.

**LG:** Do you believe that the negative reaction to so-called EU interference with Irish tax law is based on the individual case, or is it symptomatic of a more general souring of the relationship between Ireland and the European Union?

**EE-B:** So, what I think is really interesting is that, if you look at the 2022 Eurobarometer, there is actually quite a positive view from Irish citizens towards EU institutions. I think only **one in ten people that were surveyed have a pessimistic view of...of...of the European Union**. What this also tells me as well is that what's very interesting about this Apple State Aid case is that, in a country where, actually, they have a very positive view, and this type of cases can delegitimize some of the actions of the Commission, or some of the decisions of the Commission. And that in itself, I think, is something that not only can happen in Ireland, but also in other member states, for example in the Netherlands as well, where they rely on foreign direct investment, they also have this type of cases. And they would be looking into how the Apple case played out not only throughout the politicization of it, but also with the European court decision when it decided to actually rule against the European Commission as well. So, what we're seeing is that, **since 2018, the European Commission is losing more cases in the European Court of Justice. And what this also means is that, perhaps, this can have some repercussions about how legitimate its decisions are being perceived**, not only for the future State Aid cases in Ireland, but also in other member states as well.

**LG:** So, that ends our interview for today and thank you once again Dr. Escalante-Block for joining us.

## Essay

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**Format:** Individual, homework

**Activity:** Essay

**Time:** 1 hour

**Instructions:**

Students should write an essay of 500-700 words on the following topic:

Write an essay discussing the pros and cons of transitioning economic trading blocs into governmental systems. In your essay, you should cover the following points:

- ☞ Analyze the potential implications for the global economy, individual countries, and citizens who may be affected by this change.
- ☞ Consider the potential for increased cooperation between nations and the potential for increased instability when forming new governmental systems.
- ☞ Look at how the new governmental systems could affect international relations, trade agreements, and the balance of power among countries.

## References

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