

# **The European Union: Economic Briefing**

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# The European Union: Economic Briefing

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## Outline

1. The Evolution of the EU
2. The Structure of the EU
3. The EU's Economic Policy and its Impact on the Member States
  - Single Market & Competition Policies
  - Social Policy
  - Cohesion Policy
  - Economic and Monetary Union
4. The EU's External Trade Relations
5. EU Resources Online

# 1. The Evolution of the EU: The EU Member States



# The Post-WWII Situation

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- ❑ Allied cooperation
- ❑ Marshall Plan (1947-51)
- ❑ OEEC – Organization for European Economic Cooperation (1948)
- ❑ ECA – Economic Cooperation Administration
- ❑ Comecon – Council for Mutual Economic Assistance (1949)
- ❑ Council of Europe (Belgium, Denmark, France, Ireland, Italy, Luxembourg, the Netherlands, Norway, Sweden and the United Kingdom) (1949)
- ❑ NATO (1949)

# Integration – but how?

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- Atlantic vs. European integration?
- Military, political or economic integration?

# 1. The Evolution of the EU

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## The goals of the early Integrationists

- Postwar economic construction
- The desire to prevent European nationalism leading once again to conflict
- Needs for security in the face of the threats posed by the cold war  
(McCormick 2005: 52)

# The Evolution of the EU

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## The vision of the early integrationists

- step by step economic integration will eventually lead to a political integration of Europe: deepening, broadening, widening
- 'Spill-over effect'

# The Evolution of the EU

- May 1950 French Foreign Minister Robert Schuman proposes creation of a Coal and Steel Community between France and Germany
- April 1951 Belgium, the Federal Republic of Germany, France, Italy, Luxembourg and the Netherlands ('the Six') sign Treaty establishing European Coal and Steel Community (ECSC) (Treaty of Paris)
- August 1954 Plans for a European Defense Community (EDC) and European Political Community (EPC) collapse
- March 1957 In Rome the Six sign Treaties setting up European Economic Community (EEC) and Euratom (Treaties of Rome)
- January 1963 De Gaulle vetoes British membership of the EEC

# The Evolution of the EU

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- April 1965 Treaty signed merging Executives of the three European Communities (ECSC, EEC, Euratom)
- July 1968 Customs union completed and common external tariff established
- June 1969 Membership negotiations open with Britain, Denmark, Ireland and Norway
- October 1970 Foreign ministers adopt plan for a European Political Cooperation (EPC)
- January 1973 Britain, Denmark and Ireland join the EC (9 members)
- December 1974 In Paris Heads of State or Government agree to meet regularly as European Council

# The Evolution of the EU

- March 1979 European Monetary System (EMS) takes effect retrospectively from 1 January 1979
- June 1979 First elections to European Parliament (EP) by direct universal suffrage held in the nine Member States
- January 1981 Greece joins the EC
- January 1986 Portugal and Spain join the Community (12 members)
- February 1986 Single European Act signed by Governments of the 12 Member States
- February 1992 Treaty on European Union (TEU) signed in Maastricht
- June 1993 EU Council held in Copenhagen, declared accession criteria for Eastern European candidate-counties
- January 1995 Austria, Finland and Sweden join EU (15 members)

# The Evolution of the EU

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- October 1997 Amsterdam Treaty signed
- January 1999 The Euro becomes the currency of the participating EU Member States
- December 2000 The Intergovernmental Conference concluded at the European Council in Nice agrees on the new Treaty on the European Union (Nice Treaty)
- January 2002 The Euro notes and coins enter into circulation in the twelve participating Member States
- May 2004 Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia join the European Union (25 members)

# The Evolution of the EU

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- June 2004 European Union leaders reach agreement on the Constitutional Treaty
- October 2004 European Union leaders sign Constitutional Treaty in Rome
- April 2005 Accession treaties signed with Bulgaria and Romania
- May 2005 In a referendum, the French reject the ratification of the Constitutional Treaty
- June 2005 At a European Council in Brussels, leaders opt to invoke a period of reflection and discussion on the Constitutional Treaty

# The EU Member States

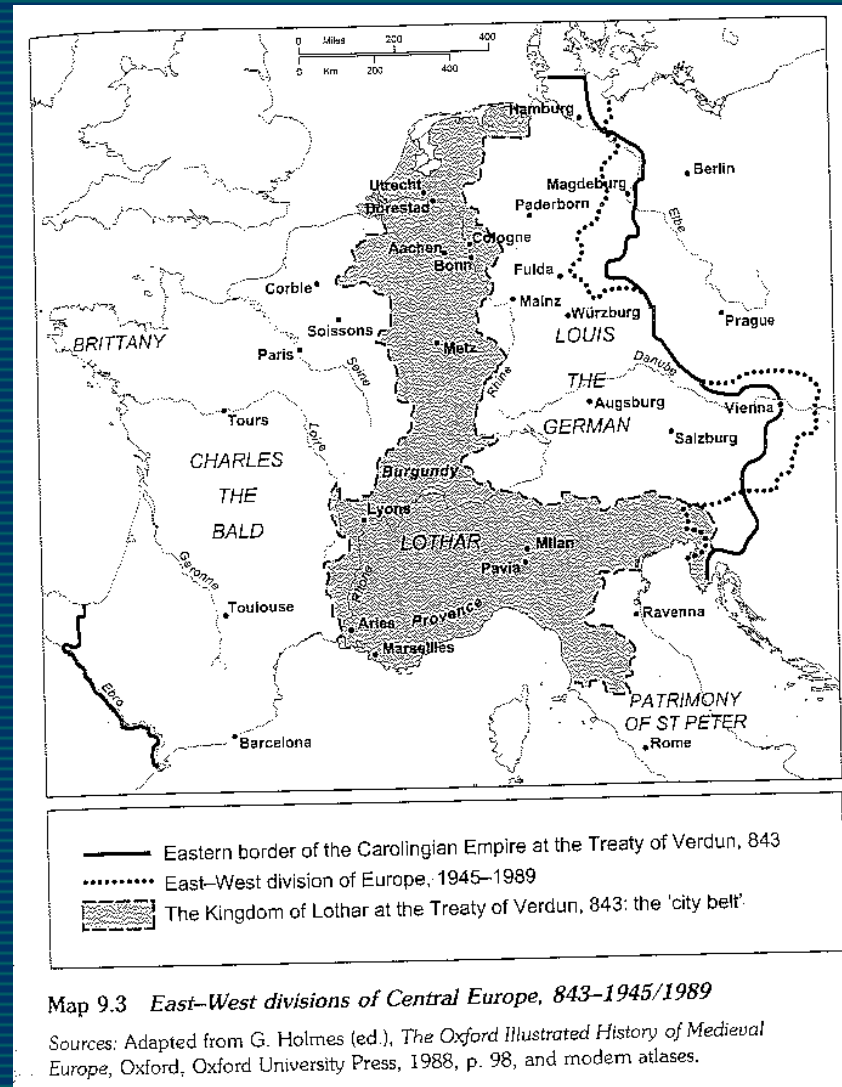


# The EU Member States

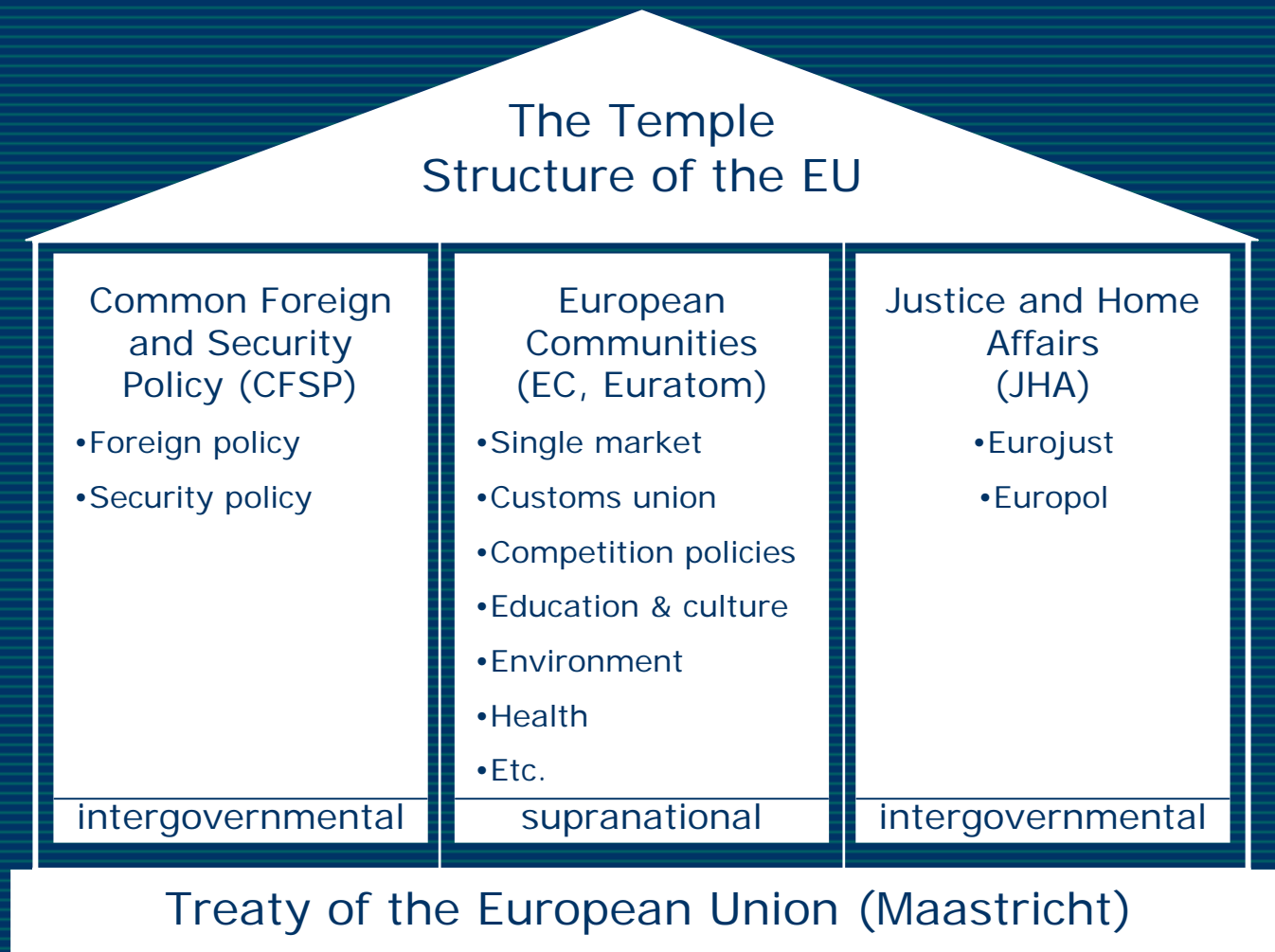
**The European Union Member States**

Country	Council Votes	Members of European Parliament	Population (2004) (millions)	GDP (2004) (billions \$)	Currency
Austria	10	18	8.1	294	Euro
Belgium	12	24	10.4	352	Euro
Cyprus	4	6	0.7	15	Cyprus pound
Czech Republic	12	24	10.2	107	Czech koruna
Denmark	7	14	5.4	241	Danish crown
Estonia	4	6	1.4	11	Estonian kroon
Finland	7	14	5.2	186	Euro
France	29	78	60.4	2,044	Euro
Germany	29	99	82.5	2,747	Euro
Greece	12	24	11.0	205	Euro
Hungary	12	24	10.1	100	Forint
Ireland	7	13	4.0	184	Euro
Italy	29	78	57.9	1,676	Euro
Latvia	4	9	2.3	14	Lats
Lithuania	7	13	3.5	22	Litas
Luxembourg	4	6	0.5	32	Euro
Malta	3	5	0.4	5	Maltese lira
Netherlands	13	27	16.3	606	Euro
Poland	27	54	38.2	242	Zloty
Portugal	12	24	10.5	175	Euro
Slovakia	7	14	5.4	41	Slovak koruna
Slovenia	4	7	2.0	32	Tolar
Spain	27	54	42.0	1,039	Euro
Sweden	10	19	9.0	346	Swedish crown
United Kingdom	29	78	59.7	2,128	Pound sterling
<b>Totals</b>	<b>321</b>	<b>732</b>	<b>457.0</b>	<b>12,844</b>	

# The 'City Belt'



## 2. The Structure of the European Union



# The Structure of the European Union: Policy Outcomes and Authority in the EU

<i>Regulatory policies</i>	<i>Redistributive policies</i>	<i>Macroeconomic stabilization policies</i>	<i>Citizen policies</i>	<i>Global Policies</i>
Rules on the exchange of goods, services and capital	Transfer of resources through the EU	Economic and Monetary Union (EMU)	Rules to protect the rights of the citizens	Trade CFSP
Single market	Regional Cohesion	Interest rate	JHA	
Competition	Agriculture	Exchange rate	Immigration	
Industry	Research	Fiscal policy	Citizenship	
		European Central Bank		European Council
				Council of Ministers
				High Representative
Commission	Multilevel governance	Council of Ministers	Council of Ministers	

# 3. The EU's Economic Policy

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- Single Market & Competition Policies  
*Deregulation*
- Social Policy  
*Reregulation*
- Cohesion Policy  
*(Regional) redistribution*
- Economic and Monetary Union  
*Macroeconomic stabilization*

# Single Market & Competition Policies

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## The Single Market – Deregulatory Policies

- 1957: Treaty of Rome – removal of all barriers to the free movement of goods, people and capital
- 1958: 10 year program to eliminate all tariff barriers on industrial products
- 1986: Single European Act – completion of the common market by removing
  - Physical barriers
  - Technical barriers
  - Fiscal barriers
- Problems of implementation

# Single Market & Competition Policies

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## Competition Policy

- 1957: Treaty of Rome – competition in the internal market should not be distorted
- Anti-trust-regulations
- Merger control
- Regulation of state aids
- Problems of implementation

# Single Market & Competition Policies

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## Direct impact: liberalization of trade & competition

- all intra-EU frontier controls on products have been removed and for most of the countries, controls on persons as well. UK and Ireland decided to “opt out”.
- All intra-European capital controls have been removed.

## Indirect impact

- Reduction of state intervention in the economy
- Deregulation of industrial sectors

# Social Policy

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## Social Policy – Reregulatory Policies

- 1989: Social Charter
- 1992: Maastricht Treaty – Social Protocol
  
- EU competences
  - Gender equality
  - Working environment & conditions
  - Social security
  
- No European welfare state

# Cohesion Policy

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## Cohesion Policy – (Regional) redistribution

- Reduction of disparities between regions and social groups in the EU
- *Structural funds*: 35% of the EU budget
- Objectives
  - Promoting development and structural adjustment in *regions lagging behind* (GDP per head less than 75% of EU average)
  - Aiding the conversion of *regions in industrial decline*
  - Combating long-term *unemployment* and social exclusion
  - Facilitating the adaptation of workers to *industrial change*
  - Promoting *rural development*
  - Promoting development and structural adjustment of regions with *low population density*

# Cohesion Policy

Objective 1: Promoting development and structural adjustment in *regions lagging behind*

Member states and candidates with GDP per head less than 75% of EU average

Bulgaria 22%

Czech Republic 59%

Estonia 37%

Greece 67%

Hungary 37%

Latvia 27%

Lithuania 29%

Malta 42%

Poland 37%

Rumania 27%

Slovakia 49%

Slovenia 71%

# Economic and Monetary Union

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## Economic and Monetary Union: Macroeconomic stabilization

1979: European Monetary System (EMS) –  
establishing the Ecu and the exchange rate  
mechanism with a band of fluctuation

1992: Maastricht Treaty

- Growth and Stability Pact
- EURO currency
- European Central Bank
- “Eurogroup”

## 4. External Trade

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### The EU as an economic superpower

- EU is world's largest single economic market
- Population: over 450 million
- GDP: over 12 Trillion USD
- 7% of world population – 28% world GDP
- World's single largest trader, accounting for more than 20% of the global trade in goods and services
- 30% of the Fortune 100 companies

# External Trade

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## The EU's largest trade partners

% of total external EU15 trade

- US 20%
- Switzerland 6%
- Japan 5%
- China 5%
- Russia 4%

# External Trade

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## Common Commercial Policy

- Single external trade policy managed by the Commission
- Liberal objective: “promote the harmonious development of world trade, the progressive abolition of restrictions on international trade and the lowering of customs barriers”

# Free Trade or “Fortress Europe”?

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- Protectionist policy instruments
  - Common external tariff
  - Import quotas
  - Anti-dumping measures
  
- Bilateral preferential trade agreements
  
- Development policies: ACP countries
  
- Agriculture and the Developing World

## 5. EU Resources

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[www.unc.deu/depts/europe](http://www.unc.deu/depts/europe)

“Business & Media”

- Business Briefs
- Media Briefs

Hix, Simon (2005): *The Political System of the European Union*, 2nd ed., New York

Tiersky, Ronald (Ed.) (2004): *Europe Today: National Politics, European Integration, and European Security*, 2nd ed., Lanham

McCormick, John (2005): *Understanding the European Union. A Concise Introduction*, Basingstoke