



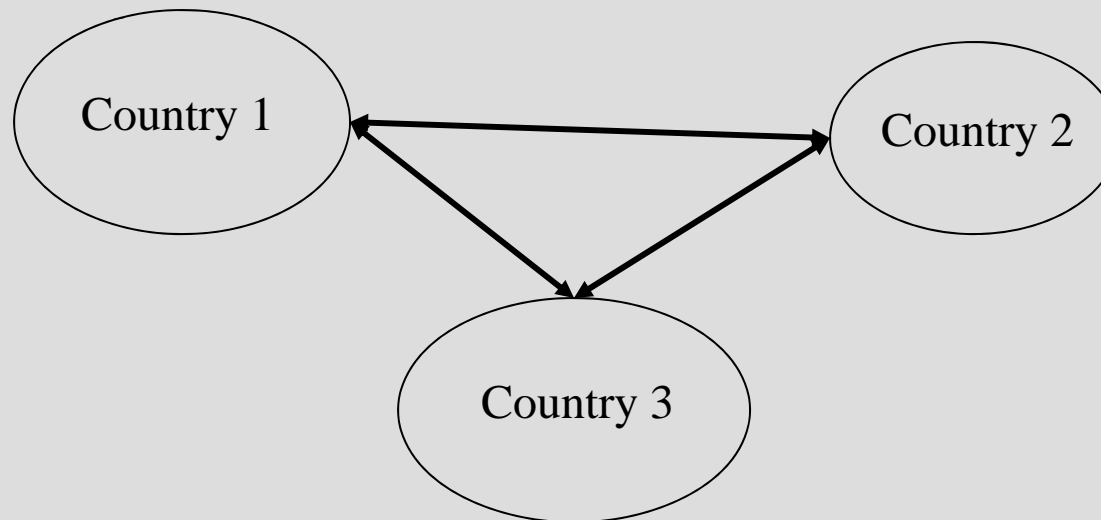
Economics of the European Union

Prepared for
Understanding and Teaching the European Union
A Summer Workshop for Secondary School Educators
June 15, 2007



Stages of Economic Integration

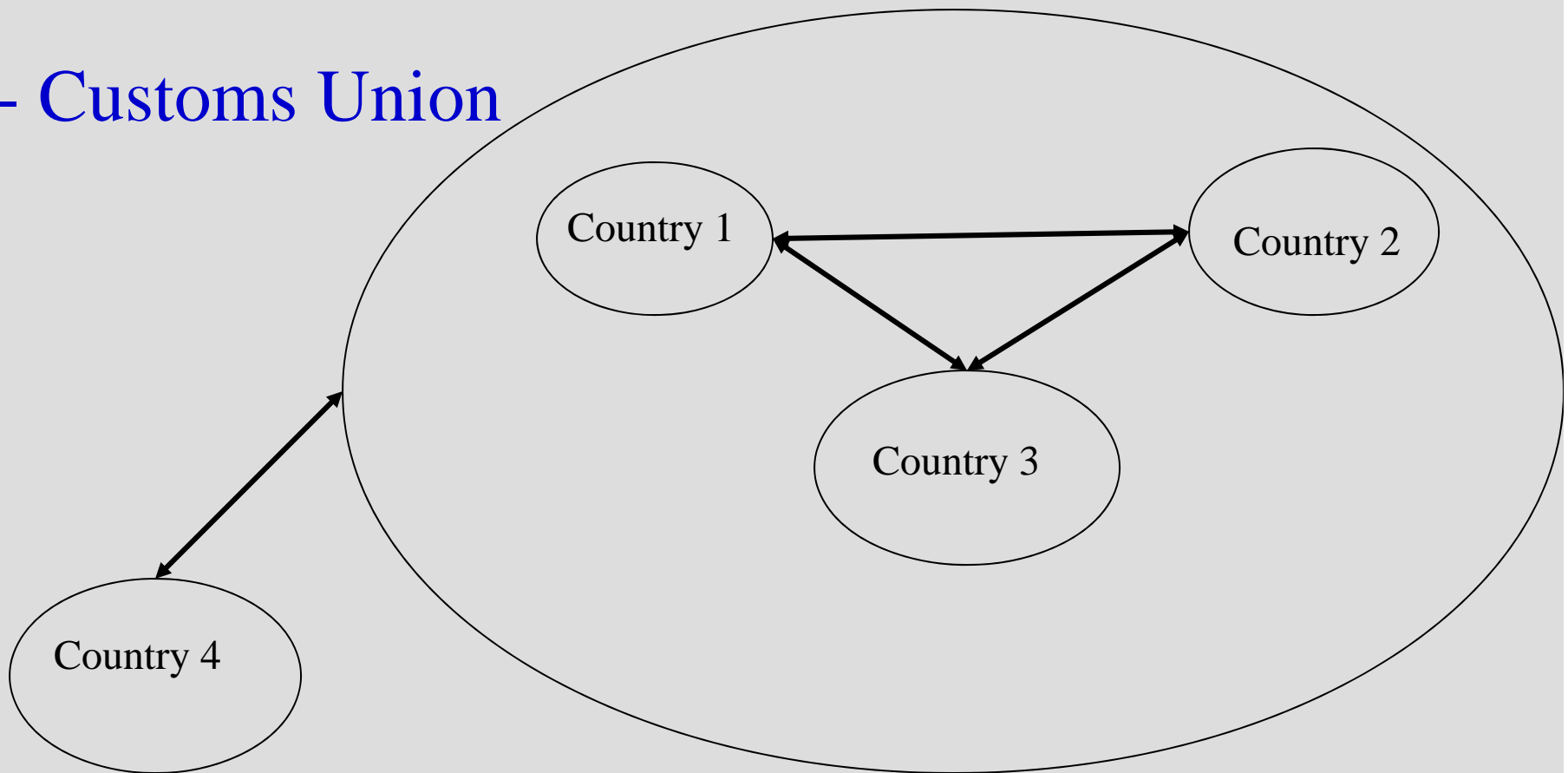
- Free Trade Area





Stages of Economic Integration

- Customs Union





Stages of Economic Integration

- Common Market
- Monetary Union
- Economic Union



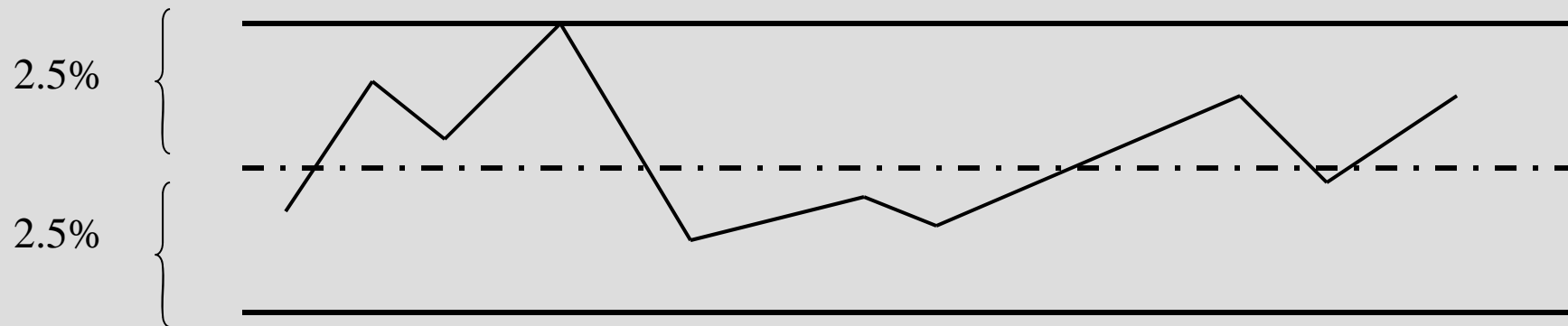
Major Events in European Economic Integration

- Treaty of Rome (1957)
- European Monetary System (1979)
- The Single European Act (1987)
- The Maastricht Treaty (1992)
- The Monetary Union



The European Monetary System

- The Exchange Rate Mechanism





The Single European Act

- Eliminate non-tariff barriers to trade
 - dumping
 - production requirements
 - subsidies
 - national regulations
 - classification
 - quotas
 - ‘buy national’ policy



The Single European Act

- Harmonization of national legislation
 - the early stages

Attempts to equalize standards and regulations

Frustration

Economic decline

The need for a new approach



The Single European Act

- Mutual recognition of standards
 - greater reliance on national standards
 - harmonization in limited areas
 - examples: Cassis de Dijon
German beer purity law
chocolate content



The Single European Act

- Simplified decision-making procedures
qualified majority voting replace unanimity
- Set the timetable for single market completion



The Three Stages of the EMU

- Stage 1 (1990-1994): free movement of capital; culminated in the Maastricht Treaty

The collapse of ERM I

Creation of ERM II

- Stage 2 (1994-1999): created ECB
- Stage 3 (1999-): fixed exchange rates; launched euro



Structure of the EMU

- European System of Central Banks (ESCBs)
 - Tasks
- ESCB President
- Governing Council, Executive Board
- General Council



Criteria for Entry

- The so called convergence criteria
 - Rate of inflation
 - Level of budget deficit
 - Exchange rate stability
 - Durability of convergence



Living in a Monetary Union Before.....

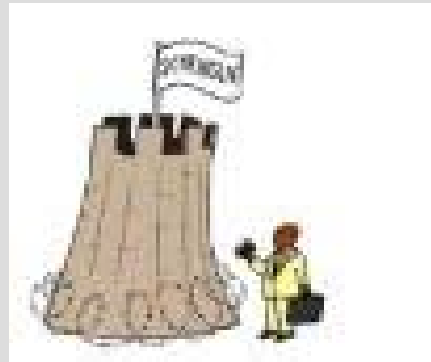




Living in a Monetary Union

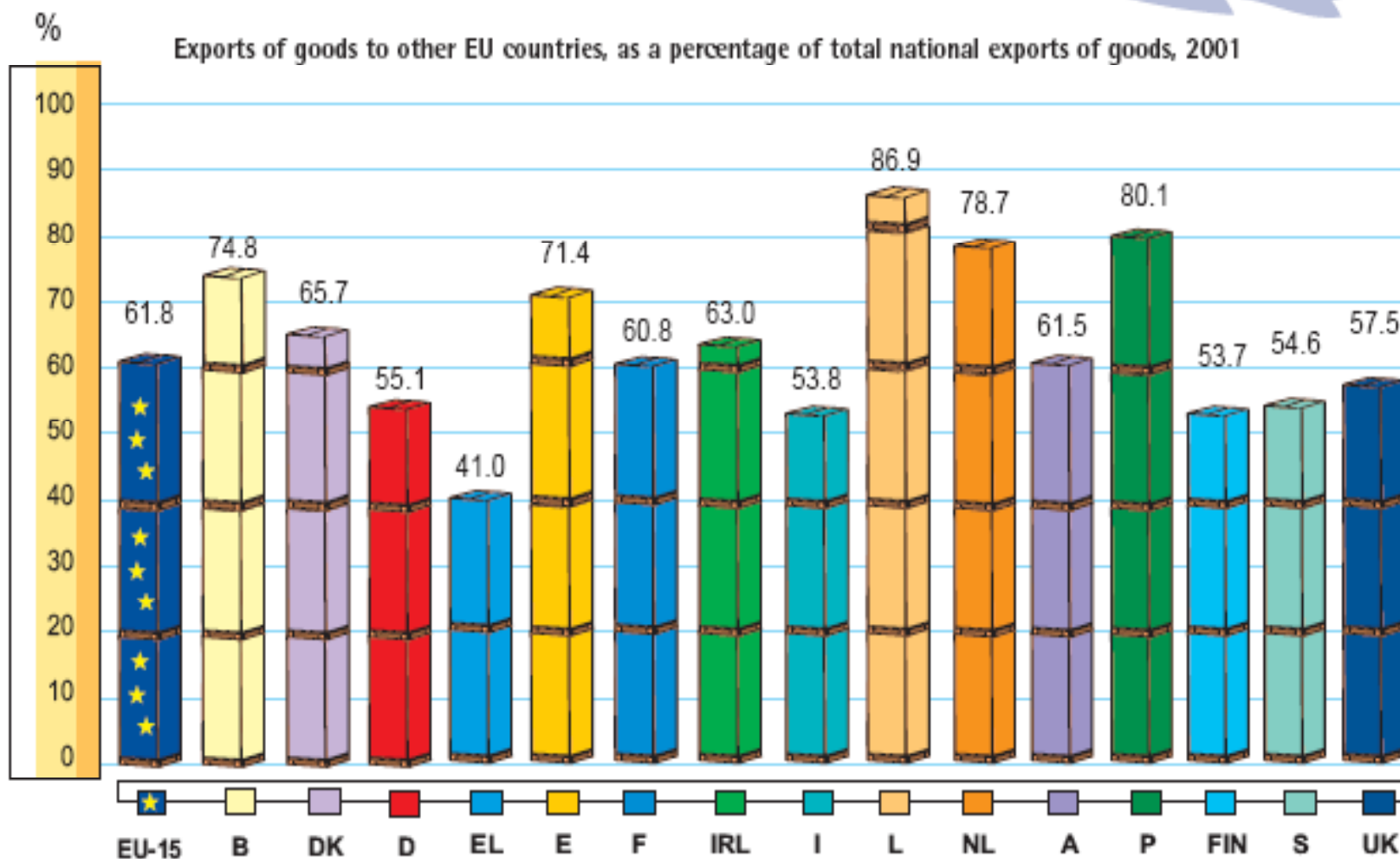
... and After

- easier travel: Schengen Agreement



- easier trade

Trade between EU countries is also very important, and has become much easier and cheaper thanks to the removal of tariff barriers and customs duties. Intra-EU trade in goods nearly doubled in value between 1990 and 2000. In the case of Ireland it nearly quadrupled.



Source: Eurostat



Living in a Monetary Union

... and After

- easier travel: Schengen Agreement
- easier trade
- more choices in consumer goods
- more competition in services
- lower prices
 - telecommunication: 7.5% a year
 - electricity: 6.5 % overall





Living in a Monetary Union

... and After

- European Citizenship
- Single Currency introduced on January 1, 1999
- The Eurosystem: European Central Bank and national central banks





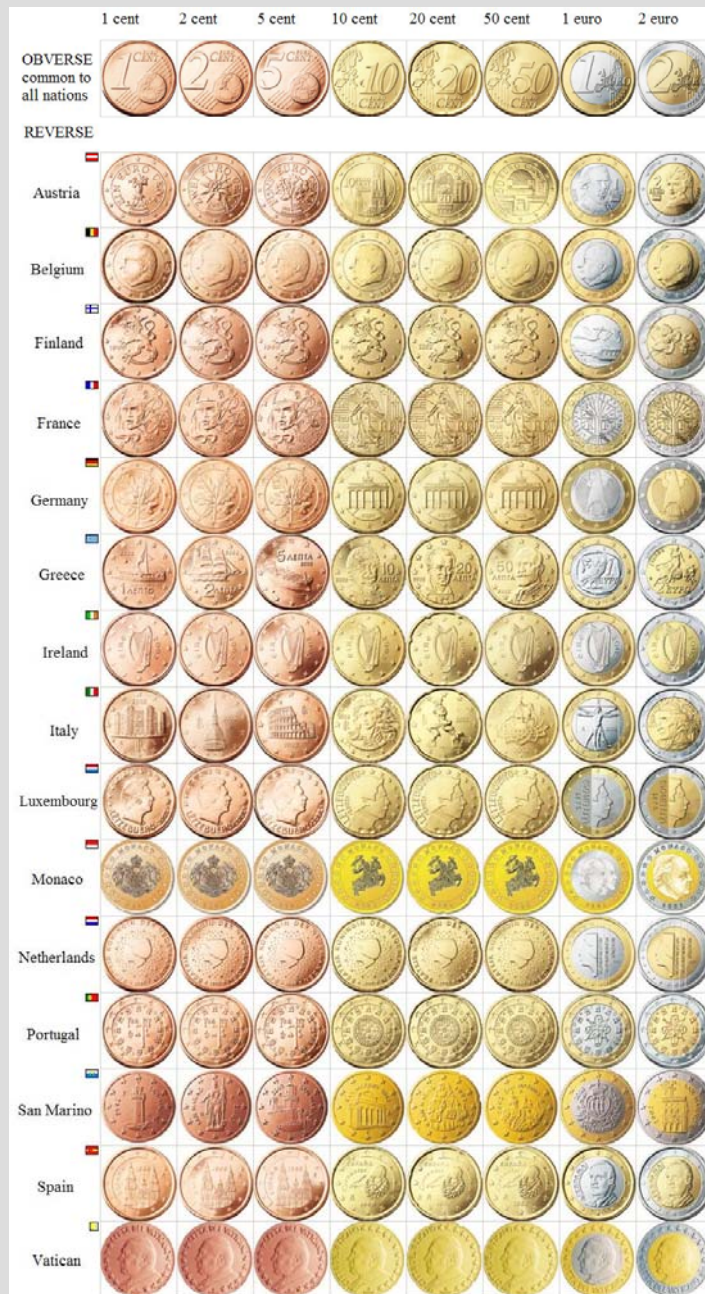
Living in a Monetary Union

... and After

- European Citizenship
- Single Currency introduced on January 1, 1999

1 January 2002: €Day –
Euro notes and coins enter circulation





European Union Members

Not Using the Euro:

- Denmark
- United Kingdom
- Sweden

Non-Member Nations Using the Euro by Special Arrangement:

- Monaco
- San Marino
- Vatican



Living in a Monetary Union



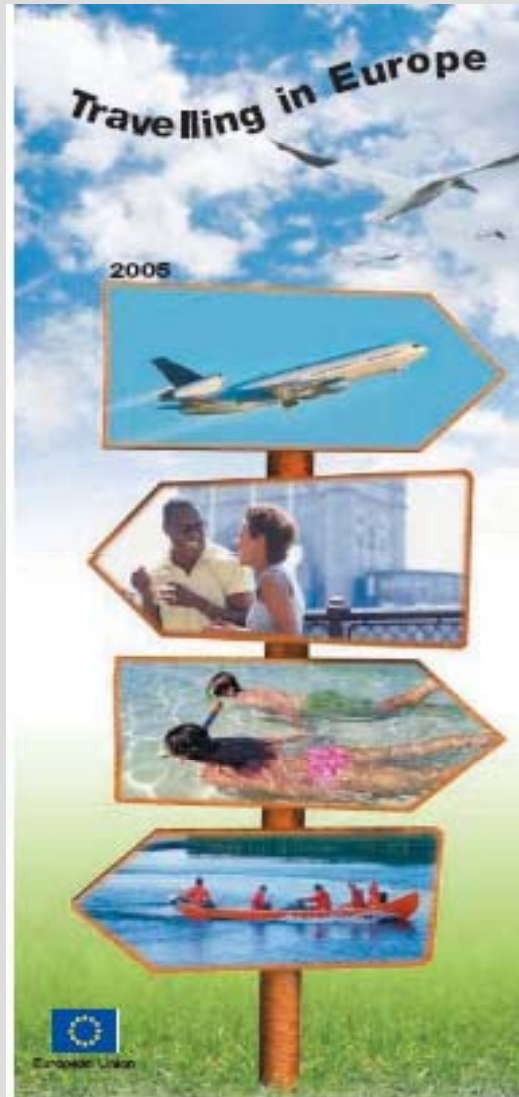
Practical results of the monetary union

- No need to exchange currency when traveling
- Easier to compare prices
- Reduced bank charges and costs of transfers
- Euro accepted outside the Eurozone
- Cheaper to do trade
- More predictable business environment





Traveling in the European Union





Traveling in the European Union



It is easy

- Driver's license
- Access to healthcare
- Mobile phone





Studying in the European Union

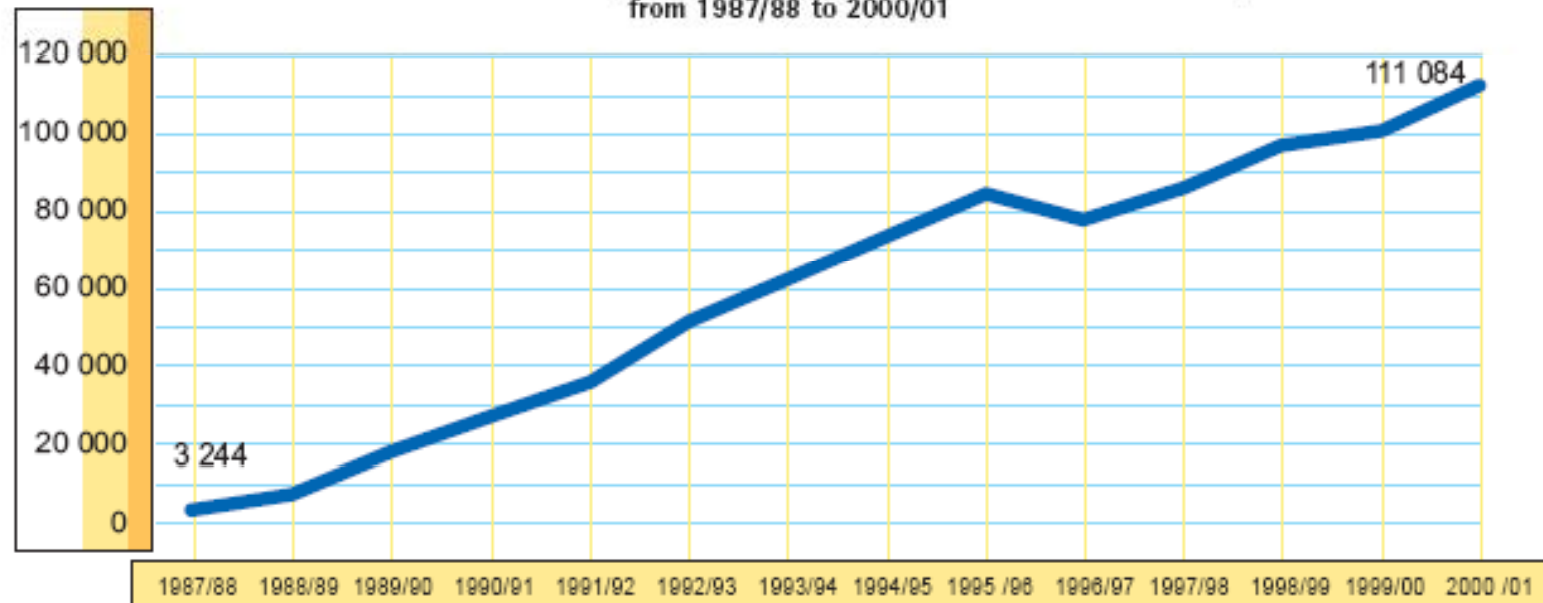


Studying together

Increasing numbers of young people are following educational courses in European countries other than their home country. This is largely thanks to EU schemes such as the Erasmus programme which has provided mobility in Europe for more than a million students since it began in 1987.



Number of students taking part in the Erasmus programme, each academic year from 1987/88 to 2000/01



Source: European Commission.



Studying in the European Union

- Information: find out with Ploteus
- Students and teachers: Socrates
- European Credit Transfer System
- Diploma supplement



Working in the European Union



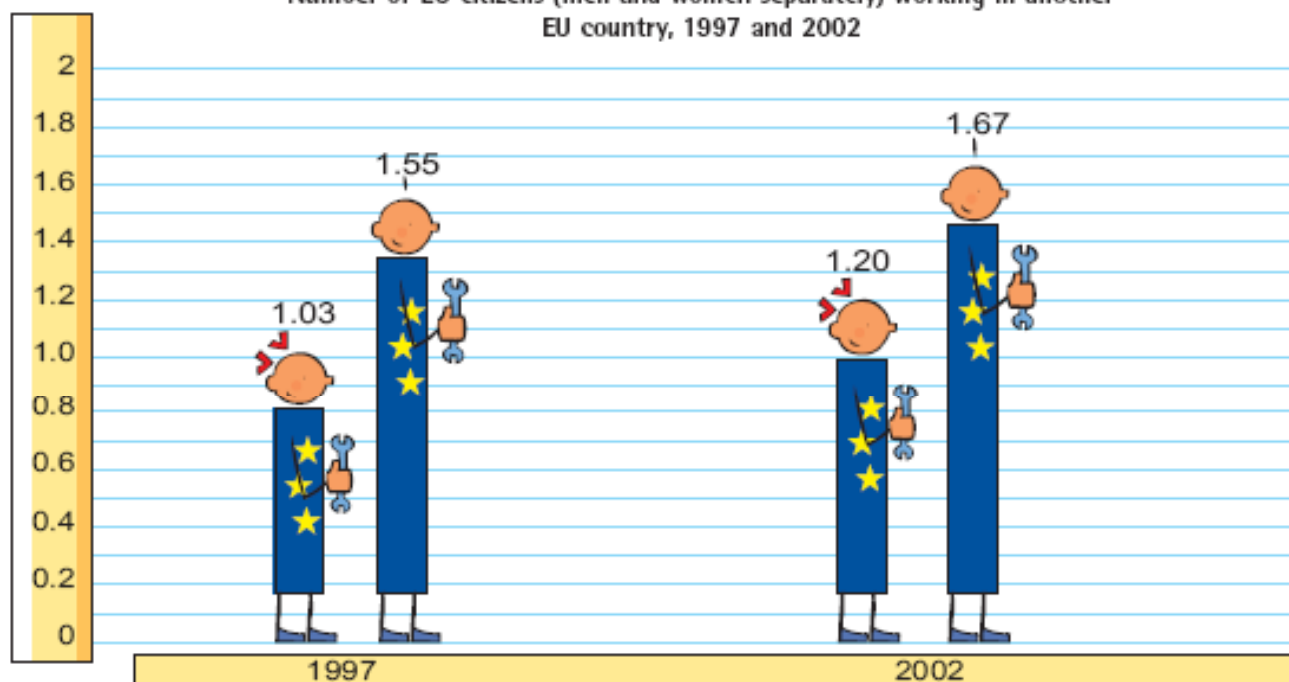
Working together

The number of EU citizens working in another EU country has risen as more people discover the opportunities available. Freedom of movement has become a reality in the European single market.



Million

Number of EU citizens (men and women separately) working in another EU country, 1997 and 2002



The figures do not include foreigners working in Italy.

Source: EC



Working in the European Union



Vocational training with Leonardo da Vinci

Europass Training document





Implications for EU's Global Economic Importance



- The single largest trading bloc in the world
- Biggest overall economy
- Second in terms of per capita wealth
- Largest trading partner and investor for the US



EU-US Economic Relations

- \$ 2.5 trillion a year
- 12 million people
- 4 times as many sales as to Canada and Mexico
- 65 % of US foreign investment
- 43 % of US overseas employment



EU-US Economic Relations



Ireland or China?





EU-US Economic Relations

Denmark or India?

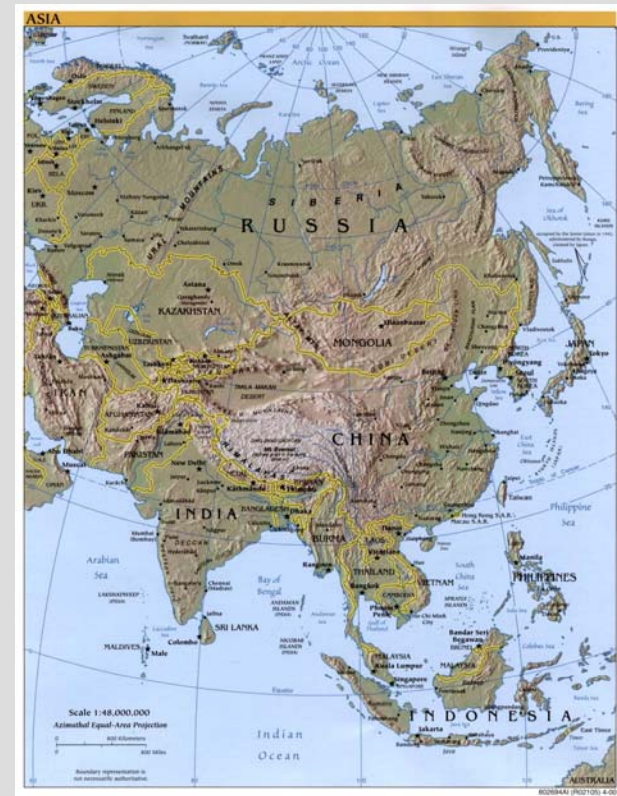




EU-US Economic Relations



The Netherlands or Asia?





EU-US Economic Relations

Germany or South America?





EU-US Economic Relations

- Europe invests in the US more than US - in Europe
- More Americans are employed by European companies than vice versa



EU-US Economic Relations

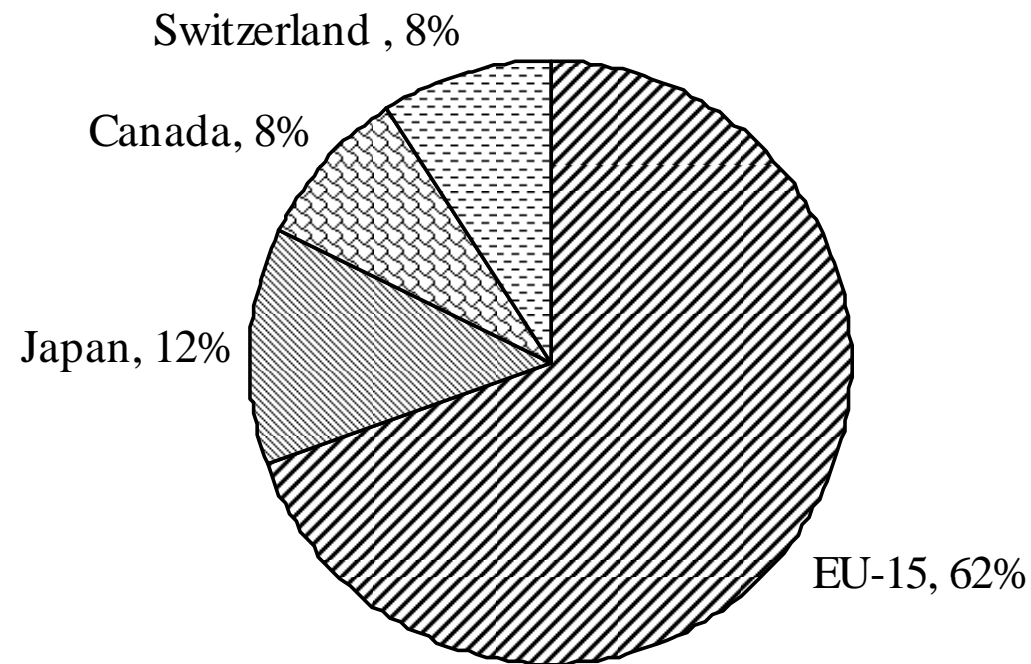


Which states matter?

- California
- Texas
- Southeast US
 - Florida



EU-US Economic Relations





Conclusions

- Tremendous achievements
- Slow but steady process
- Countries want to join due to prosperity
- Increased leverage for the EU
- Implications from recent enlargement