

Part II Paper 1

**The Economic
Geography of the
European Union**

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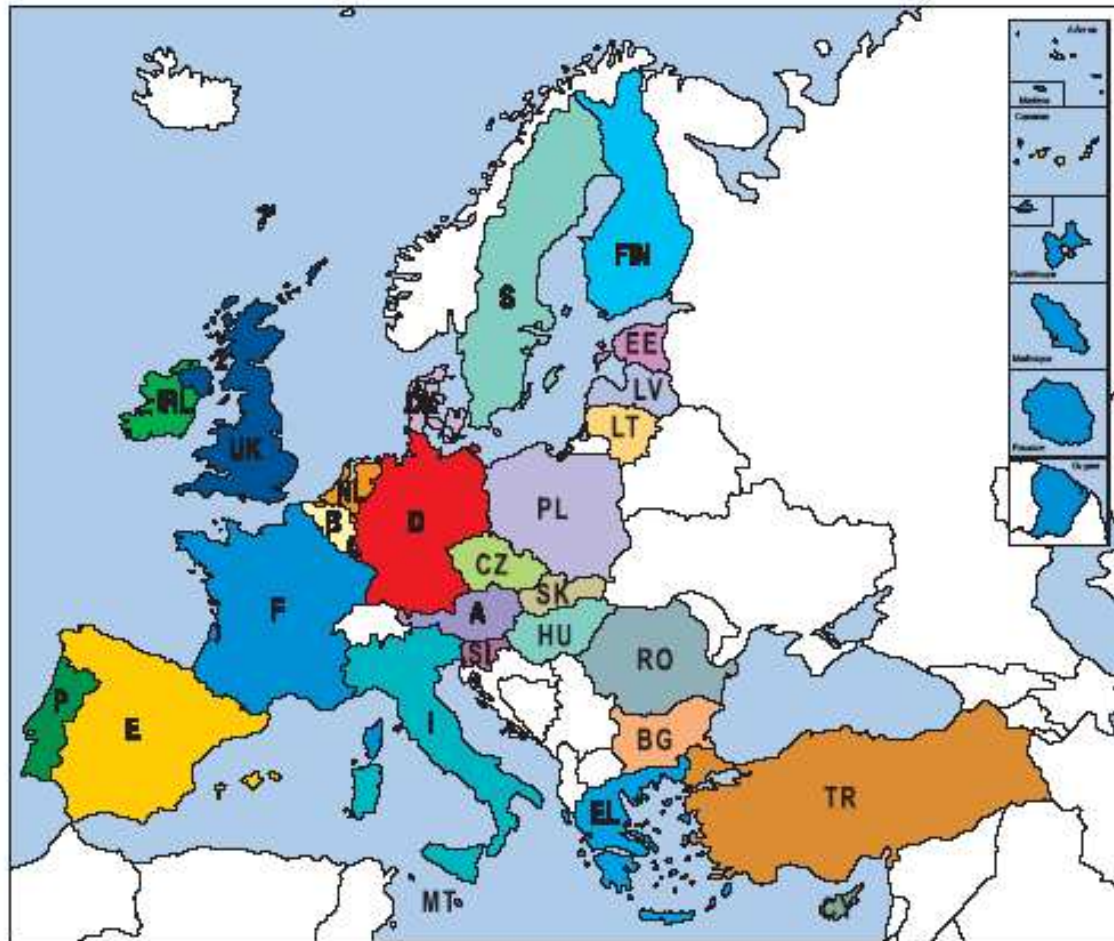
Lecture 1

Introduction and overview

Objectives – Lecture 1

- General facts and overview
- Meaning of economic integration
- Stages of integration and relationship to EU history

The EU today



Source: Key facts and figures about the EU, European Commission

The EU today

Stages



1952



1973



1981



1986



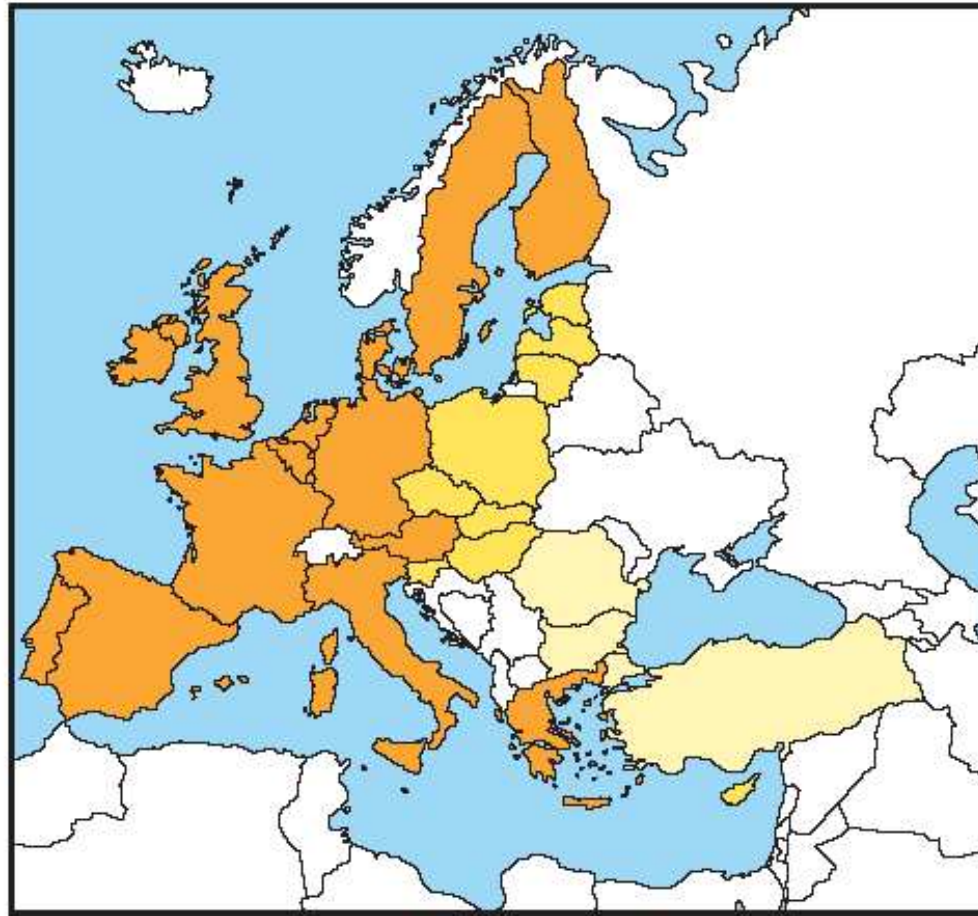
1990



1995

Source: Key facts and figures about the EU, European Commission

The EU today

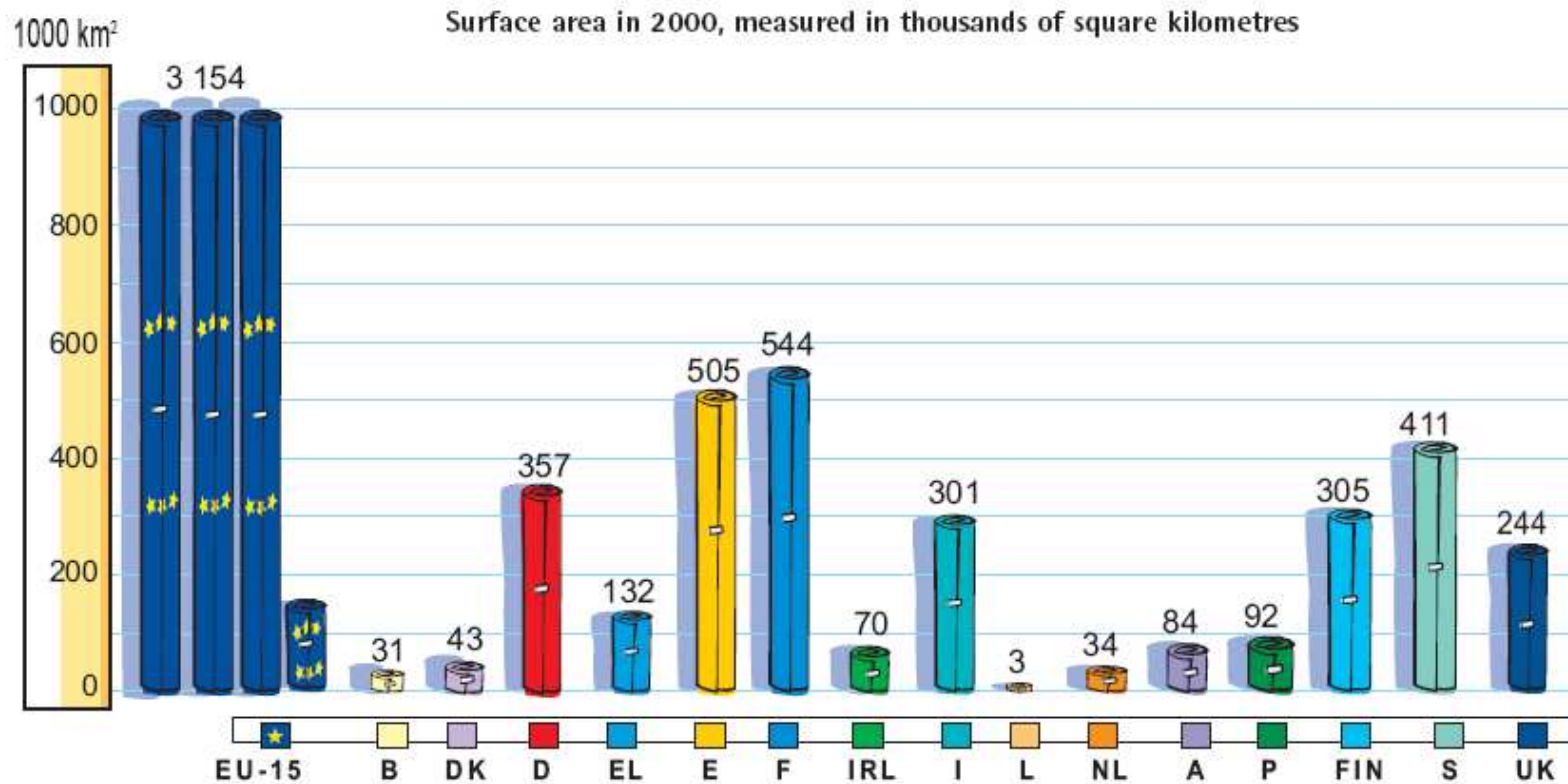


2004

Source: Key facts and figures about the EU, European Commission

The EU today

Surface

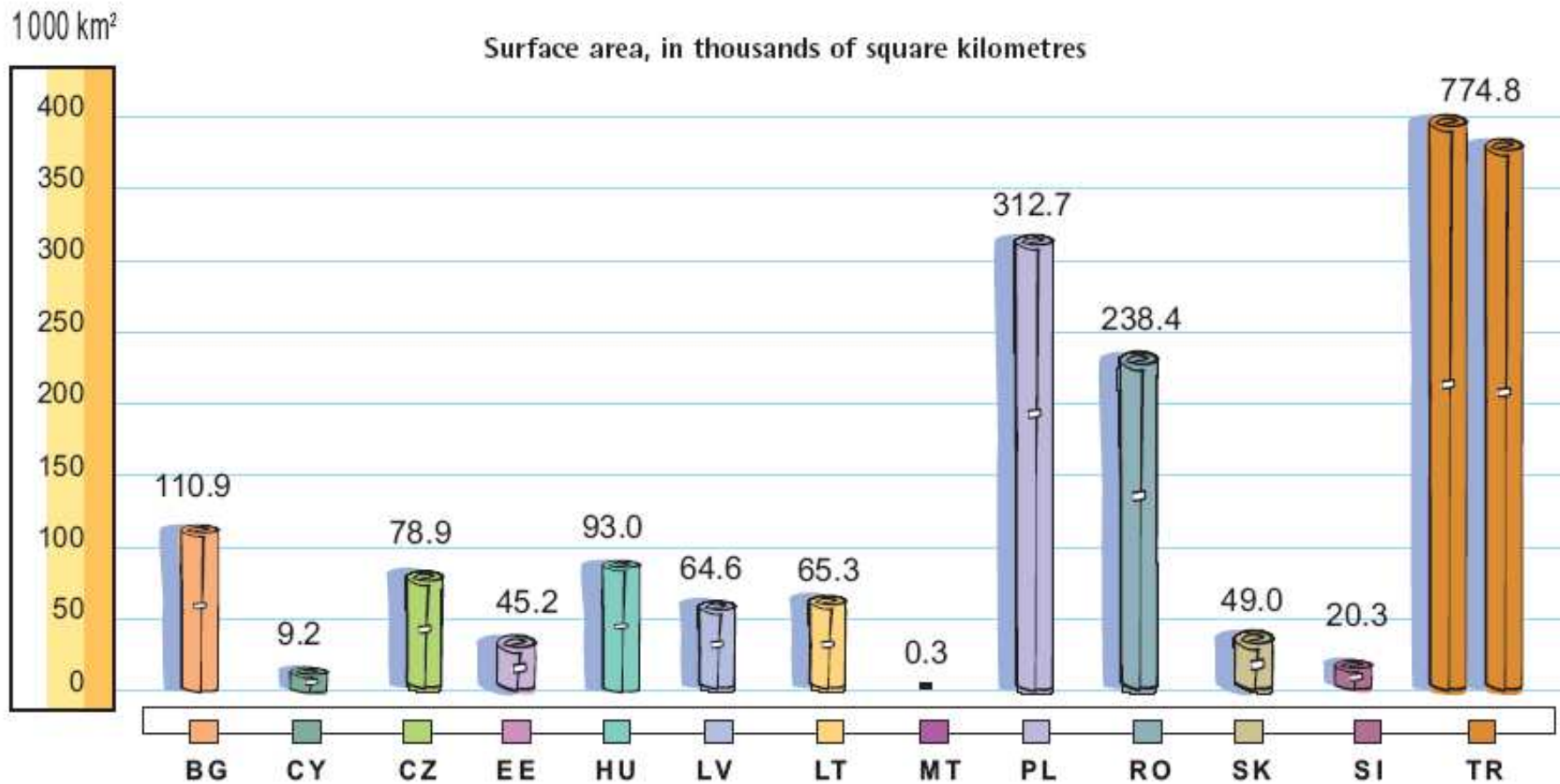


Source: Eurostat

Source: Key facts and figures about the EU, European Commission

The EU today

Population



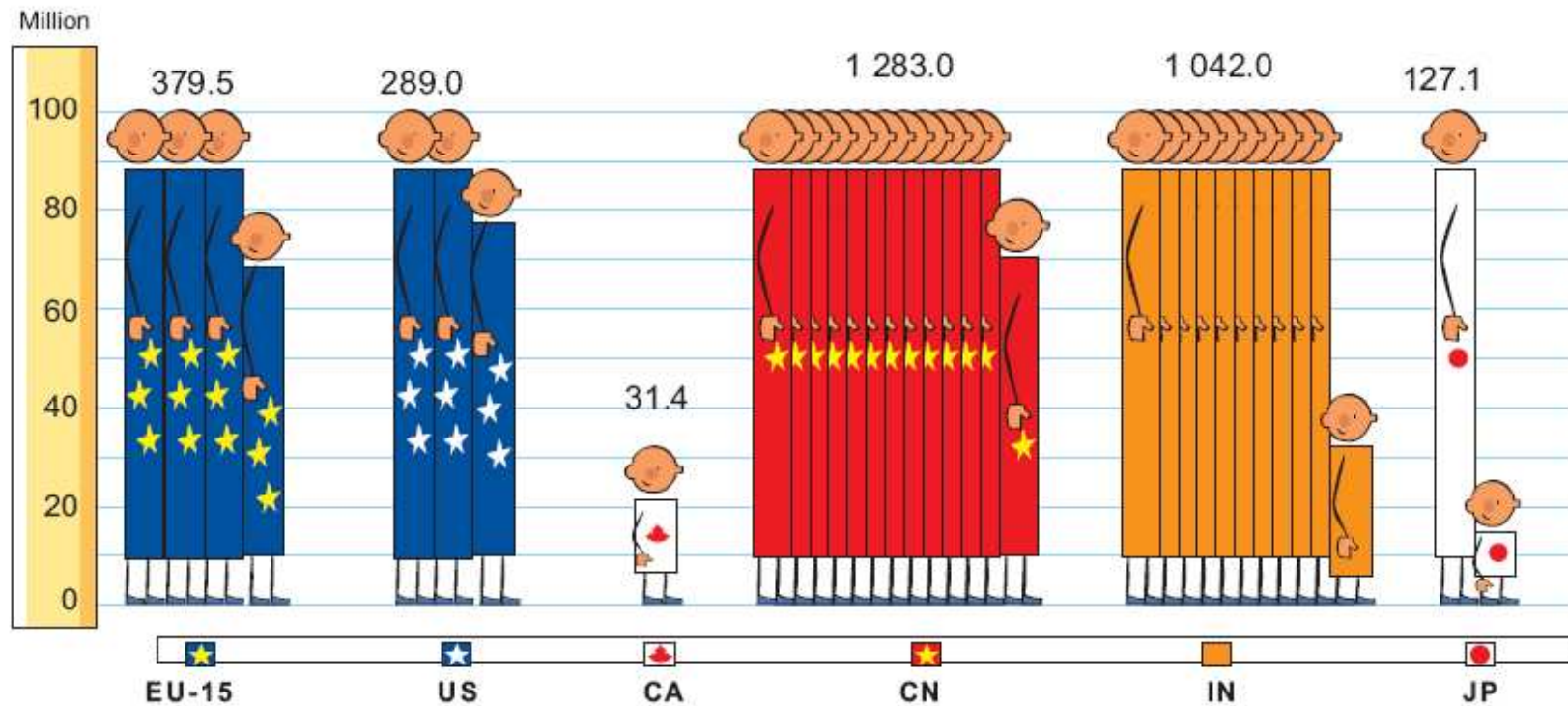
Source: Eurostat

Source: Key facts and figures about the EU, European Commission

The EU today

Population

Population of the EU-15 and five other countries in 2003, measured in millions of people

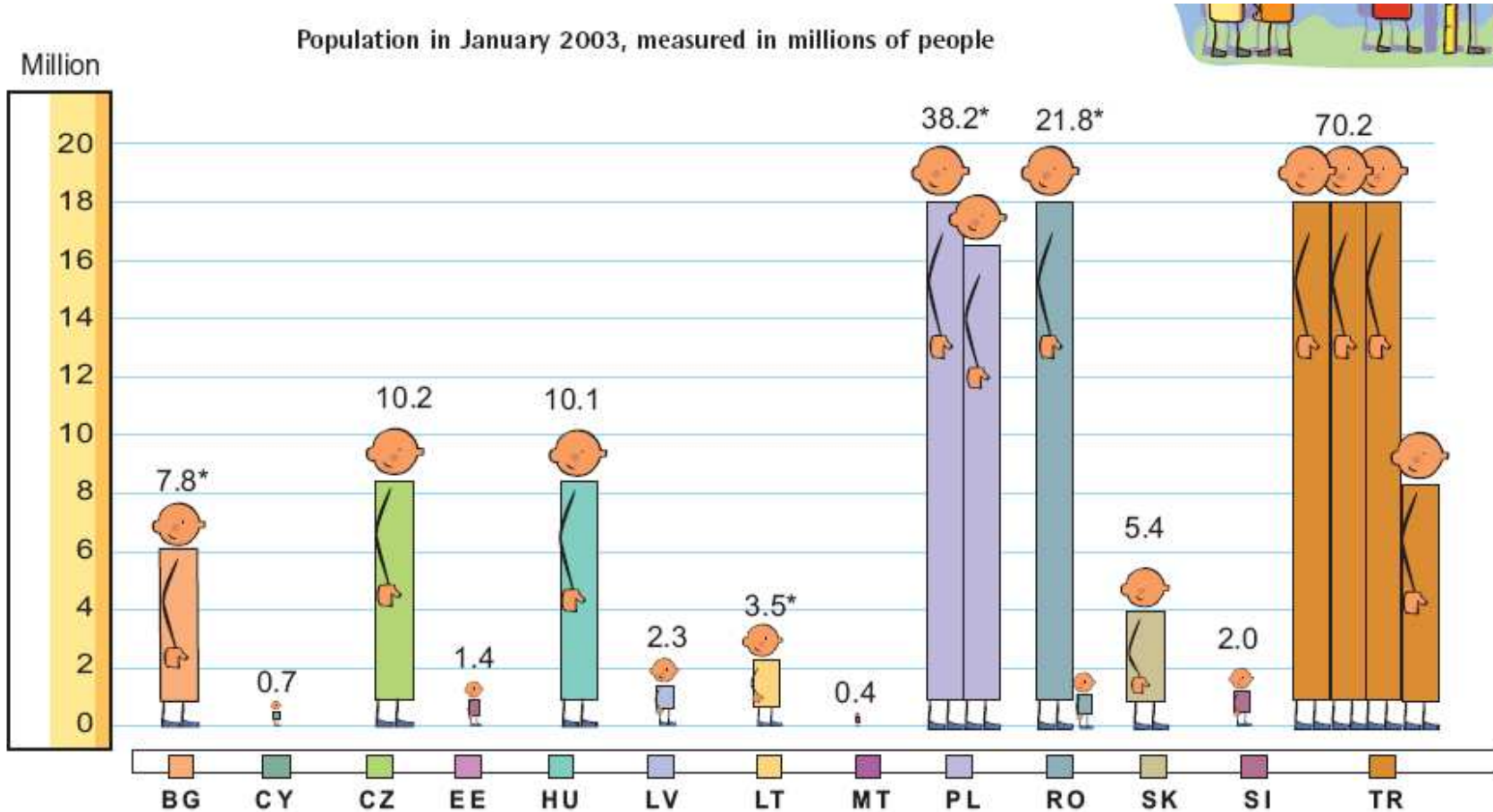


The figure for Canada is for 2002.
Source: Eurostat and the World Bank.

Source: Key facts and figures about the EU, European Commission

The EU today

Population

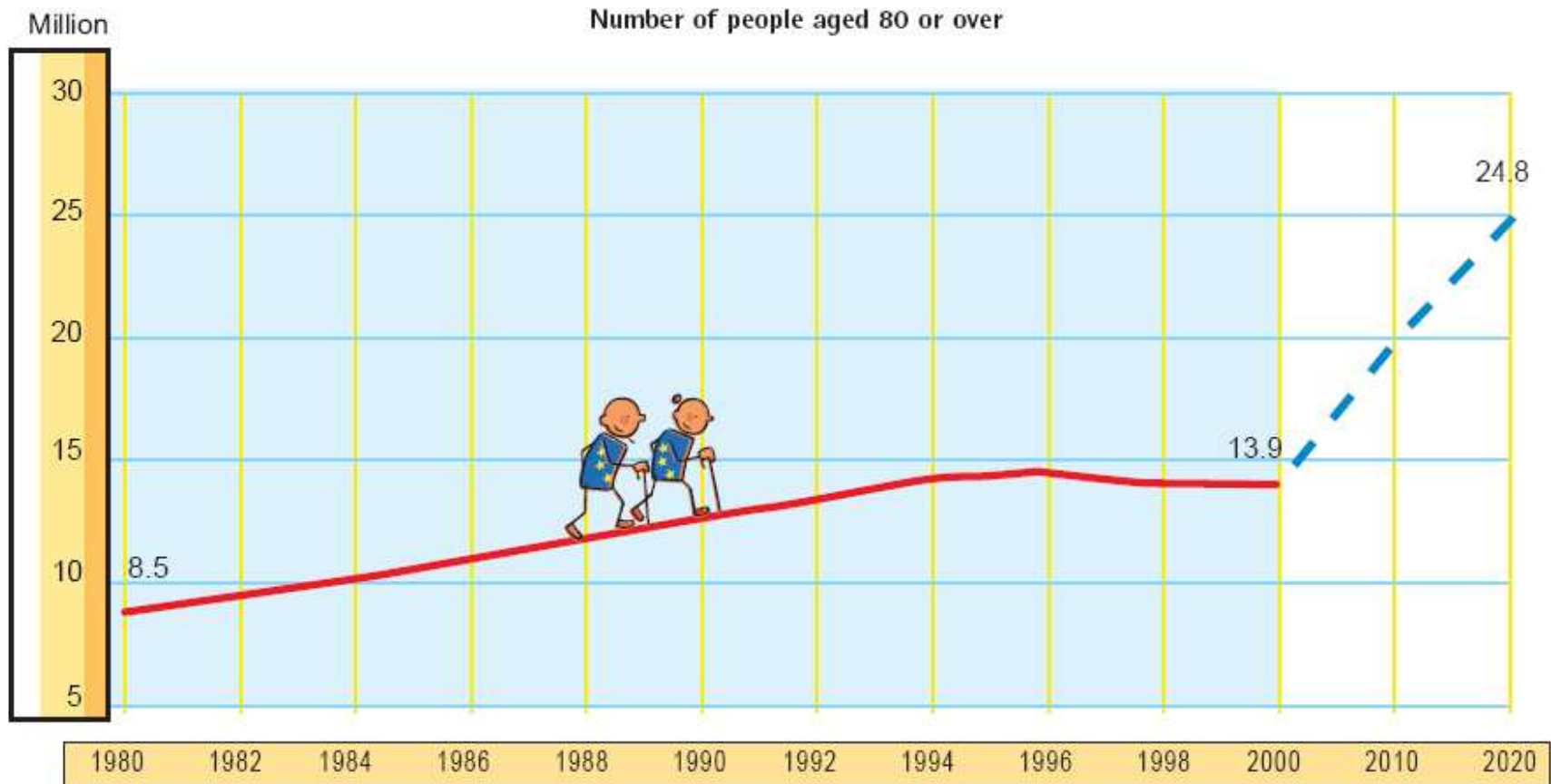


Source: Eurostat

Source: Key facts and figures about the EU, European Commission

The EU today

Ageing

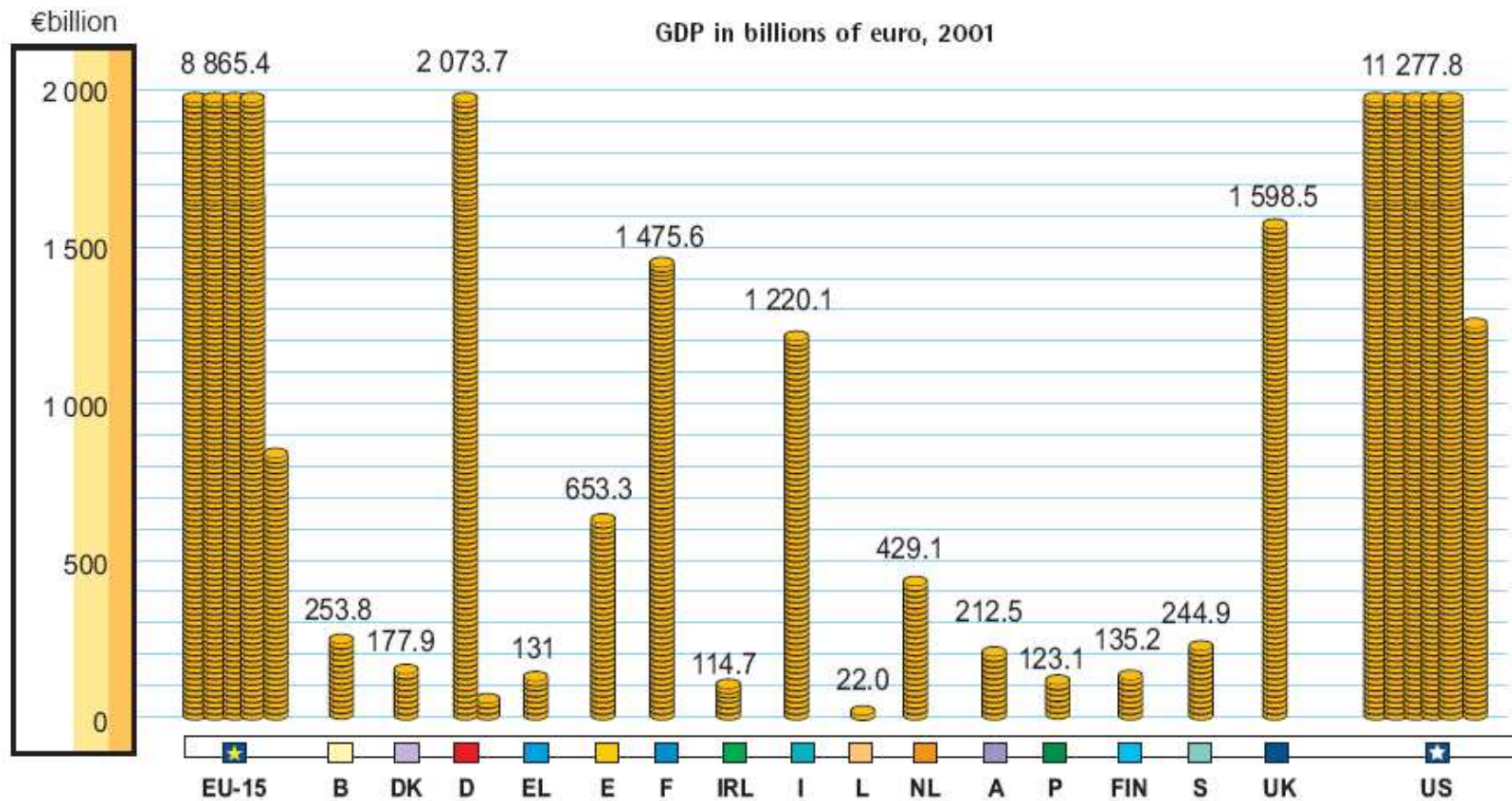


Source: Eurostat

Source: Key facts and figures about the EU, European Commission

The EU today

Economy

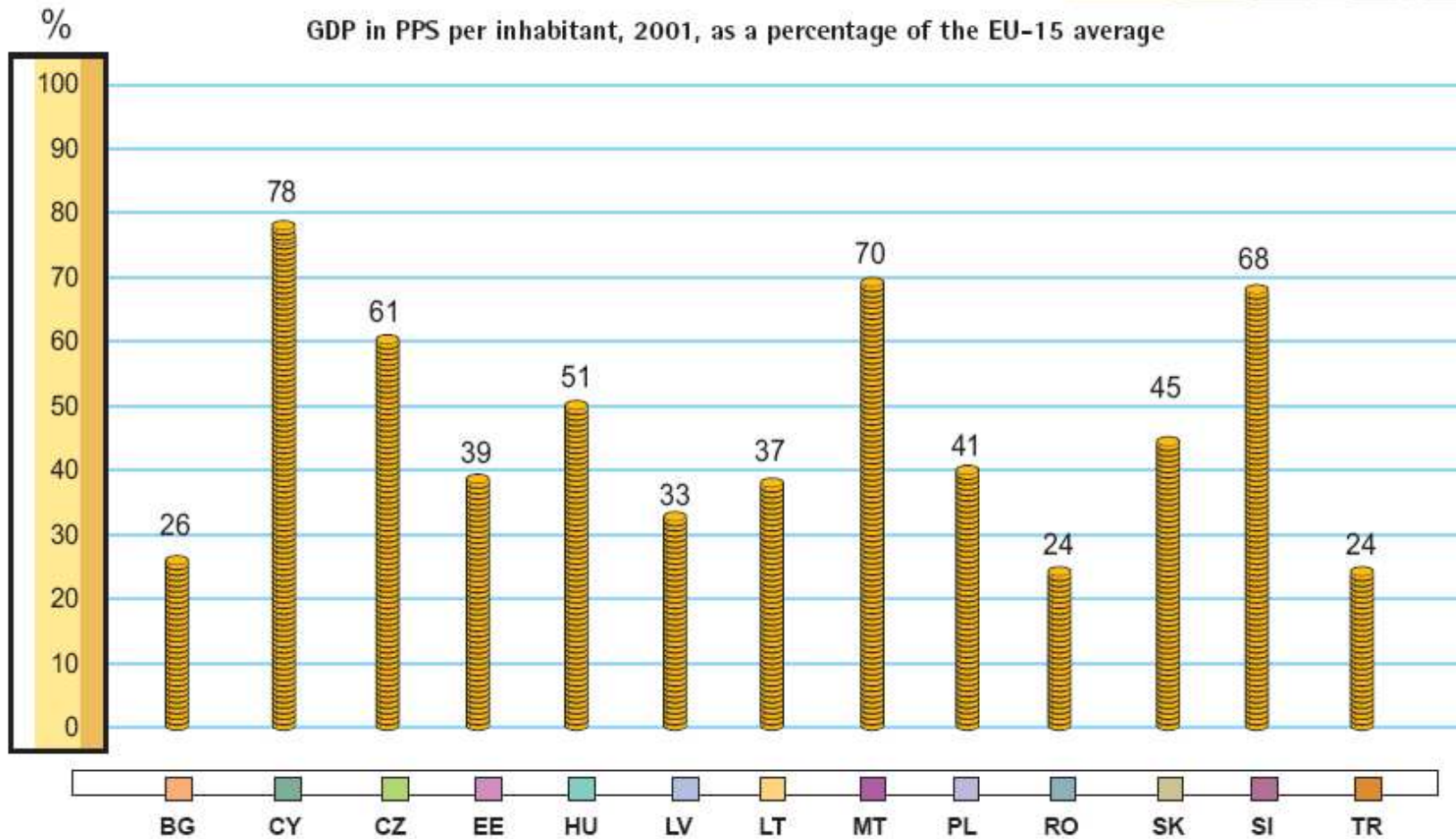


Source: Eurostat

Source: Key facts and figures about the EU, European Commission

The EU today

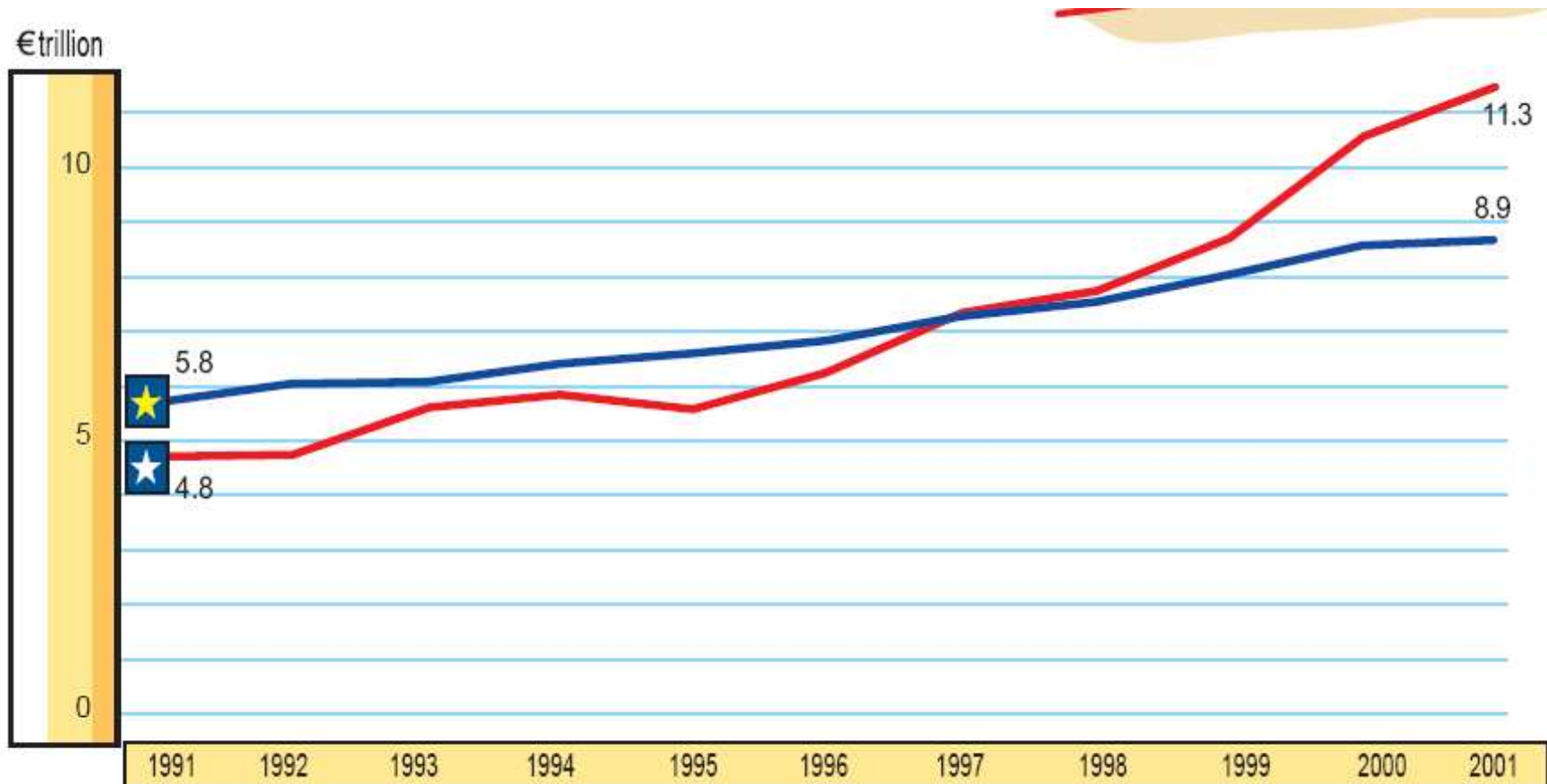
Economy



Source: Key facts and figures about the EU, European Commission

The EU today

Economy



Source: Eurostat

Source: Key facts and figures about the EU, European Commission

Integration as a solution

1. Economic integration
2. Political integration
3. Social integration

Economics of EU integration

1. Process of economic integration
2. Competitiveness
 - Expected gains
 - Has integration delivered?
3. Cohesion
 - National and regional disparities
 - Justification and assessment of regional policy

What is economic integration?

Starting point – sovereign nation states

- Regulate domestic production, labour, financial markets and trade
- Set taxes on labour and goods (income, VAT)
- Set interest rates
- Control international movement of goods (imports/exports), people (migration) and money (currency exchange)

Economic integration is the removal of these powers

Barriers to movement of goods

- Trade policy instruments – tariffs etc
- Transport impediments – border checks etc
- Differences in technical and safety regs
- Public sector procurement policies
- Protection of strategic industries
- Different currencies and uncertainty

Barriers to movement of people

- Immigration and labour controls
- Different incomes
- Different labour market regulations and social benefits
- Non-recognition of qualifications

The stages of economic integration

- **Free trade areas:**
 - Free trade between members, different external tariffs
 - Little or no institutional co-ordination
- **Customs union:**
 - Free trade between members and common external trade restriction
 - Common regulatory bodies
- **Common (or single) markets:**
 - Removal of all barriers to free factor mobility
 - Free mobility of goods, capital, labour, and services
 - Greater level of regulation and strong institutions to monitor decisions adopted by member states

The stages of economic integration (II)

- **Economic union:**
 - Harmonisation of economic policies (generally monetary or fiscal policy)
 - Members give up powers. Strong central institutions which dictate common economic policy
- **Complete economic integration:**
 - All economic policy areas are harmonised
 - The capacity of states to implement independent policies disappears
 - Central institutions become the centres of economic decision-making

Economic Integration vs Trade Liberalisation

- Discriminatory
- Goes further
 - EU rare in actually getting beyond FTA
 - Most don't even make it to CU
 - 1st example of common market agreed among sovereign states

The stages of economic integration in the EU

Level of integration	Main features	Period
Free trade area	Free trade among members	From 1958 to the early 1960s
Customs union	Free trade with a common external tariff	In theory from 1958, in reality from the early 1960s until 1993
Common market	Free mobility of factors across member states	1993-1999
Economic union	Harmonization of economic policy	Early stages in 1993. Partial economic union in 1999
Economic integration	Completely unified economic policy	Not yet achieved