

# The Economics of European Integration

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## Chapter 1

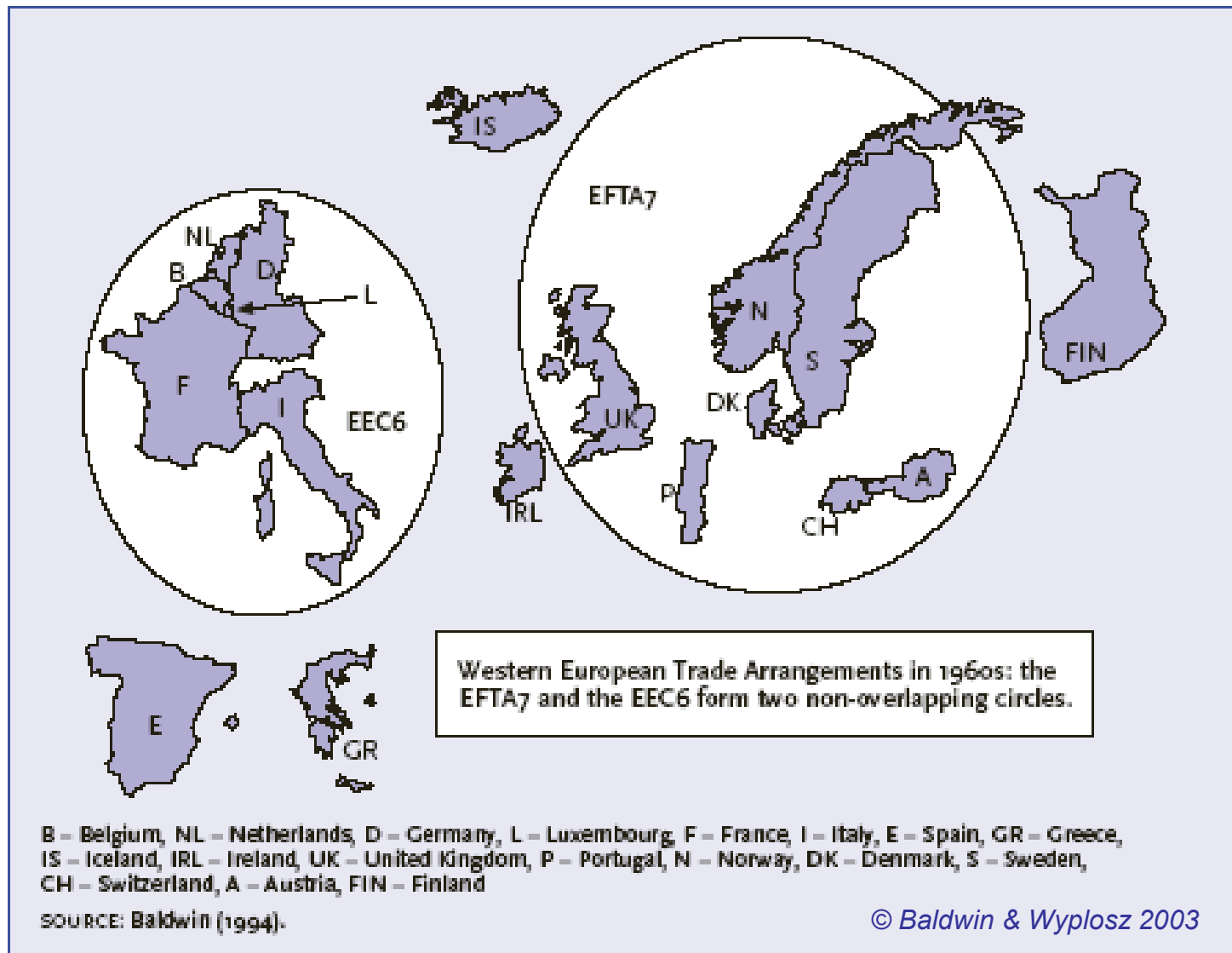
### History

# European integration

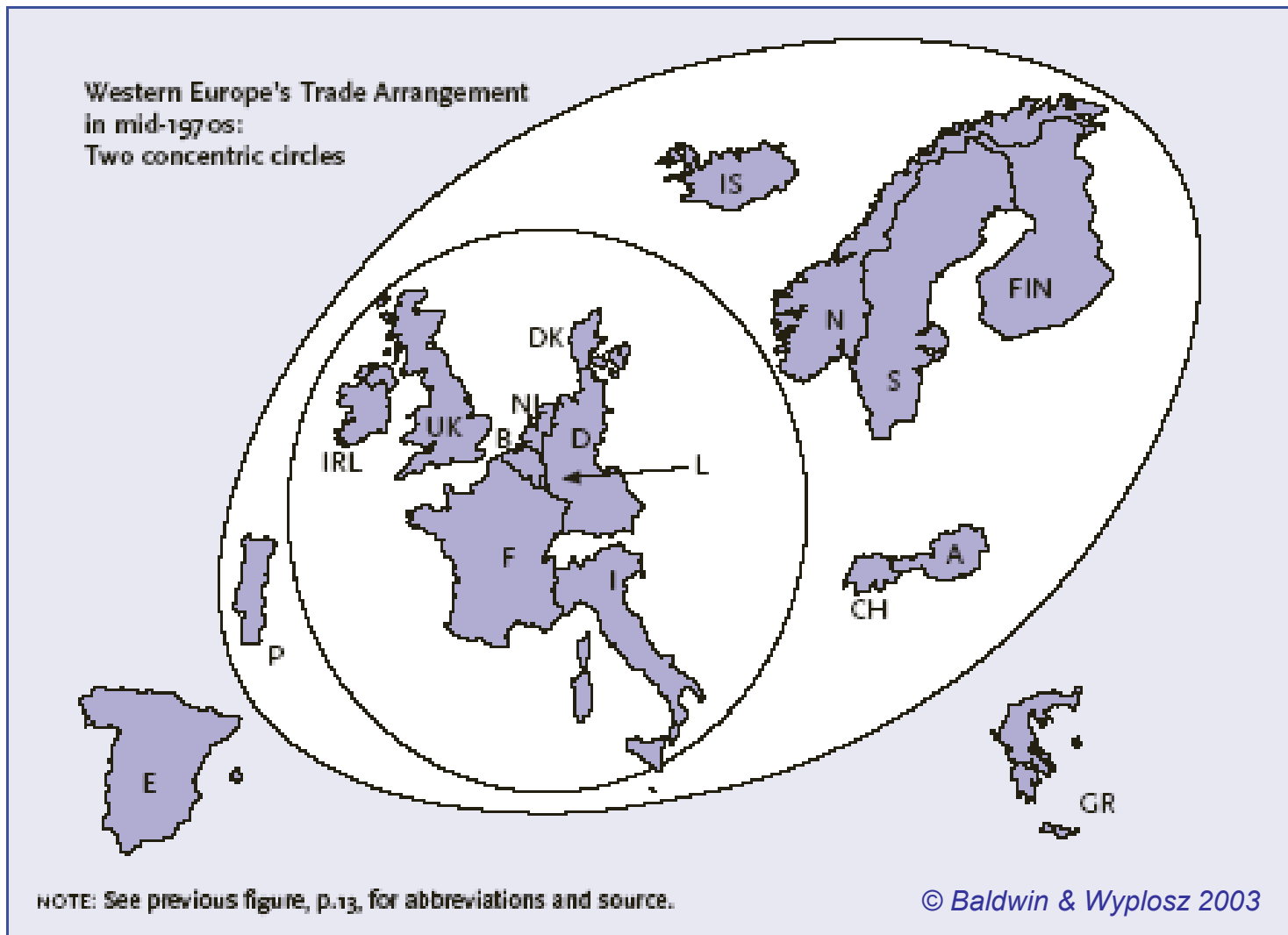
- Driven by political factors
  - Prevent another war
  - Share the fruits of integration with newly democratized CEECs
- By economic means, with 3 big increases.
  - Customs Union (Treaty of Rome 1957): eliminate tariffs and quotas on intra-EU trade
  - Single Market (1986-1992): eliminate non tariff barriers and liberalize capital flows within EU
  - Economic and Monetary Union (Maastricht Treaty 1992): one money (€)

- EU integration triggered reaction by non members
  - European Free Trade Arrangement
  - Incentives to join EEC
- First enlargement, 1973: Domino effect 1
  - UK, Denmark, Ireland and Norway admitted (Norwegians say no in referendum).
  - remaining EFTAs sign Free-Trade agreements with EEC-9

# 1960–1973: two non-overlapping circles



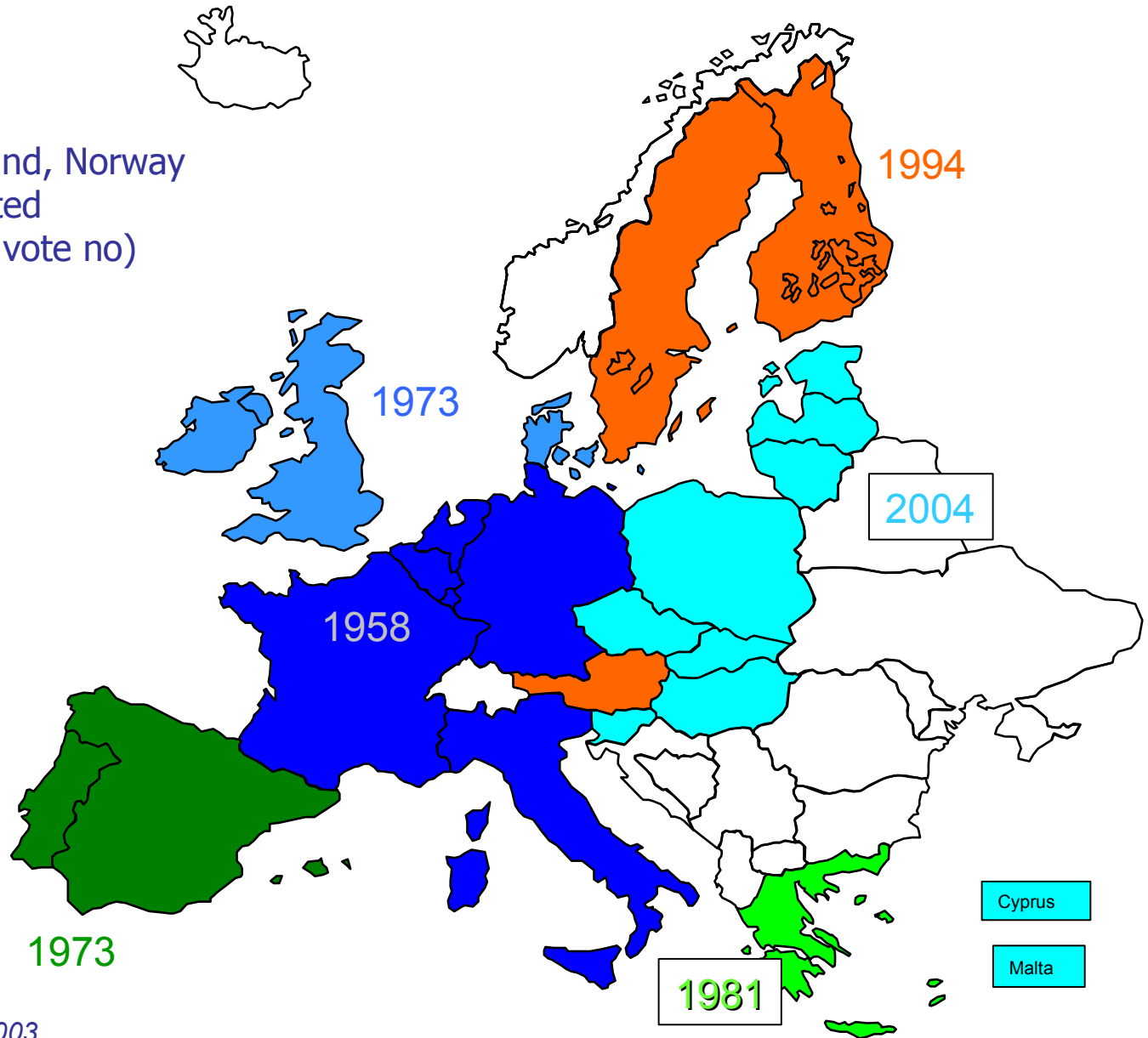
# Evolution to Two Concentric Circles in mid 1970s



- Single European Act + end of Cold War
  - ‘force for inclusion’ in remaining EFTAs
  - EEA – initiative to extend single market to EFTAs
  - membership applications by all EFTAs except Iceland: domino effect 2.
- Concentric circles, but both deeper.
- Signing of ‘Europe Agreements’ with newly free CEECs + inclusion (Copenhagen 1993 - 2002)

# Fourth Enlargement

- 1994, Austria, Finland, Norway and Sweden admitted (Norwegians again vote no)



# Course outline: the microeconomics of European Integration

- How markets works → microeconomics
- Effects of trade barriers, customs unions, free trade areas, discriminatory liberalization
- Links between liberalization and efficiency in production, competition policy
- Capital accumulation effects of integration