

OLLSCOIL NA hEIREANN, GAILLIMH
THE NATIONAL UNIVERSITY OF IRELAND, GALWAY

SUMMER EXAMINATIONS, 2001-2002

EC353 EUROPEAN ECONOMY

Third Year

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Time allowed: TWO hours.

Section A

Answer FIVE of the following questions. Each Question is worth 10 points.

1. How can the welfare implications of forming a customs union depend on trade creation and trade diversion.
2. How are the inherent problems of a Free Trade Area overcome in a customs union?
3. What are the motivating factors for moving from a fixed currency peg to a monetary union.
4. Which European countries are currently members of the European Union (EU), which of these are the original six member states of the European Economic Community?
5. Name the main Funds of the European Union and briefly describe their function.
6. How has FDI influenced the recent economic developments in Ireland?
7. Briefly describe the structure and tasks of the World Trade Organisation (WTO). How does the WTO relate to the General Agreement on Tariffs and Trade (GATT)? What role does the EU play in the WTO?
8. Agriculture has received substantial government support in the USA, Japan and the EU. Why is the agricultural sector in need of support in all these industrialised economies?
9. Name three candidate countries for accession to the EU. Which trading block did many eastern European countries previously belong to? Why did they not attempt to join the EEC or the EU at an earlier date?
10. If there is a democratic deficit in the EU, what majority should be represented?

Section B

Answer TWO of the following questions. Each Question is worth 50 points.

1. Describe the history and Structure of the European Union. Pay particular attention to the following points:
 - a.) What are the main institutions of the European Union and how have they changed during its evolution?
 - b.) What were the role of the Treaty of Rome, the single European Act and the Maastricht Treaty?
 - c.) How did the relationship between the EU/EEC with other European Trading blocks change over time?
2. The largest expenditure item in the European Union's budget is the Common Agricultural Policy (CAP). Considering the changing role and nature of this policy objective comment on the following:
 - a.) How did the CAP function with respect to external markets? What are the welfare effects of this policy from a European perspective?
 - b.) The absolute amount of spending on the CAP has increased consistently and yet the objective of stabilising farmers' income remains elusive. How can this be explained considering the underlying influence of the market process in a situation of sustained economic growth.
 - c.) What attempts have been made at reforming the CAP? Why is this issue important in the context of international trade negotiations?
3. The year 2002 saw the completion of European Monetary Union (EMU). Outline the development of EMU considering:
 - a.) Formal currency agreements between EU/EEC member states prior to EMU. What was the role of the Maastricht criteria? What are the institutional arrangements underlying EMU?
 - b.) What does a fixed peg or a currency union imply for monetary policy?
 - c.) What are the advantages and disadvantages of joining a common currency?
4. The European Union has expanded to embrace most western European countries and is economically linked to others via trade agreements. A number of East European countries have now applied for membership.
 - a.) What are the main characteristics of the candidate countries, considering mainly those whose entry is imminent?
 - b.) What incentives do candidate countries have for entry? How can their experiences be expected to differ from those of past entrants to the EU.
 - c.) What problems are the existing member countries facing in the context of enlargement?
5. Regional integration of the EU has taken place against the background of economic liberalisation on a global scale. In this context, what conflicts have arisen
 - a.) between the EU and other OECD countries
 - b.) between the EU and developing countries?
 - c.) What does globalisation imply for the welfare state in its traditional form?