

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

AUTUMN 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. Classic trade theory predicts that welfare improvements should result from free trade. Will the same be true if a country starts to trade within a customs union?
2. How are tariffs defined in a Free Trade Area and in a Customs Union?
3. Why are currency reserve holdings important under a fixed currency peg.
4. Which of the following countries is not a member of the European Union which was a founder member?
Italy, Ireland, Norway, Sweden, Finland, Denmark, Spain, Greece.
5. Which of the following is the main legislative body of the EU: The Commission, The Council (of Ministers) or the European Parliament.
6. Why can't new candidate countries offer the same tax incentives for investment as Ireland did?
7. How are EU member countries represented in the WTO? How does the WTO differ from GATT?
8. What does Engel's law predict for the demand for agricultural products in growing economies?
9. The 12 candidate countries currently engaged in accession negotiations with the EU are sometimes categorised into two groups of six countries. Which groups are these?
10. Which common policy accounts for the largest part of the EU budget?

Section B

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

1. Regarding the history and Structure of the European Union. Answer the following questions:
 - a.) What are the main institutions of the European Union and what are their tasks?
 - b.) What were the main changes introduced in the Treaty of Rome, the single European Act, the Schengen Treaty and the Maastricht Treaty?
 - c.) How did the relationship between the EU/EEC with EFTA develop over time?

2. The European Union's Agricultural sector has been receiving substantial support under the Common Agricultural Policy (CAP). Considering the changing role and nature of this policy objective comment on the following:
 - a.) How did the CAP-price support mechanism function in its original form?
 - b.) What are the welfare implications of the CAP in a European context.
 - c.) Why has the CAP led to conflicts between the EU and other trading partners?

3. The year 2002 saw the completion of European Monetary Union (EMU). Outline the development of EMU considering the questions below:
 - a.) The role of the Maastricht Criteria: what where those criteria meant to achieve?
 - b.) In the growth and stability pact the Maastricht criteria were extended beyond the introduction of the common currency. Explain why.
 - c.) What do a currency union as well as a currency peg imply for a country's Monetary Policy?

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 economic characteristics of Eastern European candidate countries considering Poland, Hungary and the Czech Republic in particular?
 - b.) Considering present agreements between the EU and candidate countries, what are the main incentives for EU entry?
 - c.) How do you expect EMU to affect the candidate countries?

5. Regional integration of the EU has taken place against the background of economic liberalisation on a global scale. In this context, explain
 - a.) what has been the effect of the common agricultural policy on world agricultural commodity prices?
 - b.) what are the implications of EU protectionism for developing countries more generally?
 - c.) How can global economic integration affect the wages of low skilled workers ?