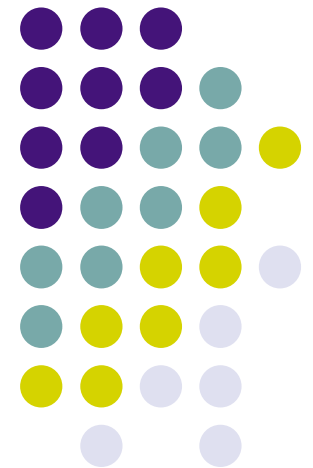
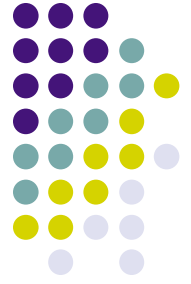


Trade Liberalization and Labor Mobility in Europe

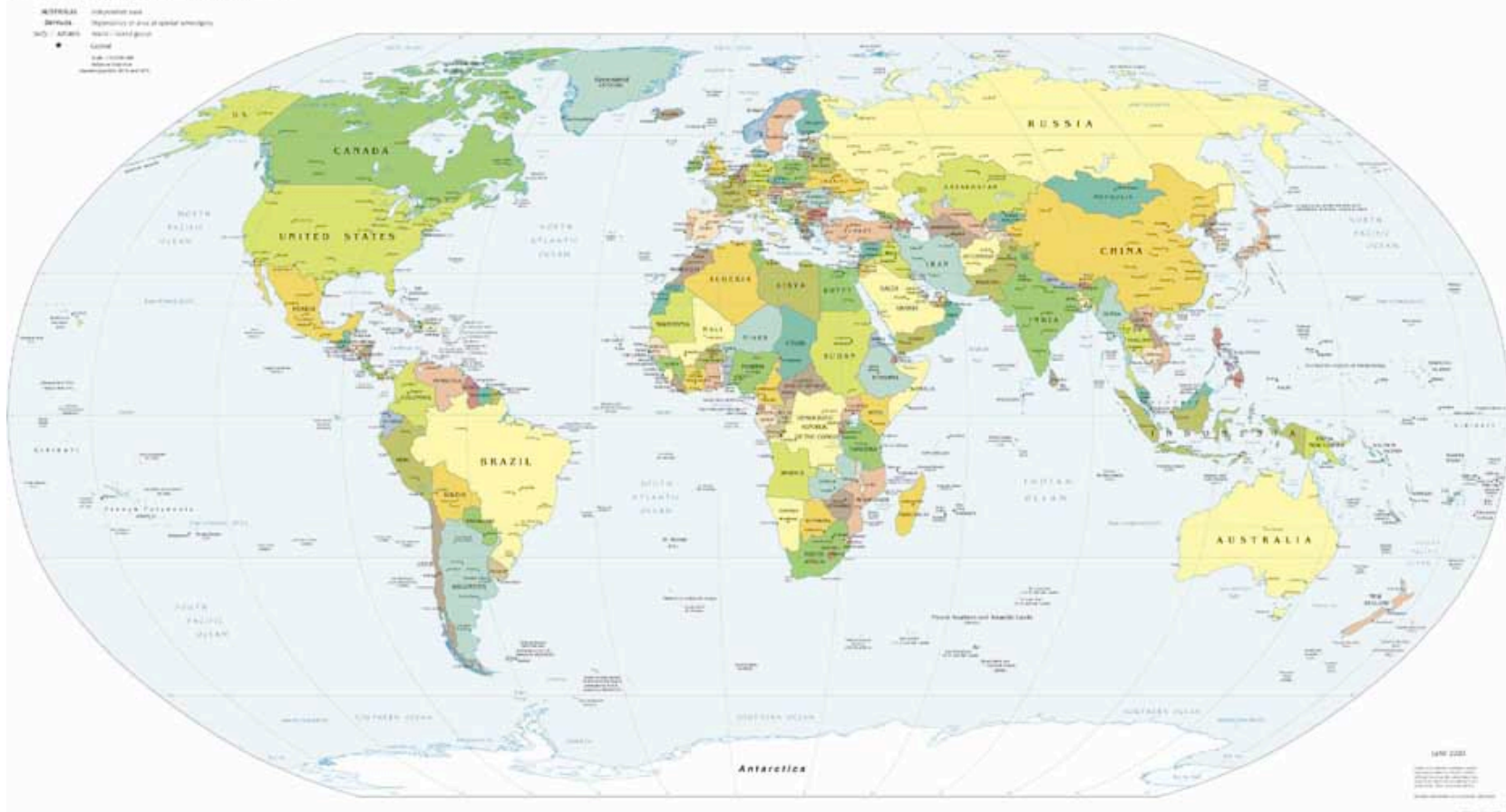
Radek Stefański, 2006



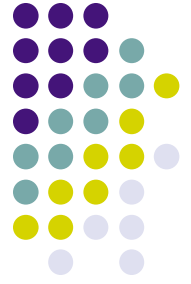
About me:



Political Map of the World, June 2003

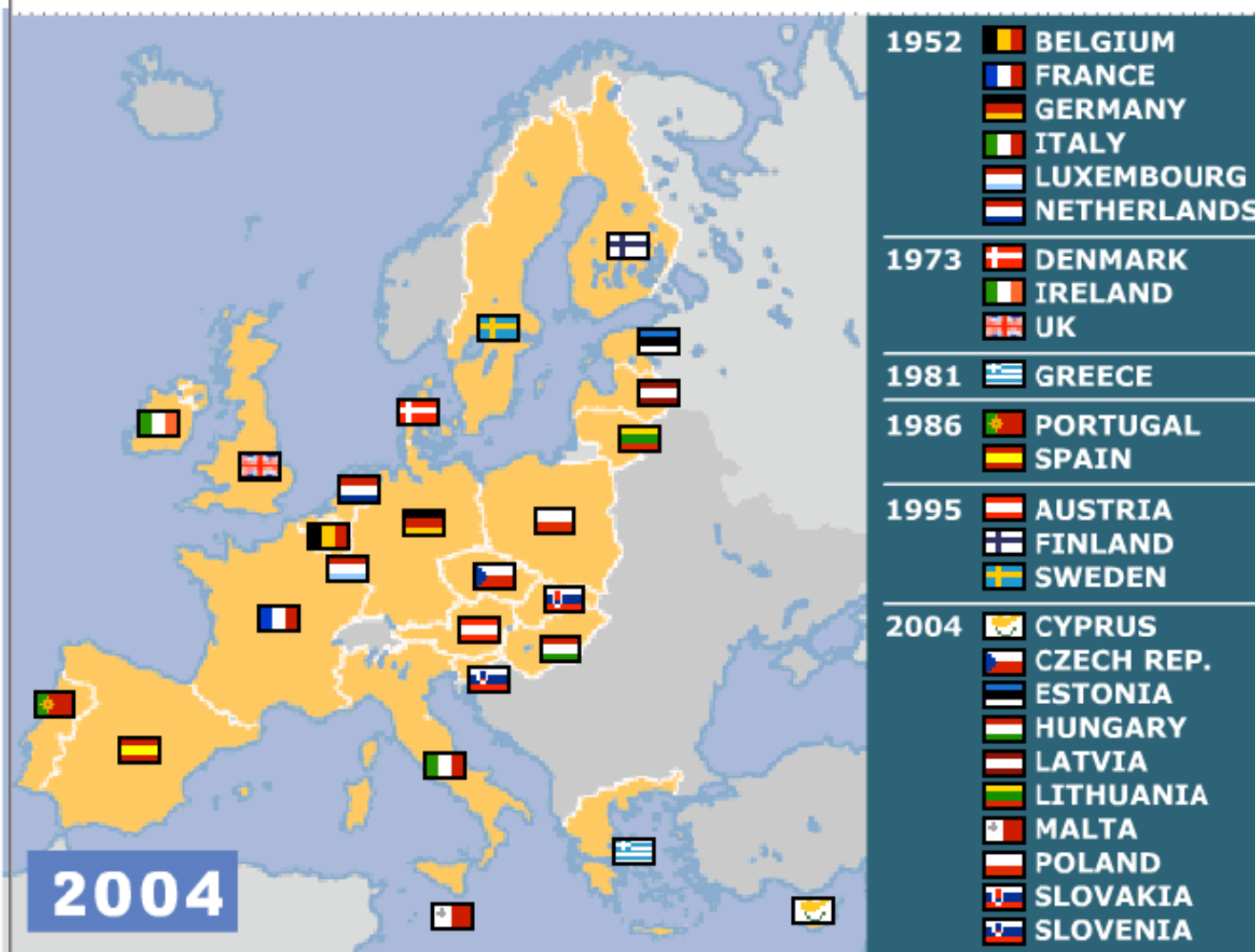


What is the European Union?

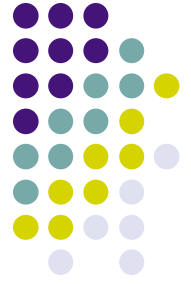


- Hard to say...
- A hybrid intergovernmental and supranational organization!
- Eh?
- Not quite a federation BUT much more than a trade block (like NAFTA or ASEAN)

Enlargement:



+Bulgaria and Romania in 2007. Total 27 Members



From EEC to EU

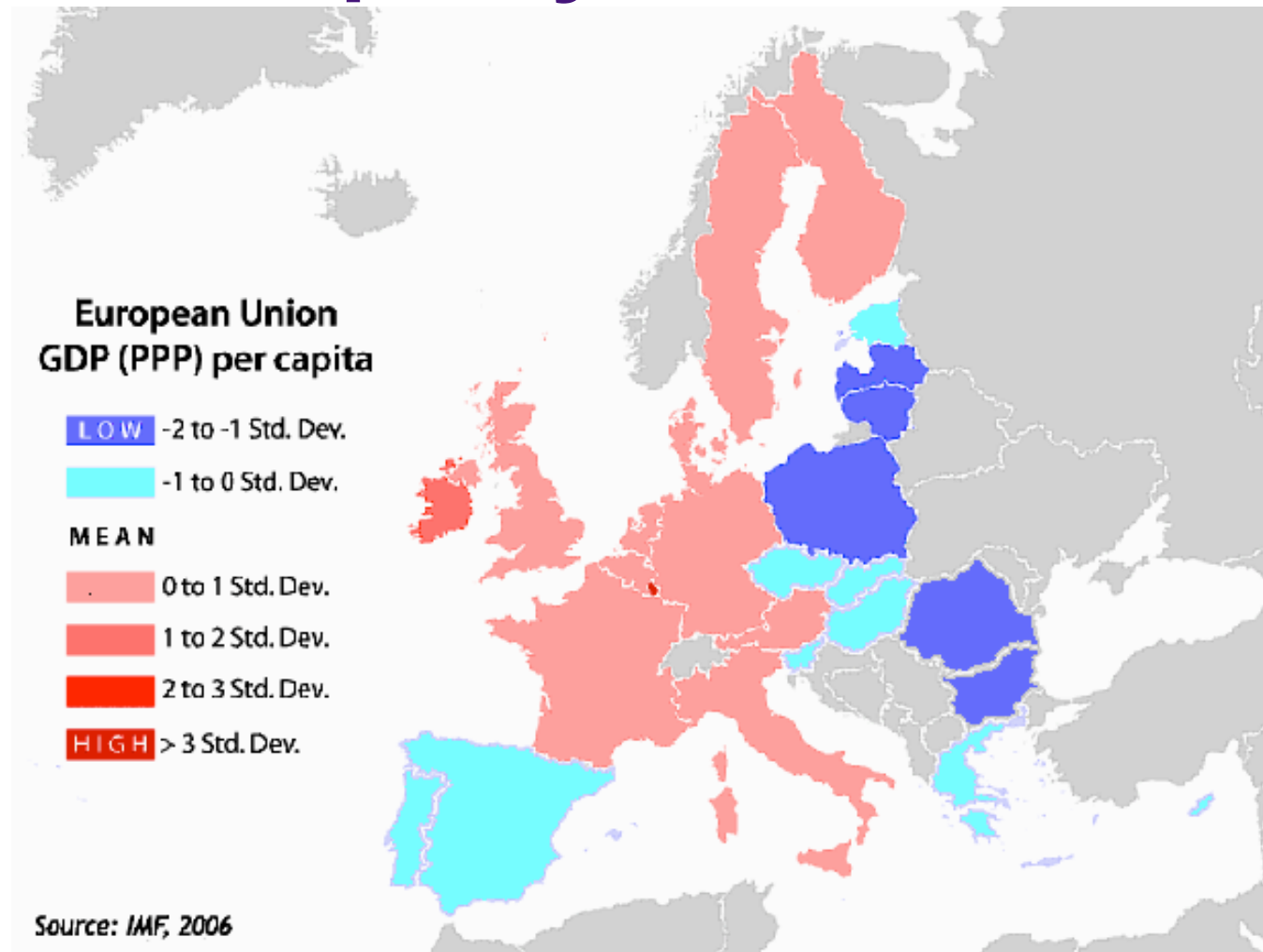
- European Coal and Steel Community (Paris 1952)
 - France, West Germany, Italy, Benelux
- European Economic Community (Rome 1958)
 - First Customs Union
- European Community (Brussels 1967)
 - Commission, Council of Ministers, European Parliament
- European Union (Maastricht 1992)
 - Foreign/Defense Policies, Judicial/Internal affairs, economic/monetary Union

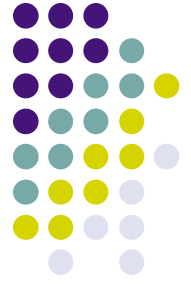


The EU in numbers:

	EU	US
Population	494,070,000	298,444,215
Area	1,669,807 sq mi	3,718,695 sq mi
GDP (Real, 2006)	\$15.37 trillion	\$13.22 trillion
GDP/capita (2006)	\$31,120	\$44,333
HDI (2003)	0.922	0.944
All time Olympic Medals	6956	2539

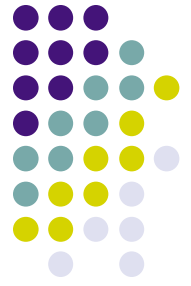
Wide disparity within EU





Internal Aspects:

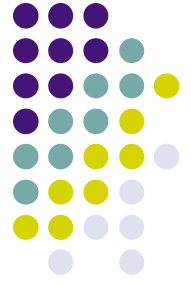
- Single Market - *Customs union with common policies on product regulation and freedom of movement of all four factors of production (goods, services, capital and labor)*
- Free trade of goods, services, capital and labor among member states
 - The Schengen treaty – no borders
 - Freedom for citizens to live and work anywhere within EU
- Competition law, harmonization of government regulations, trademark registrations.



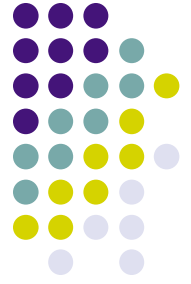
Internal Aspects Continued:

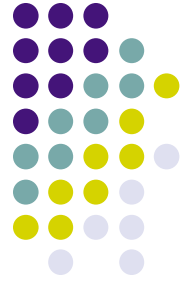
- Environmental Policy
- Common Agricultural Policy (HUGE!)
- Structural and Cohesion Funds
 - Allows poorer regions to catch up!
- Aviation
- Eurozone - a single currency area (started in 1999) with the euro (€) as currency (launched 2002)

The Euro:



The Euro:

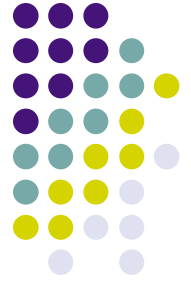




External Aspects:

- Common external customs tariff, common position in international trade negotiations
- Funding for development programs in candidate countries
- Single market aviation area
- European Defense Agency
- In the future: Common Foreign Policy

Has the EU been a success?

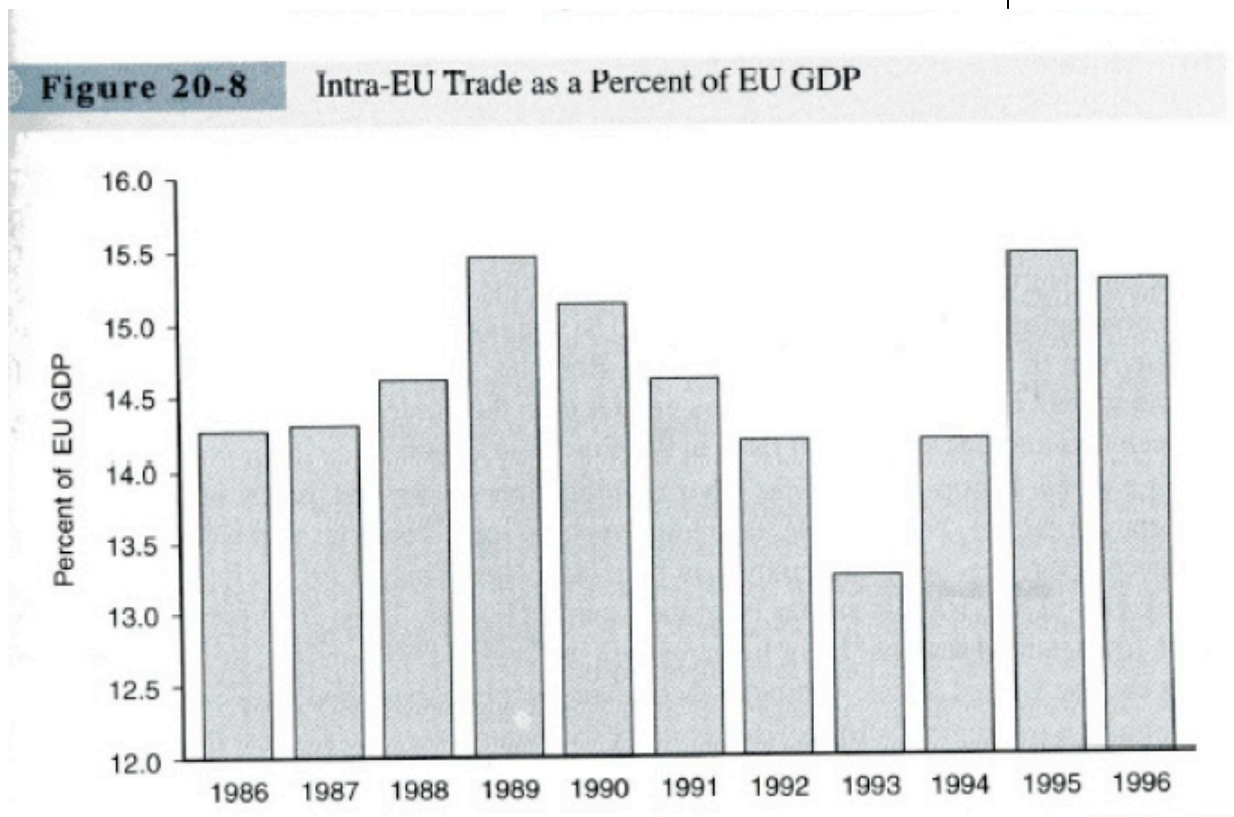


- To evaluate this statement we will consider how the EU has affected:
 - Trade Liberalization
 - Labor Mobility
- We consider these since from above we see that this is where the EU could have had the largest potential impact



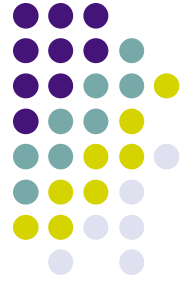
Trade Liberalization

- Members trade 13-20% of their output with other EU members
- More than EU-US trade ($\pm 2\%$)
- Significantly less than inter-state trade in US
- NO significant trend



Trade of EU countries with other EU countries has shown no trend since the late 1980s and has remained between 10 and 20 percent of GDP on average. In constructing the figure, the extent of an EU country's trade with EU members is defined as the average of its imports from and exports to other EU countries. The numbers shown are calculated from total intra-EU trade (for all EU members) divided by the total GDP of the EU.

Source: Eurostat Yearbook, 1997.



Trade Lib. - What is going on?

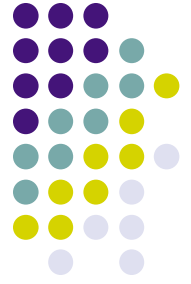
- How big would trade be without EU?
- Possible other reasons:
 - 📁 Maybe *richer/older* economies already integrated!
 - So only new members will see trade grow. This is true
 - 📄 Different currencies make it difficult to trade?
 - Introduction of euro should help – but it hasn't!
 - 📄 Regulations
 - “national champion industries”



Labor Mobility

- Schengen zone abolishes border controls in 1992
- Citizens can live, work and even vote (for local govt.) in all EU (with some exceptions)
- BUT EU labor has not been very mobile (so far)!
- In fact, even *within* countries labor has been very stationary!

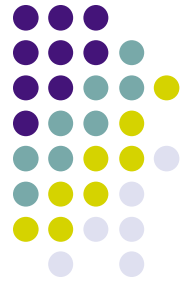
People Changing Region of Residence (% of pop.) 1998					
UK	Fr	Ger	It	Jp.	US
2.3	1.5	1.2	0.5	2.4	2.4



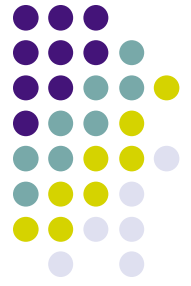
Why such a low mobility?

- Main barriers are NOT borders but language, culture, family, uncertainty etc.
- Also much of the 'old' EU has similar levels of wealth/output (so why move?)
 - During 'Southern Expansion' also limited migration

A new hope: 2004 expansion

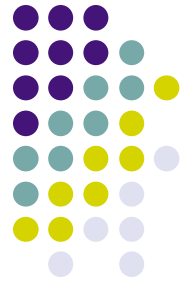


- In 2004, the EU expanded by 10 – mostly Central European nations
- Most ‘old’ EU countries implemented a ‘transition period’ to prevent an influx of migrants
- BUT Sweden, UK and Ireland did not
- Let us examine the effects



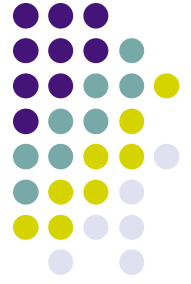
The effects I:

- Up to 400,000 have emigrated to the UK (mostly from Poland) in 2004-2005
- In one year since EU enlargement: 5% of Irish workforce is now Central European (mostly Polish)!
- Both the UK and Irish economies have benefited (both have v. high growth rates)



The effects II:

- Many migrants are highly educated (University or above), young people
- Jobs overseas relatively high paying BUT very low skilled
- Brain drain effect – potentially very harmful
- People in UK, Ireland etc. calling for immigration reform – work permits for Romania/Bulgaria



Conclusions

- EU has made life easier for thousands of people
- It has promoted peace, stability and economic development throughout Europe
- People may grumble but nearly 60% of EU citizens support the EU! (compare with Bush approval ratings)
- However, the future is uncertain:
 - Closer integration (federation, constitution)
 - Trade bloc