

Economics of European Integration

2007- 2008

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Course overview

This course analyses the economic process of European integration, stressing the main stages of integration both from the microeconomic and the macroeconomic point of view. The aim is to allow the student to understand the basic structure of the European Union and its most important policies.

Prerequisite: prior completion of basic microeconomics and macroeconomics courses.

Reading list:

- Artis, M., Nixson, F., (from now on AN), *The Economics of the European Union*, Third Edition, Oxford University Press, 2001.
- Baldwin, R., Wyplosz, C., (from now on BW), *The Economics of European Integration*, McGraw-Hill, 2006
- De Grauwe, P., (from now on DG), *Economics of Monetary Union*, Oxford University Press, 2005
- Senior Nello, S., (from now on SN), *The European Union*, McGraw-Hill, 2005

rogramme

- . Europe in the world economy (SN ch.1; BW ch.2)
 - . Historical evolution of European economic integration (SN ch.2; BW ch.1; AN ch.1)
 - . The community institutions and the budget (SN ch.3, 9; BW ch.2)
 - . The customs union and the common external tariff (SN ch.1, 4, 5; BW ch.4, 5; AN ch.3)
 - . The EU and the WTO (SN ch.17)
 - . The Common Agricultural Policy and its reform (SN ch.10; BW ch.9; AN ch.5)
 - . The internal market and the problem of its completion (SN ch.6; BW ch.6, 7)
 - . The European Union's competitiveness vis-à-vis the USA and Japan. (SN ch.15; AN ch.6)
 - . European monetary integration: from EMS to Euro (SN ch.8; AN ch.12)
0. The theory of Optimum Currency Areas and the costs of a common currency compared to its benefits (SN ch.8; DG ch.1, 2, 3, 4)

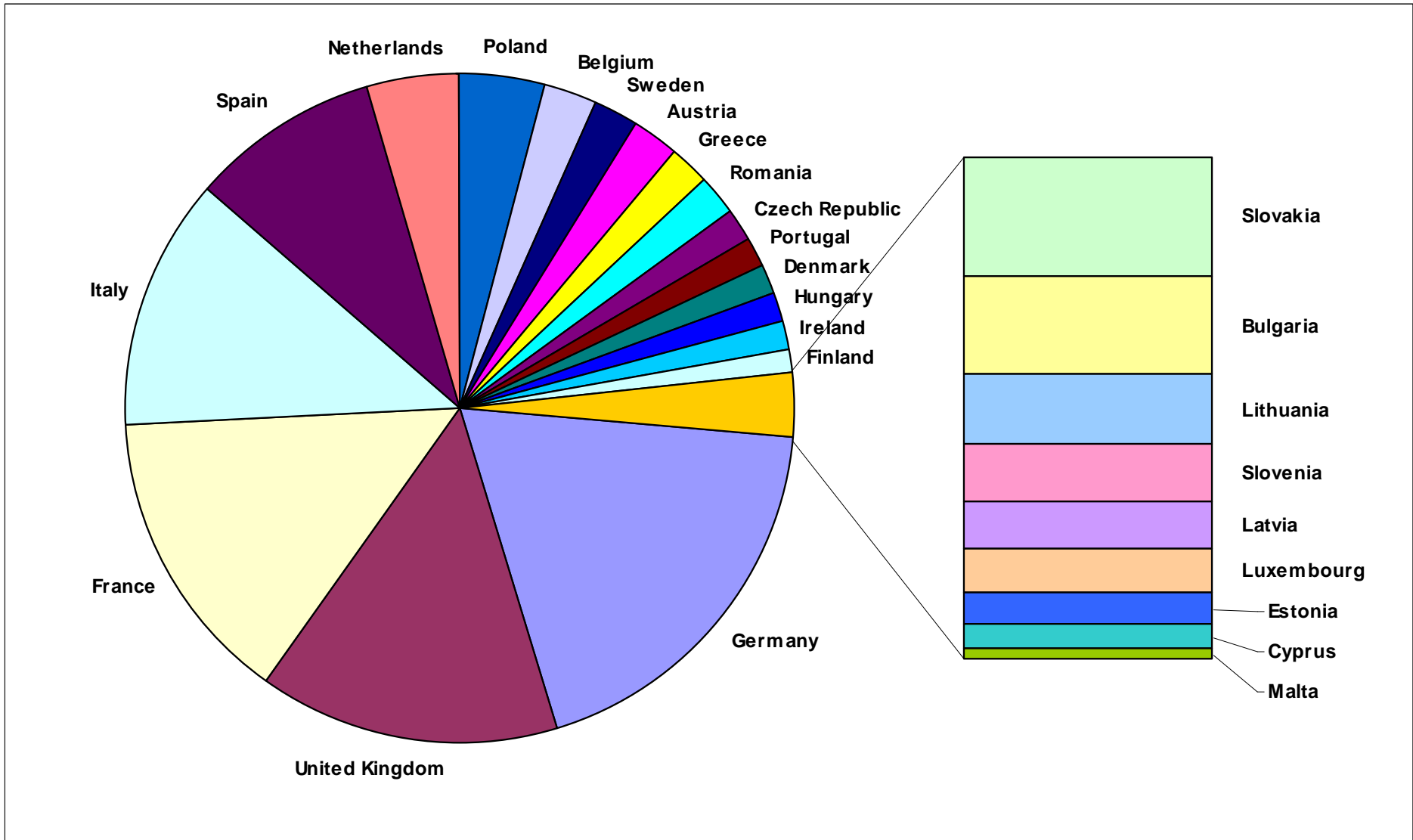
Chronology from 1948 to 2007

<i>Date</i>		<i>Event</i>	<i>Explanation</i>	<i>Date</i>		<i>Event</i>	<i>Explanation</i>
1948	16-Apr	OEEC	Organisation for European Economic Cooperation (OEEC) is established.	1986	01-Jan	Third enlargement	Accession of Spain and Portugal.
1950	09-May	Schuman Plan	French Foreign Minister Robert Schuman proposes the establishment of the European Coal and Steel Community (ECSC). Schuman was inspired by Jean Monnet's vision of building Europe step by step. 9 May is celebrated as the Day of Europe.	1986	17, 28 Feb	SEA	Single European Act (SEA) is signed. The Treaty enters into force on 1 Jul. 1987.
1952	01-Jan	ECSC	The ECSC is established for 50 years: expired 23 Jul. 2002.	1990	01-Jul	EMU stage 1	The first stage of EMU begins.
1952	27-May	EDC	The Six sign the Treaty establishing the European Defence Community (EDC). The project falls down as the French National Assembly refuses to ratify the Treaty in 1954.	1990	10-Oct	Germany unites	Germany is united and the former German Democratic Republic joins the EEC.
1953	09-Mar	EPC	A plan for the European Political Community (EPC) is published.	1992	07-Feb	Maastricht Treaty	Treaty on European Union is signed in Maastricht, crating the EU: enters into force 1 Nov. 1993 after a difficult ratification process in Denmark and France.
1957	25-Mar	EEC	The Six sign Treaties in Rome establishing the European Economic Community (EEC) and the European Atomic Energy Community (Euratom). EEC begins 1 Jan. 1958	1992	02-May	EEA	EC and EFTA sign an Agreement establishing the European Economic Area (EEA).
1959	21-Jul	EFTA	The European Free Trade Association (EFTA) is established by the Stockholm Convention among Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the United Kingdom. EFTA begins 3 May 1960.	1994	01-Jan	EMU stage 2	The second stage of EMU begins.
1968	01-Jul	CU completed	Customs union is completed within the EEC and a common external tariff is established.	1994	9-10 Dec		Essen European Council agrees strategy on eastern enlargement.
1969	1-2 Dec	Failed monetary integration launched	At the Hague Summit the EC leaders agree on to establish a single market to accelerate integration and to introduce Economic and Monetary Union (EMU) by 1980.	1995	01-Jan	Fourth enlargement	Austria, Finland and Sweden join the EU, thus increasing the number of Member States to fifteen.
1972	22-Jan	First enlargement signed	Accession Treaties of Denmark, Ireland, Norway and the United Kingdom are signed. Norway withdraws after a negative referendum result.	1997	02-Oct	Amsterdam Treaty	Treaty of Amsterdam is signed; comes into force on 1 May 1999.
1972	22-Jul	EC-EFTA FTAs	Free trade agreements (FTAs) signed with Austria, Iceland, Portugal, Sweden and Switzerland.	1998	1-2 May	Euroland founders	EU leaders decide to lunch the euro with Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain as initial members.
1973	38353	First enlargement	The Six become the Nine as Denmark, Ireland and the United Kingdom join the EC. Accession treaties were signed 22 Jan. 1972	1998	01-Jun	ECB	The European Central Bank (ECB) is established.
1973	14-May		Norway signs a free trade agreement with the EEC.	1999	01-Jan	EMU stage 3	The euro becomes a currency in its own right.
1973	05-Oct		Finland signs a free trade agreement with the EEC.	2000	3-9 Dec	Nice Treaty	Treaty of Nice is signed; comes into force on 2 Feb. 2003 after a difficult ratification process in Ireland Euro notes and coins circulate.
1974	9-10 Dec	European Council formalized	At Paris Summit EC leaders agree to meet regularly as a European Council.	2002	01-Jan	Euro cash	Euro notes and coins circulate.
1978	6-7 Jul	EMS founded	Bremen European Council establishes the European Monetary System (EMS) and the European Currency Unit (ECU).	2004	May	Fifth enlargement	Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovak Republic and Slovenia join the EU, thus increasing the number of Member States to 25.
1981	38353	Second enlargement	Greece becomes the tenth EC Member State.	2007	01-Jan	Sixth enlargement	Bulgaria and Romania join the EU, thus increasing the number of Member States to 27.

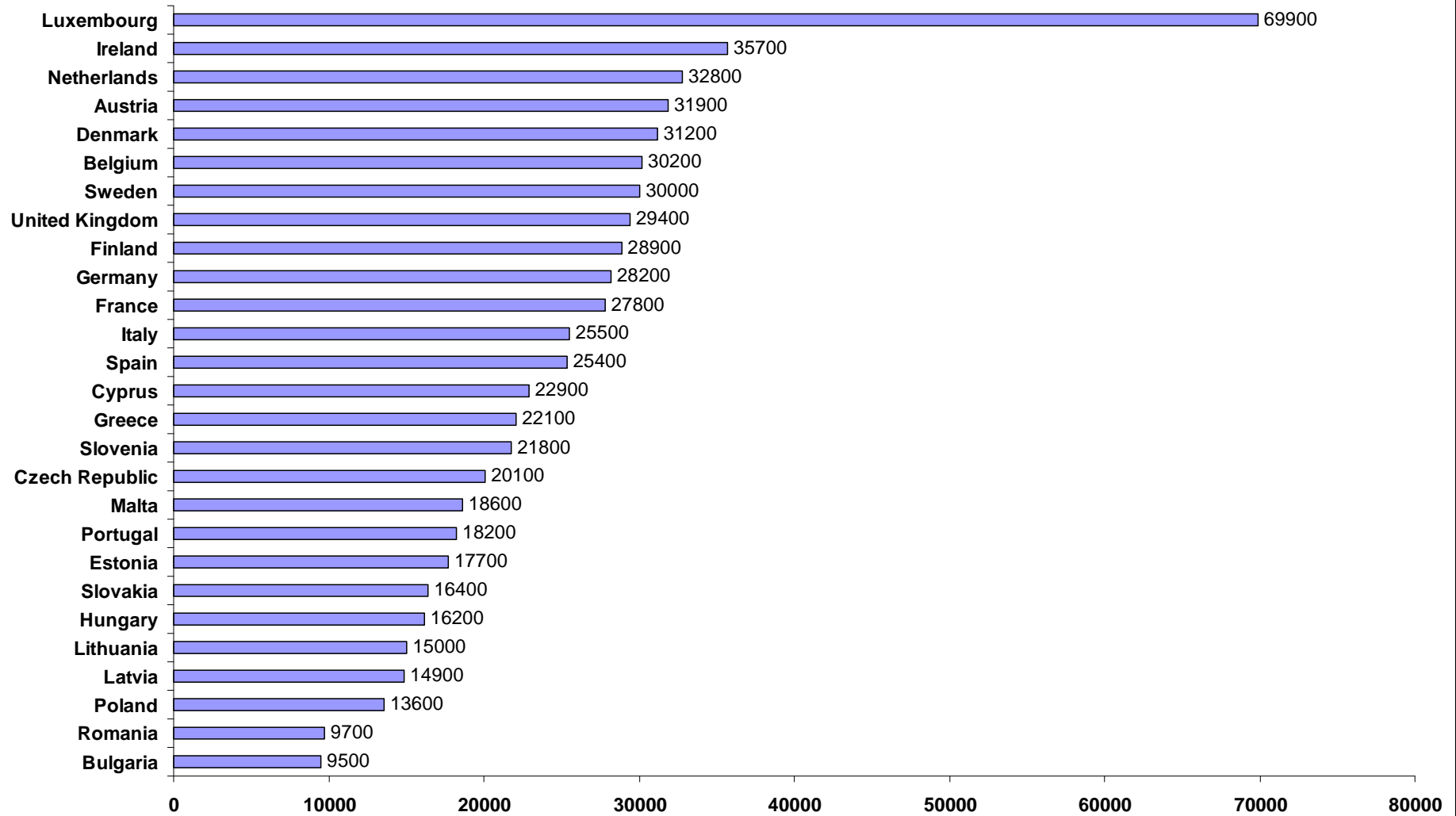
Key EU indicators (2007) (f)

	Population (millions)	GDP Billions of PPs	Real GDP Growth rate	GDP PPs per inhabitan	Inflation rate	Unemployment rate
EU (27)	494.7	12195	2.9	24600	2.3	7.9
EU (15)	391.4	10537	2.7	26900	2.2	7.4
US	301.1	11273	2.2	37200	2.4	4.6
Japan	127.4	3552	2.3	27900	0	4.1

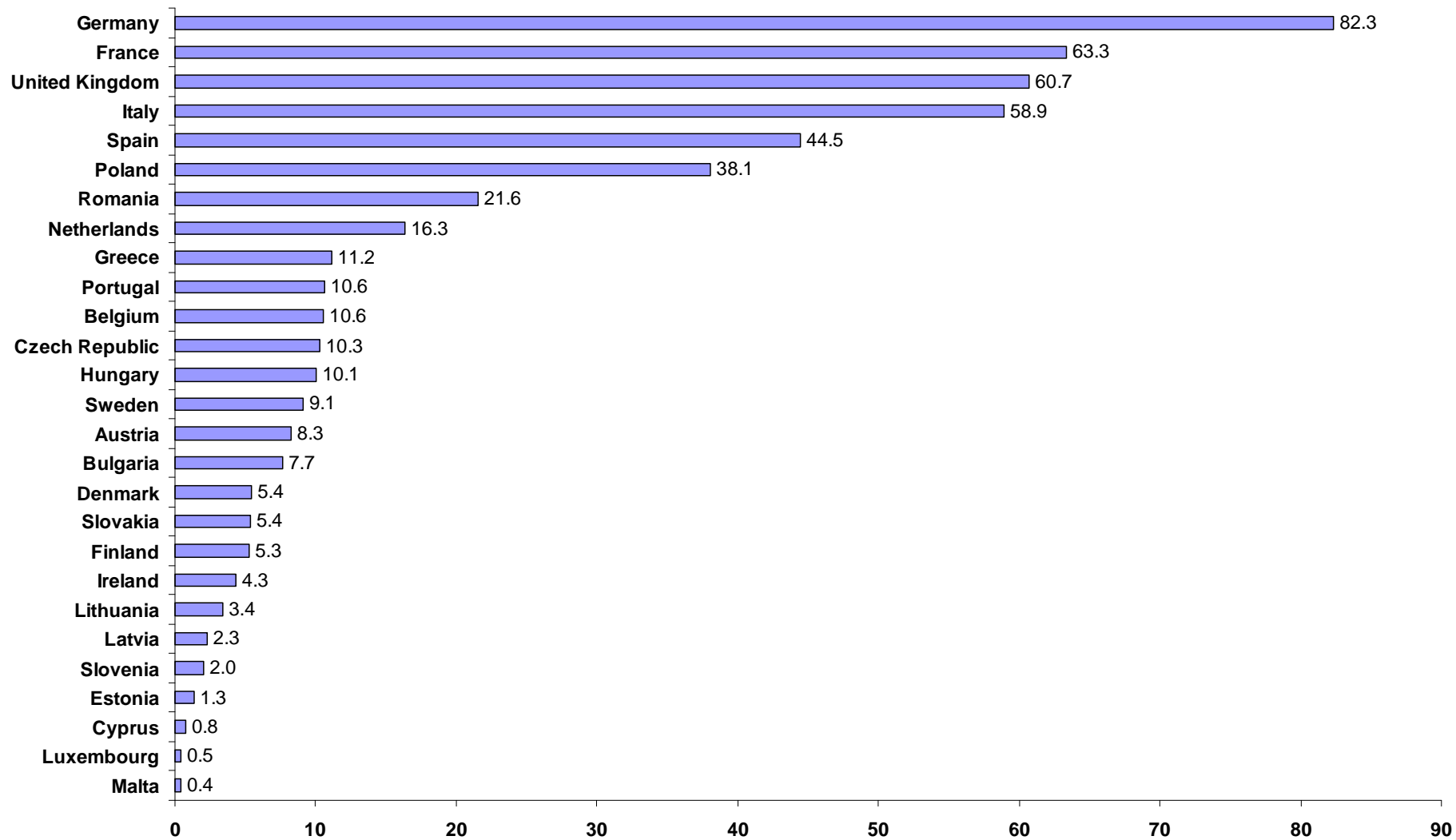
GDP, current prices, 2007 (f)



GDP, PPs per inhabitant 2007 (f)



Population 2007 (millions) (f)



Leading exporters and importers in world merchandise trade, 2006

(Billion dollars and percentage)

Rank	Exporters	Value	Share	Annual % change	Rank	Importers	Value	Share	Annual % change
1	Germany	1112	9.2	15	1	United States	1920	15.5	11
2	United States	1037	8.6	14	2	Germany	910	7.4	17
3	China	969	8.0	27	3	China	792	6.4	20
4	Japan	647	5.4	9	4	United Kingdom	601	4.9	17
5	France	490	4.1	6	5	Japan	577	4.7	12
6	Netherlands	462	3.8	14	6	France	533	4.3	6
7	United Kingdom	443	3.7	15	7	Italy	436	3.5	13
8	Italy	410	3.4	10	8	Netherlands	416	3.4	14
9	Canada	388	3.2	8	9	Canada	357	2.9	11
10	Belgium	372	3.1	11	10	Belgium	356	2.9	12
11	Korea, Republic of	326	2.7	15	11	Hong Kong, China retained imports ^{a, b}	336	2.7	12
12	Hong Kong, China domestic exports ^b	323	2.7	10	12	Spain	319	2.6	10
	re-exports ^b	23	0.2	...					
		300	2.5	...					
13	Russian Federation	305	2.5	25	13	Korea, Republic of	309	2.5	18
14	Singapore	272	2.3	18	14	Mexico ^b	268	2.2	15
	domestic exports	143	1.2	15					
	re-exports	129	1.1	22					
15	Mexico	250	2.1	17	15	Singapore retained imports ^a	239	1.9	19
							110	0.9	16
16	Taipei, Chinese	224	1.9	13	16	Taipei, Chinese	203	1.6	11
17	Saudi Arabia ^b	209	1.7	16	17	India	174	1.4	25
18	Spain	206	1.7	7	18	Russian Federation ^c	164	1.3	31
19	Malaysia	161	1.3	14	19	Switzerland	141	1.1	12
20	Switzerland	147	1.2	13	20	Australia ^b	140	1.1	11
21	Sweden	147	1.2	13	21	Austria	139	1.1	9
22	United Arab Emirates	139	1.2	21	22	Turkey	137	1.1	17
23	Austria	138	1.1	11	23	Malaysia	131	1.1	14
24	Brazil	137	1.1	16	24	Thailand	129	1.0	9
25	Thailand	131	1.1	19	25	Sweden	126	1.0	13
26	Australia	123	1.0	16	26	Poland	124	1.0	22
27	Norway	122	1.0	17	27	United Arab Emirates ^b	95	0.8	17
28	India	120	1.0	21	28	Czech Republic	93	0.8	22
29	Ireland	113	0.9	3	29	Brazil	88	0.7	14
30	Poland	110	0.9	23	30	Denmark	86	0.7	14
	Total of above ^d	10033	83.2	-		Total of above ^d	10340	83.5	-
	World ^d	12062	100.0	15		World ^d	12380	100.0	14

^a Retained imports are defined as imports less re-exports.

^b Secretariat estimates.

^c Imports are valued f.o.b.

^d Includes significant re-exports or imports for re-export.

Source: WTO.

Leading exporters and importers in world merchandise trade (excluding intra-EU(25) trade), 2006

(Billion dollars and percentage)

Rank	Exporters	Value	Share	Annual % change	Rank	Importers	Value	Share	Annual % change
1	Extra-EU (25) exports	1480	16.4	11	1	United States	1920	20.6	11
2	United States	1037	11.5	14	2	Extra-EU (25) imports	1697	18.2	15
3	China	969	10.7	27	3	China	792	8.5	20
4	Japan	647	7.2	9	4	Japan	577	6.2	12
5	Canada	388	4.3	8	5	Canada	357	3.8	11
6	Korea, Republic of	326	3.6	15	6	Hong Kong, China retained imports ^{a, b}	336	3.6	12
7	Hong Kong, China domestic exports ^b	323	3.6	10	7	Korea, Republic of	309	3.3	18
	re-exports ^b	23	0.3	...			36	0.4	...
		300	3.3	...					
8	Russian Federation	305	3.4	25	8	Mexico ^b	268	2.9	15
9	Singapore domestic exports	272	3.0	18	9	Singapore retained imports ^a	239	2.6	19
	re-exports	143	1.6	15			110	1.2	16
		129	1.4	22					
10	Mexico	250	2.8	17	10	Taipei, Chinese	203	2.2	11
11	Taipei, Chinese	224	2.5	13	11	India	174	1.9	25
12	Saudi Arabia ^b	209	2.3	16	12	Russian Federation ^c	164	1.8	31
13	Malaysia	161	1.8	14	13	Switzerland	141	1.5	12
14	Switzerland	147	1.6	13	14	Australia ^b	140	1.5	11
15	United Arab Emirates	139	1.5	21	15	Turkey	137	1.5	17
16	Brazil	137	1.5	16	16	Malaysia	131	1.4	14
17	Thailand	131	1.4	19	17	Thailand	129	1.4	9
18	Australia	123	1.4	16	18	United Arab Emirates ^b	95	1.0	17
19	Norway	122	1.3	17	19	Brazil	88	0.9	14
20	India	120	1.3	21	20	Indonesia	78	0.8	5
21	Indonesia	104	1.2	21	21	South Africa ^b	77	0.8	24
22	Turkey	85	0.9	16	22	Saudi Arabia ^b	65	0.7	9
23	Iran, Islamic Rep. of ^b	75	0.8	34	23	Norway	64	0.7	15
24	Bolivarian Rep. of Venezuela ^b	63	0.7	14	24	Philippines ^{b, c}	52	0.6	10
25	Chile	59	0.7	45	25	Romania	51	0.5	26
26	South Africa	58	0.6	13	26	Iran, Islamic Rep. of ^b	51	0.5	34
27	Kuwait ^b	54	0.6	21	27	Israel ^b	50	0.5	6
28	Algeria	53	0.6	15	28	Ukraine	45	0.5	25
29	Nigeria ^b	52	0.6	23	29	Viet Nam	44	0.5	20
30	Philippines	47	0.5	14	30	Chile	38	0.4	18
	Total of above ^d	8160	90.5	-		Total of above ^d	8513	91.2	-
	World (excl. intra-EU (25)) ^d	9015	100.0	16		World (excl. intra-EU (25)) ^d	9333	100.0	15

^a Retained imports are defined as imports less re-exports

^b Secretariat estimates.

^c Imports are valued f.o.b.

^d Includes significant re-exports or imports for re-export.

Source: WTO.

Leading exporters and importers in world commercial services trade, 2006

(Billion dollars and percentage)

Rank	Exporters	Value	Share	Annual % change	Rank	Importers	Value	Share	Annual % change
1	United States	387	14.3	9	1	United States	307	11.7	9
2	United Kingdom	223	8.2	9	2	Germany	215	8.2	7
3	Germany	164	6.1	11	3	United Kingdom	169	6.5	6
4	Japan	121	4.5	12	4	Japan	143	5.5	8
5	France	112	4.1	-2	5	France	108	4.1	3
6	Italy	101	3.7	13	6	Italy	101	3.9	14
7	Spain	100	3.7	8	7	China	100	3.8	...
8	China	87	3.2	...	8	Netherlands	78	3.0	7
9	Netherlands	82	3.0	4	9	Ireland	77	3.0	11
10	India	73	2.7	34	10	Spain	77	2.9	18
11	Hong Kong, China	71	2.6	15	11	Canada	72	2.7	12
12	Ireland	67	2.5	17	12	India	70	2.7	40
13	Singapore	57	2.1	12	13	Korea, Republic of	69	2.7	20
14	Belgium	57	2.1	7	14	Singapore	61	2.3	12
15	Canada	56	2.1	7	15	Belgium	54	2.0	6
16	Korea, Republic of	51	1.9	16	16	Russian Federation	45	1.7	17
17	Denmark	50	1.9	19	17	Denmark	44	1.7	17
18	Luxembourg	50	1.9	25	18	Austria	40	1.5	...
19	Austria	50	1.8	...	19	Sweden	39	1.5	12
20	Sweden	50	1.8	17	20	Hong Kong, China	35	1.3	7
21	Switzerland	50	1.8	8	21	Taipei, Chinese	33	1.2	3
22	Greece	36	1.3	5	22	Thailand	32	1.2	18
23	Australia	32	1.2	6	23	Australia	32	1.2	6
24	Norway	32	1.2	10	24	Norway	31	1.2	7
25	Russian Federation	30	1.1	22	25	Luxembourg	31	1.2	23
26	Taipei, Chinese	29	1.1	13	26	Switzerland	27	1.0	5
27	Thailand	24	0.9	18	27	Brazil	27	1.0	20
28	Turkey	24	0.9	-8	28	Indonesia	27	1.0	...
29	Poland	21	0.8	28	29	Malaysia	23	0.9	6
30	Malaysia	21	0.8	5	30	Mexico	23	0.9	8
	Total of above	2305	85.1	-		Total of above	2185	83.5	-
	World	2710	100.0	11		World	2620	100.0	10

Note: While provisional full year data were available in early March for 33 countries accounting for more than 60% of world commercial services trade, estimates for most other countries are based on data for the first three quarters (the first six months in the case of China).

Source: WTO

World merchandise trade by region and selected country, 2006

(Billion dollars and percentage)

	Exports					Imports				
	Value	Annual percentage change				Value	Annual percentage change			
	2006	2000-06	2004	2005	2006	2006	2000-06	2004	2005	2006
World	11762	11	22	14	15	12080	11	22	13	14
North America	1675	5	14	12	13	2546	7	17	14	11
United States	1037	5	13	11	14	1920	7	17	14	11
Canada	388	6	16	14	8	357	7	14	15	11
Mexico	250	7	14	13	17	268	7	16	13	15
South and Central America^a	426	14	30	24	20	351	9	28	23	18
Brazil	137	16	32	23	16	88	7	31	17	14
Other South and Central America ^a	289	13	29	25	22	262	10	27	25	19
Europe	4957	11	20	9	13	5218	11	20	10	14
European Union (25)	4527	11	19	8	12	4743	11	20	9	14
Germany	1112	12	21	7	15	910	11	18	9	17
United Kingdom	443	8	14	11	15	601	10	20	9	17
France	490	7	15	3	6	533	8	18	7	6
Italy	410	9	18	5	10	436	11	19	8	13
Commonwealth of Independent States (CIS)	422	19	36	28	24	278	23	31	25	29
Russian Federation	305	19	35	33	25	164	24	28	29	31
Africa	361	16	31	30	21	290	14	28	20	16
South Africa	58	12	26	12	13	77	17	35	17	24
Africa less South Africa	303	17	32	34	23	213	13	26	22	13
Oil exporters ^b	212	19	40	46	25	81	18	33	25	18
Non oil exporters	90	13	20	14	17	131	11	23	20	10
Middle East	644	16	33	35	19	373	14	31	19	14
Asia	3276	12	25	16	18	3023	12	27	17	16
China	969	25	35	28	27	792	23	36	18	20
Japan	647	5	20	5	9	577	7	19	13	12
India	120	19	30	30	21	174	23	37	41	25
Four East Asian traders ^c	844	9	25	12	15	787	9	27	13	17
Memorandum items:										
MERCOSUR	190	14	28	21	16	134	7	38	20	17
ASEAN	771	10	20	15	18	683	10	25	17	14
EU (25) extra-trade	1480	11	21	11	11	1697	11	21	15	15
Developing economies	4274	14	27	22	20	3749	13	29	18	17
Least Developed Countries	108	20	32	36	30	101	15	18	21	17

^a Includes the Caribbean. For composition of groups see the Technical Notes of WTO, International Trade Statistics, 2006.

^b Algeria, Angola, Cameroon, Chad, Congo, Equatorial Guinea, Gabon, Libya, Nigeria, Sudan.

^c Chinese Taipei; Hong Kong, China; Republic of Korea and Singapore.

Source: WTO.

Market integration - Trade integration of goods 2005

Average value of imports and exports of goods divided by GDP, multiplied by 100

Belgium	71.6
Estonia	66.8
Slovakia	66.3
Czech Republic	63.3
Hungary	57.6
Slovenia	54.9
Malta	54.8
Bulgaria	54.3
Lithuania	51.7
Netherlands	51.5
Luxembourg	45.3
Latvia	43.1
Ireland	43
Austria	37.9

Sweden	34
Romania	33
Poland	32.2
Germany	31.4
Finland	31
Denmark	30.4
Portugal	26.5
Cyprus	21.6
France	21.5
Spain	21.1
Italy	21.1
United Kingdom	20
Greece	15.4

Trade integration of goods as a percentage of GDP (gross domestic product). Average of imports and exports of the item goods of the balance of payments divided by GDP. If the index increases over time it means that the country/zone is becoming more integrated within the international economy.

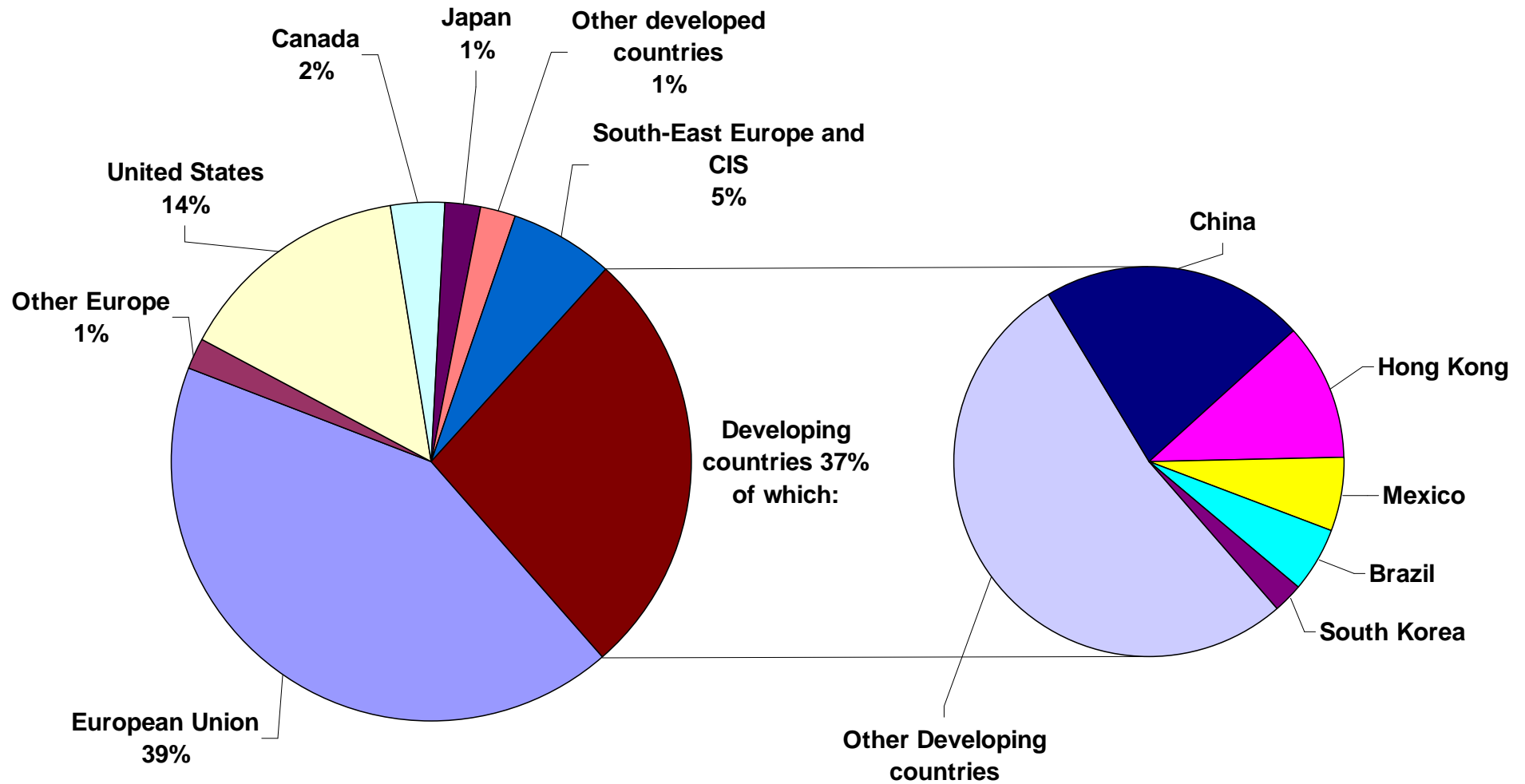
**Leading Client and Supplier Countries of the EU25
in Merchandise Trade (value %)
2006, excluding intra-EU trade**

The Major EU Import Partners

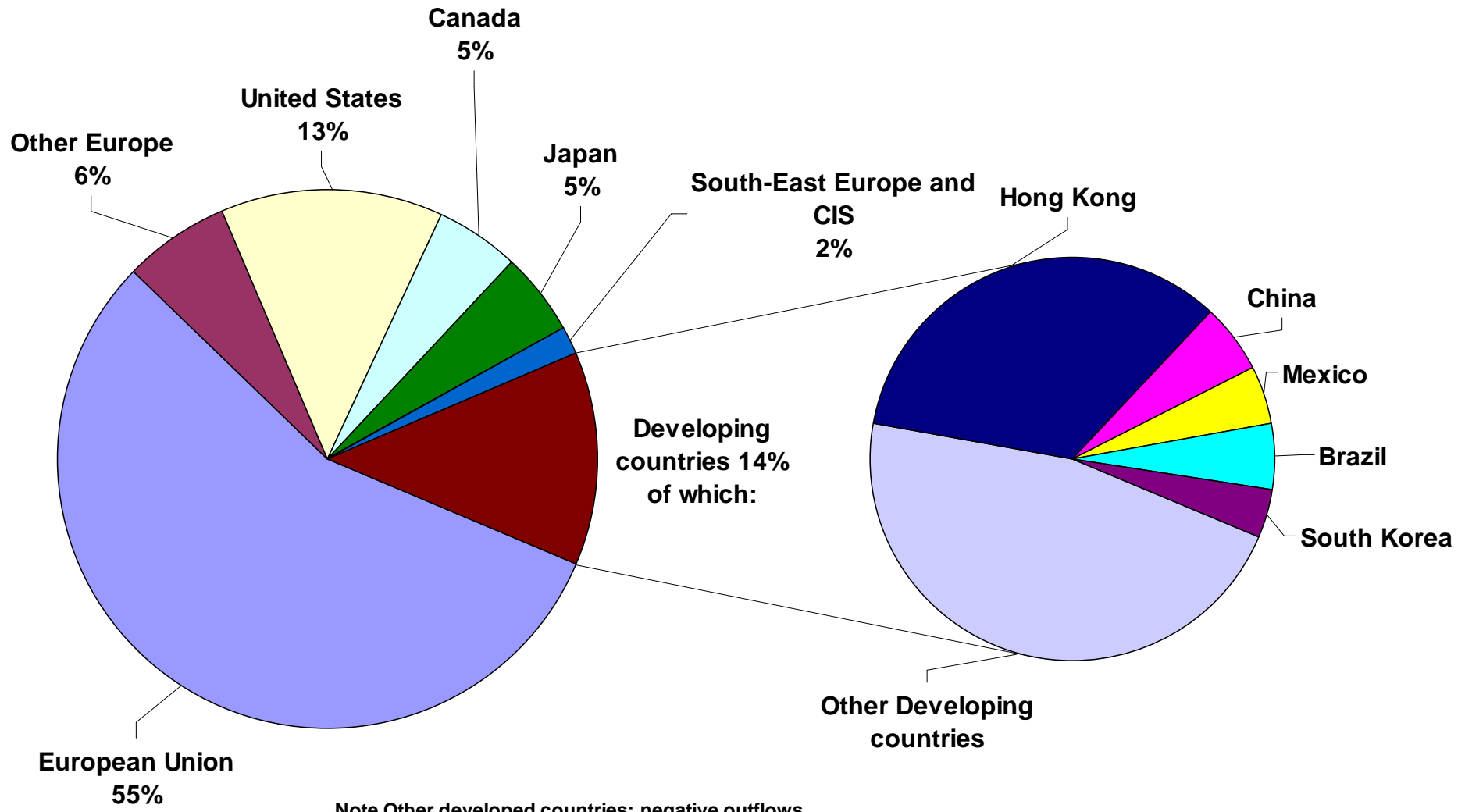
The Major EU Export Partners

Rank.	EU Imports from	Mio euro	% world	Rank.	EU Exports to	Mio euro	% world
Source: Eurostat (Statistical regime 4)							
	World	1.350.494	100,0		World	1.166.109	100,0
1	China	191.342	14,2	1	USA	267.672	23,0
2	USA	175.813	13,0	2	Switzerland	86.392	7,4
3	Russia	136.847	10,1	3	Russia	71.791	6,2
4	Norway	79.019	5,9	4	China	63.248	5,4
5	Japan	75.631	5,6	5	Turkey	46.350	4,0
6	Switzerland	70.822	5,2	6	Japan	44.588	3,8
7	Turkey	38.488	2,8	7	Norway	38.056	3,3
8	Korea	38.064	2,8	8	Romania	27.193	2,3
9	Brazil	26.175	1,9	9	Canada	26.473	2,3
10	Taiwan	26.139	1,9	10	United Arab Emir	24.654	2,1
11	Libya	25.736	1,9	11	India	24.030	2,1
12	Algeria	24.125	1,8	12	Korea	22.809	2,0
13	Saudi Arabia	23.440	1,7	13	Hong Kong	21.589	1,9
14	India	22.326	1,7	14	Australia	21.274	1,8
15	Canada	19.518	1,4	15	South Africa	19.822	1,7
16	Singapore	19.446	1,4	16	Singapore	19.430	1,7
17	South Africa	18.405	1,4	17	Mexico	18.989	1,6
18	Malaysia	17.619	1,3	18	Ukraine	17.789	1,5
19	Romania	17.603	1,3	19	Brazil	17.654	1,5
20	Thailand	14.533	1,1	20	Saudi Arabia	17.399	1,5

FDI inflows 2004-2005



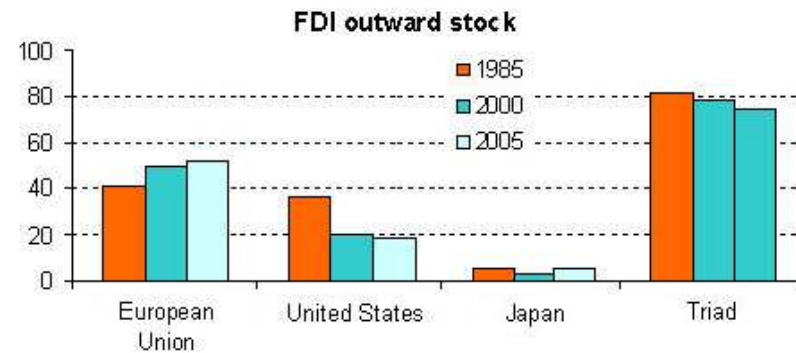
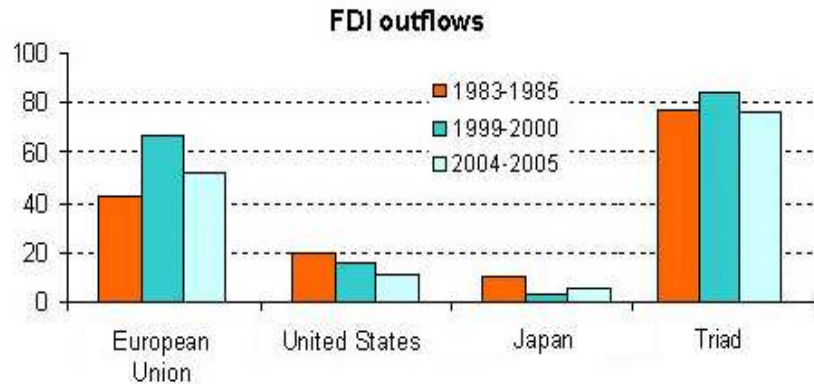
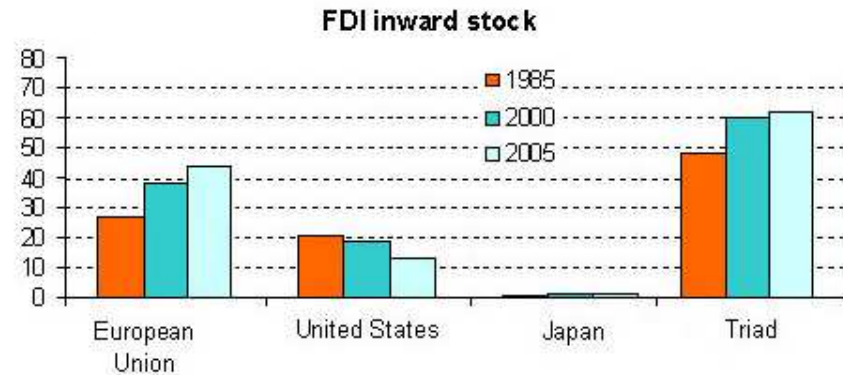
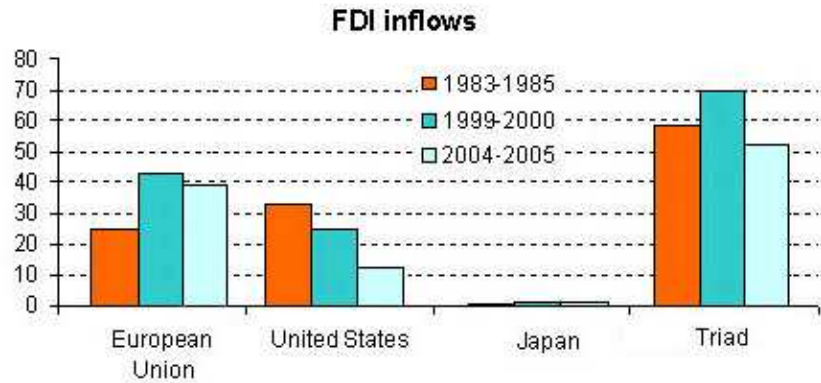
FDI outflows 2004-2005



Note Other developed countries: negative outflows

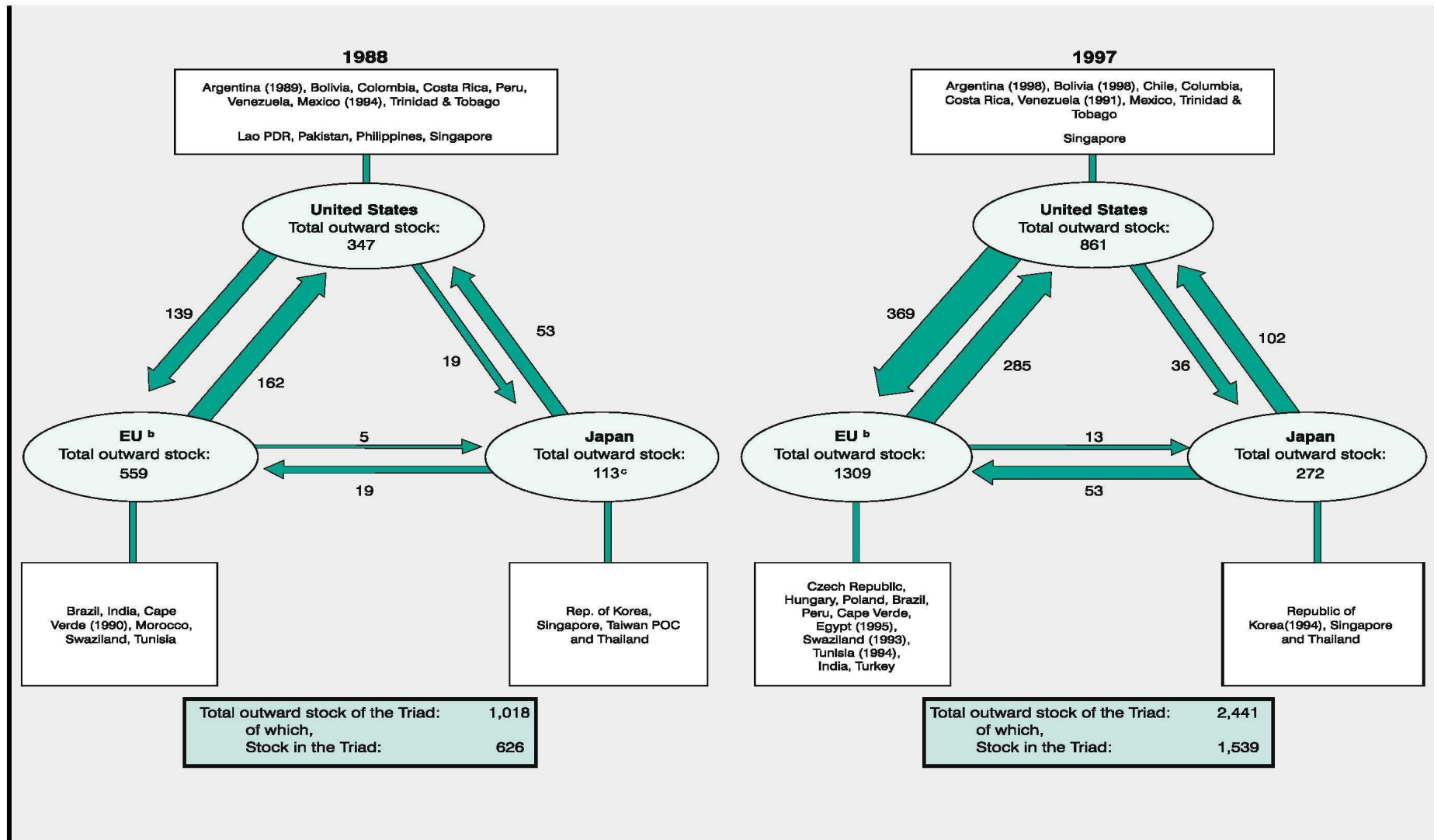
The share of the Triad in World FDI

flows and stocks, 1985, 2000, 2005



FDI stocks among the Triad and the countries in which FDI from the Triad dominates,^a 1988 and 1997

(Billions of dollars)



Source: UNCTAD, FDI/TNC database.

- ^a The host countries in which the Triad member accounts for at least 30 per cent of total FDI inflows during a three-year period in the latter half of the 1980s/beginning of the 1990s or total inward FDI stock in 1988 are selected for the 1988 chart; and at least 30 per cent of total FDI inflows during a three-year period in the mid-1990s or total inward FDI stock in 1997 for the 1997 chart. In cases where data are available for years other than those stated in the respective charts, those years are indicated in parenthesis.
- ^b Includes Austria (1996 instead of 1997), Denmark (1996 instead of 1997), Finland (1991 instead of 1988, and 1996 instead of 1997), Germany (1996 instead of 1997), Italy, Netherlands (1996 instead of 1997), Sweden (1996 instead of 1997) and United Kingdom that account for more than 90 per cent of the EU outward stock. Denmark is not included for 1988 due to unavailability of data.
- ^c Cumulative flows on a balance-of-payment basis since 1968.

The world's top 100 non-financial TNCs, ranked by foreign assets, 2004^a
(Millions of dollars and number of employees)

Ranking by:				Assets		Sales		Employment		TNI ^b (Per cent)	No. of affiliates				
Foreign assets	TNI ^b	II ^c	Corporation	Home economy	Industry ^d	Foreign ^e	Total	Foreign ^f	Total		Foreign	Total	Foreign	Total	II ^c
1	68	55	General Electric	United States	Electrical & electronic equipment	448 901	750 507	56 896	152 866	142 000	307 000	47.8	787	1157	68.02
2	4	93	Vodafone Group Plc	United Kingdom	Telecommunications	247 850	258 626	53 307	62 494	45 981	57 378	87.1	70	198	35.35
3	67	65	Ford Motor	United States	Motor vehicles	179 856	305 341	71 444	171 852	102 749 ^g	225 626	48.7	130	216	60.19
4	90	71	General Motors	United States	Motor vehicles	173 690	479 603	59 137	193 517	114 612 ^h	324 000	34.0	166	290	57.24
5	10	44	British Petroleum Company Plc	United Kingdom	Petroleum expl./ref./distr.	154 513	193 213	232 388	285 059	85 500	102 900	81.5	445	611	72.83
6	38	37	ExxonMobil	United States	Petroleum expl./ref./distr.	134 923	195 256	202 870	291 252	52 968 ⁱ	105 200	63.0	237	314	75.48
7	25	88	Royal Dutch/Shell Group	United Kingdom/ Netherlands	Petroleum expl./ref./distr.	129 939 ^j	192 811	170 286 ^j	265 190	96 000	114 000	71.9	328	814	40.29
8	62	91	Toyota Motor Corporation	Japan	Motor vehicles	122 967	233 721	102 995	171 467	94 666	265 753	49.4	129	341	37.83
9	20	48	Total	France	Petroleum expl./ref./distr.	98 719	114 636	123 265 ^k	152 353	62 227	111 401	74.3	410	576	71.18
10	66	47	France Télécom	France	Telecommunications	85 669	131 204	24 252	58 554	81 651	206 524	48.7	162	227	71.37
11	49	60	Volkswagen AG	Germany	Motor vehicles	84 042	172 949	80 037 ^k	110 463	165 152	342 502	56.4	147	228	64.47
12	16	22	Sanofi-Aventis	France	Pharmaceuticals	82 612	104 548	15 418	18 678	68 776	96 439	77.6	207	253	81.82
13	61	54	Deutsche Telekom AG	Germany	Telecommunications	79 654	146 834	47 118 ^l	71 868	73 808	244 645	50.0	266	390	68.21
14	60	62	RWE Group	Germany	Electricity, gas and water	78 728	127 179	23 636	52 320	42 370	97 777	50.1	345	552	62.50
15	19	59	Suez	France	Electricity, gas and water	74 051	85 788	38 838 ^k	50 585	100 485	160 712	75.2	546	846	64.54
16	81	79	E.on	Germany	Electricity, gas and water	72 726	155 364	21 996	60 970	32 819 ⁱ	72 484	42.7	303	596	50.84
17	13	6	Hutchison Whampoa	Hong Kong, China	Diversified	67 638	84 162	17 039	23 037	150 687 ^h	180 000	79.3	94	103	91.26
18	39	49	Siemens AG	Germany	Electrical & electronic equipment	65 830	108 312	59 224	93 333	266 000	430 000	62.0	605	852	71.01
19	3	4	Nestlé SA	Switzerland	Food & beverages	65 396 ^j	76 965	68 586 ^{k,l}	69 778	240 406	247 000	93.5	460	487	94.46
20	92	28	Electricite De France	France	Electricity, gas and water	65 365	200 093	17 886 ^l	55 775	50 543 ^m	156 152	32.4	240	299	80.27
21	29	87	Honda Motor Co Ltd	Japan	Motor vehicles	65 036	89 483	61 621	79 951	76 763	137 827	68.5	76	188	40.43
22	52	73	Vivendi Universal	France	Diversified	57 589	94 439	11 613	26 607	23 377	37 906	55.4	245	435	56.32
23	48	83	ChevronTexaco	United States	Motor vehicles	57 186	93 208	80 034 ^l	150 865	31 000	56 000	56.6	121	250	48.40
24	34	23	BMW AG	Germany	Motor vehicles	55 726	91 826	40 198	55 050	70 846 ^m	105 972	66.9	124	153	81.05
25	93	80	DaimlerChrysler	United States/ Germany	Motor vehicles	54 869	248 850	68 928	176 391	101 450 ^h	384 723	29.2	324	641	50.55
26	79	34	Pfizer Inc	United States	Pharmaceuticals	54 055	123 684	22 977	52 516	50 287 ^m	115 000	43.7	82	104	78.85
27	65	42	ENI	Italy	Petroleum expl./ref./distr.	50 212	98 553	47 749 ^{k,l}	89 840	30 186	71 497	48.8	162	222	72.97
28	41	90	Nissan Motor Co Ltd	Japan	Motor vehicles	49 553	94 588	55 638	79 268	112 530 ^m	183 607	61.3	53	140	37.86
29	54	7	IBM	United States	Computer and related activities	47 928	109 183	60 656 ^k	96 293	175 832 ^m	329 001	53.4	338	371	91.11
30	85	78	ConocoPhillips	United States	Petroleum expl./ref./distr.	46 321	92 861	40 945 ^l	143 183	14 048 ^m	35 800	39.2	44	85	51.76
31	40	39	Hewlett-Packard	United States	Computer and related activities	45 816	76 138	50 543 ^k	79 905	93 188 ^m	151 000	61.7	106	144	73.61
32	87	68	Mitsubishi Corporation	Japan	Wholesale trade	43 867	87 879	5 476	38 319	22 485 ^o	51 381	36.0	212	357	59.38
33	76	97	Telefonica SA	Spain	Telecommunications	43 224 ⁱ	86 448	15 060 ^k	37 650	78 099 ⁱ	173 554	45.0	62	279	22.22
34	14	11	Roche Group	Switzerland	Pharmaceuticals	42 884	51 322	24 794	25 149	35 587 ^h	64 703	79.0	137	158	86.71
35	94	56	Telecom Italia Spa	Italy	Telecommunications	41 747	104 349	8 231 ^k	38 786	16 331	91 365	26.4	75	111	67.57
36	23	95	Anglo American	United Kingdom	Mining & quarrying	40 460 ^j	53 451	16 819 ^j	26 268	163 522 ^{h,j}	209 000	72.7	173	502	34.46
37	55	31	Fiat Spa	Italy	Motor vehicles	39 658	77 971	31 281	57 990	87 761 ^h	160 549	53.2	362	456	79.39
38	9	57	Unilever	United Kingdom/ Netherlands	Diversified	38 415	46 141	44 361	50 121	171 000 ⁱ	223 000	82.8	314	466	67.38
39	58	86	Carrefour	France	Retail	36 756	53 090	45 874	90 230	142 129 ^j	430 695	51.0	130	311	41.80
40	46	29	Procter & Gamble	United States	Diversified	36 128	61 527	31 399	56 741	62 731 ^m	110 000	57.0	357	447	79.87

The world's top 100 non-financial TNCs, ranked by foreign assets, 2004^a (continued)
(Millions of dollars and number of employees)

Ranking by:				Assets		Sales		Employment		TNI ^b (Per cent)	No. of affiliates				
Foreign assets	TNI ^b	II ^c	Corporation	Home economy	Industry ^d	Foreign ^e	Total	Foreign ^f	Total		Foreign	Total	Foreign	Total	II ^c
41	47	17	Sony Corporation	Japan	Electrical & electronic equipment	35 959	87 309	48 285	69 077	90 092 ^h	151 400	56.9	395	471	83.86
42	71	69	Mitsui & Co Ltd	Japan	Wholesale trade	35 749	72 929	14 071 ^p	32 587	17 614 ^m	38 210	46.1	243	411	59.12
43	97	18	Wal-Mart Stores	United States	Retail	34 525	120 223	56 277 ^k	285 222	410 000	1710 000	24.1	80	96	83.33
44	89	14	Deutsche Post AG	Germany	Transport and storage	33 178	208 888	25 560	53 601	149 201	379 828	34.3	710	834	85.13
45	26	33	Compagnie De Saint-Gobain SA	France	Non-metallic mineral products	31 952	42 071	27 144 ^l	39 765	129 034 ^m	181 228	71.8	622	787	79.03
46	50	72	Veolia Environnement SA	France	Water supply	31 946	49 396	13 788	30 636	146 249 ^h	251 584	55.9	484	852	56.81
47	7	38	Philips Electronics	Netherlands	Electrical & electronic equipment	30 330	41 848	36 155	37 646	134 814	161 586	84.0	313	425	73.65
48	12	12	Lafarge SA	France	Non-metallic products	30 127	33 742	15 146	17 925	52 365 ^q	77 075	80.6	397	460	86.30
49	72	81	Repsol YPF SA	Spain	Petroleum expl./ref./distr.	29 846	53 044	17 216	51 764	16 162 ^h	33 337	46.0	61	121	50.41
50	30	9	Novartis	Switzerland	Pharmaceuticals	29 081	54 469	27 917 ^k	28 247	43 163 ^j	81 392	68.4	253	280	90.36
51	32	50	GlaxoSmithKline	United Kingdom	Pharmaceuticals	28 971	43 607	34 057	37 275	44 679 ^j	100 019	67.5	196	277	70.76
52	80	82	Endesa	Spain	Electric services	28 786 ⁿ	65 423	10 407 ^{k,l}	27 472	12 953	26 985	43.3	87	175	49.71
53	56	41	Bayer AG	Germany	Pharmaceuticals/chemicals	28 577	51 493	20 913 ^{k,l}	36 950	48 700 ^j	112 500	51.8	214	293	73.04
54	83	20	Altria Group Inc	United States	Tobacco	28 545	101 648	48 388	89 610	64 023	156 000	41.0	199	242	82.23
55	53	24	BASF AG	Germany	Chemicals	27 771	46 197	27 715	46 609	35 289	81 955	54.2	241	298	80.87
56	5	5	Alcan Inc.	Canada	Metal and metal products	25 455	33 341	23 381	24 885	71 000	82 000	85.6	269	289	93.08
57	6	64	Koninklijke Ahold	United States/ Netherlands	Retail	24 659	28 202	51 668	64 567	206 057 ^h	231 003	85.6	173	287	60.28
58	74	53	Renault SA	France	Motor vehicles	24 406	83 009	33 004	50 555	54 390	130 573	45.4	143	208	68.75
59	95	46	Petronas - Petroliaam Nasional Bhd	Malaysia	Petroleum expl./ref./distr.	22 647 ⁿ	62 915	10 567 ^r	36 065	4 016 ^h	33 944	25.7	167	234	71.37
60	51	26	Dow Chemical Company	United States	Chemicals	22 196	45 885	25 107	40 161	23 841	43 000	55.4	201	250	80.40
61	21	30	Volvo	Sweden	Motor vehicles	21 730	33 698	26 643 ^k	28 630 ^m	52 550	81 080	74.1	244	307	79.48
62	22	67	AES Corporation	United States	Electricity, gas and water	21 022	29 732	7 273 ^k	9 486	22 106	30 000	73.7	60	101	59.41
63	42	61	British American Tobacco	United Kingdom	Tobacco	20 664 ^j	34 139	12 496 ^j	22 721	40 275 ^j	60 953	60.5	204	319	63.95
64	35	84	McDonald's Corp.	United States	Retail	20 565	27 838	12 539	19 065	240 142 ^s	418 000 ^s	65.7	34	76	44.74
65	44	75	Pinault-Printemps Redoute SA	France	Wholesale trade	20 543	31 261	16 943	30 064	50 416 ^m	95 397	58.3	138	250	55.20
66	84	99	National Grid Transco	United Kingdom	Energy	20 315	47 727	7 356 ^l	16 504	8 565	24 406	40.7	259	223	13.90
67	82	74	Matsushita Electric Industrial Co., Ltd.	Japan	Electrical & electronic equipment	20 129	77 381	34 013	80 538	184 110 ^m	334 752	41.1	277	492	56.30
68	64	27	United Technologies Corporation	United States	Transport equipment	19 493	40 035	18 670	37 445	103 330	209 700	49.3	356	443	80.36
69	63	89	Metro AG	Germany	Retail	19 371	38 264	34 294	70 042	105 230	217 424	49.3	262	681	38.47
70	1	1	Thomson Corporation	Canada	Media	19 221	19 643	7 837	8 098	38 926	40 000	97.3	268	279	96.06
71	27	45	Coca-Cola Company	United States	Food & beverages	19 204	31 327	15 245 ^l	21 962	40 400	50 000	70.5	58	80	72.50
72	24	3	Nokia	Finland	Telecommunications	19 034	30 877	35 904 ^k	36 340	30 589 ^m	53 511	72.5	125	131	95.19
73	33	98	Singtel Ltd.	Singapore	Telecommunications	18 641	21 626	5 211	7 465	8 676	19 155	67.1	99	104	18.85
74	86	52	Johnson & Johnson	United States	Pharmaceuticals	18 339	53 317	19 578	47 348	41 622 ^m	109 900	37.9	138	732	68.95
75	17	92	Diageo Plc	United Kingdom	Consumer goods/distillers & vintners	18 147	25 661	13 715	16 544	29 922 ^m	38 955	77.0	171	248	36.07
76	18	2	Mittal Steel Company NV	Netherlands/ United Kingdom	Steel	17 720 ^j	19 153	20 186 ^{j,k}	22 197	150 437 ^j	164 000	77.0	110	305	95.42
77	36	15	Inbev	Netherlands	Consumer goods/brewers	17 177 ^q	25 330	6 452 ^q	10 639	49 457 ^q	77 000	64.2	115	136	84.56
78	11	32	Astrazeneca Plc	United Kingdom	Pharmaceuticals	17 176	25 616	20 318	21 426	52 700	64 200	81.3	166	210	79.05
79	15	43	L'Air Liquide Groupe	France	Commodity chemicals	17 166	19 648	9 053	11 642	24 412	35 900	77.7	266	365	72.88
80	57	35	Abbott Laboratories	United States	Pharmaceuticals	17 133	28 768	8 438	19 680	31 037 ^m	60 600	51.2	81	103	78.64

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The world's top 100 non-financial TNCs, ranked by foreign assets, 2004^a (concluded)
(Millions of dollars and number of employees)

Ranking by:				Assets		Sales		Employment		TNI ^b (Per cent)	No. of affiliates		II ^c		
Foreign assets	TNI ^b	II ^c	Corporation	Home economy	Industry ^d	Foreign ^e	Total	Foreign ^f	Total		Foreign	Total		Foreign	Total
81	96	77	Hitachi Ltd	Japan	Electrical & electronic equipment	16 832 ⁿ	93 510	22 451 ^k	83 435	104 533	347 424	25.0	385	722	53.32
82	77	63	Thyssenkrupp AG	Germany	Metals and metal products	16 683	41 137	21 433	48 850	93 027	184 358	45.0	400	655	61.07
83	91	78	Marubeni Corporation	Japan	Wholesale trade	16 581	40 415	7 424	28 085	7 597 ⁱ	24 106	33.0	160	291	54.98
84	37	66	Bertelsmann	Germany	Media	15 973	28 563	14 847	21 128	48 916	76 266	63.4	334	561	59.54
85	31	10	Stora Enso	Finland	Paper	15 467	22 355	10 319	15 392	29 959	43 779	68.2	254	286	88.81
86	75	13	Samsung Electronics	Republic of Korea	Electrical & electronic equipment	15 399	66 665	55 604	71 563	21 259	61 899	45.0	75	87	86.21
87	78	21	Wyeth	United States	Pharmaceuticals	15 293	33 630	7 502 ^k	17 358	22 794 ^m	51 401	44.3	78	95	82.11
88	2	16	CRH Plc	Ireland	Lumber and other building material dealers	15 192	16 165	14 920	15 918	57 882	60 411	94.5	484	573	84.47
89	100	100	Verizon	United States	Telecommunications	15 170	165 958	2 127	71 300	12 731 ^m	210 000	6.1	32	467	6.85
90	88	85	Statoil ASA	Norway	Petroleum expl./ref./distr.	14 934	41 100	8 806 ^l	45 248	11 349	23 899	34.4	60	135	44.44
91	73	36	Scottish Power	United Kingdom	Electric utilities	14 760	27 708	5 096	12 539	6 934	16 142	45.6	87	115	75.65
92	70	25	Bristol-Myers Squibb	United States	Pharmaceuticals	14 708	30 435	8 767	19 380	20 116 ^m	43 000	46.8	74	92	80.43
93	99	94	Duke Energy Corporation	United States	Electricity, gas and water	14 669	55 470	2 305	22 503	3 944 ^m	21 500	18.3	33	94	35.11
94	98	96	CITIC Group	China	Diversified	14 452	84 744	1 746	6 413	15 915 ^h	93 323	20.4	14	59	23.73
95	28	19	BHP Billiton Group	Australia	Mining & quarrying	14 225	21 510	17 673	24 943	25 980 ^m	35 070	70.4	75	90	83.33
96	45	58	Christian Dior SA	France	Textiles	14 177	35 242	10 513 ^l	16 391	41 254	61 515	57.1	21	32	65.63
97	69	70	Alcoa	United States	Metals and metal products	14 084	32 609	8 994	23 478	71 200	119 000	47.1	114	194	58.76
98	59	51	Motorola Inc	United States	Telecommunications	13 900	30 889	17 729 ^l	31 323	34 544 ^m	68 000	50.8	65	93	69.89
99	8	8	Nortel Networks	Canada	Telecommunications	13 854	16 984	9 260 ^k	9 828	25 160	34 150	83.2	58	64	90.63
100	43	40	Lvmh Moët-Hennessy Louis Vuitton SA	France	Textiles and leather	13 685	27 919	10 160	15 674	37 118	56 509	59.8	313	426	73.47

Source: UNCTAD/Erasmus University database.

^a All data are based on the companies' annual reports unless otherwise stated. Data on affiliates is based on the Dun and Bradstreets'Who owns Whom database.

^b TNI, the Transnationality Index, is calculated as the average of the following three ratios: foreign assets to total assets, foreign sales to total sales and foreign employment to total employment.

^c II, the "Internationalization Index", is calculated as the number of foreign affiliates divided by the number of all affiliates (Note: Affiliates counted in this table refer to only majority-owned affiliates).

^d Industry classification for companies follows the United States Standard Industrial Classification as used by the United States Securities and Exchange Commission (SEC).

^e In a number of cases, companies reported only partial foreign assets. In these cases, the ratio of the partial foreign assets to the partial (total) assets was applied to total assets to calculate the total foreign assets. In all cases, the resulting figures were sent for confirmation to the companies.

^f Foreign sales are based on the origin of the sales, unless otherwise stated.

^g Data for outside North America.

^h Foreign employment data were calculated by applying the share of foreign employment in total employment of the previous year to total employment of 2004.

ⁱ Foreign data were calculated by applying the share of the foreign into the total component of 2002 to the total component of 2004.

^j Data for outside Europe.

^k Foreign sales are based on customer location.

^l In a number of cases companies reported only partial region-specified sales. In these cases, the ratio of the partial foreign sales to the partial (total) sales was applied to total sales to calculate the total foreign sales. In all cases, the resulting figures were sent for confirmation to the companies.

^m Foreign employment data were calculated by applying the share of both foreign assets in total assets and foreign sales in total sales to total employment.

ⁿ Foreign assets data were calculated by applying the share of foreign assets in total assets of the previous year to total assets of 2004.

^o Foreign employment data were calculated by applying the average of the shares of foreign employment in total employment of all companies in the same industry (omitting the extremes) to total employment.

^p Data were obtained from the company in response to an UNCTAD survey.

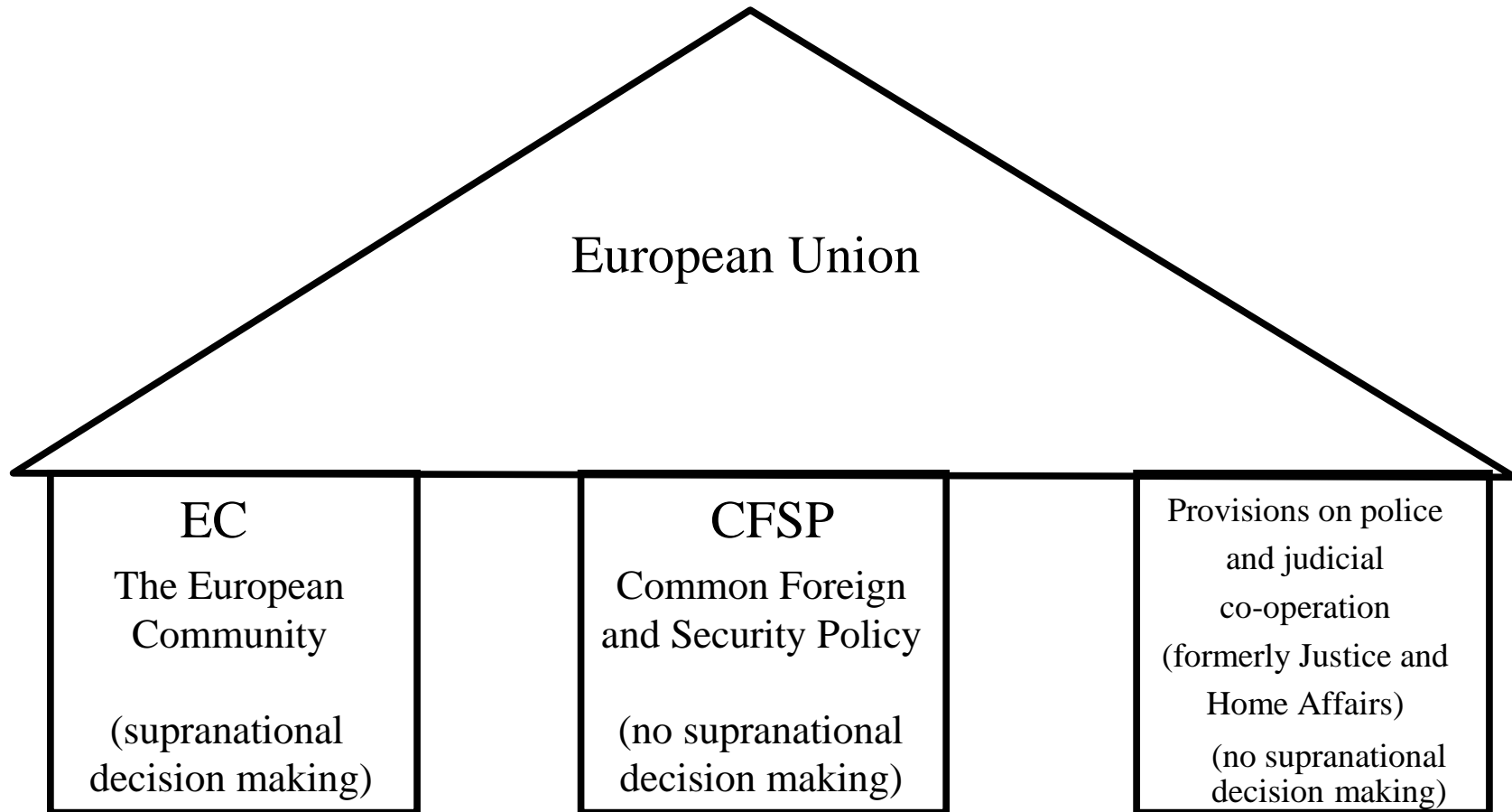
^q Data for outside Western Europe.

^r Foreign sales data were calculated by applying the share of foreign sales in total sales of the previous year to total sales of 2004.

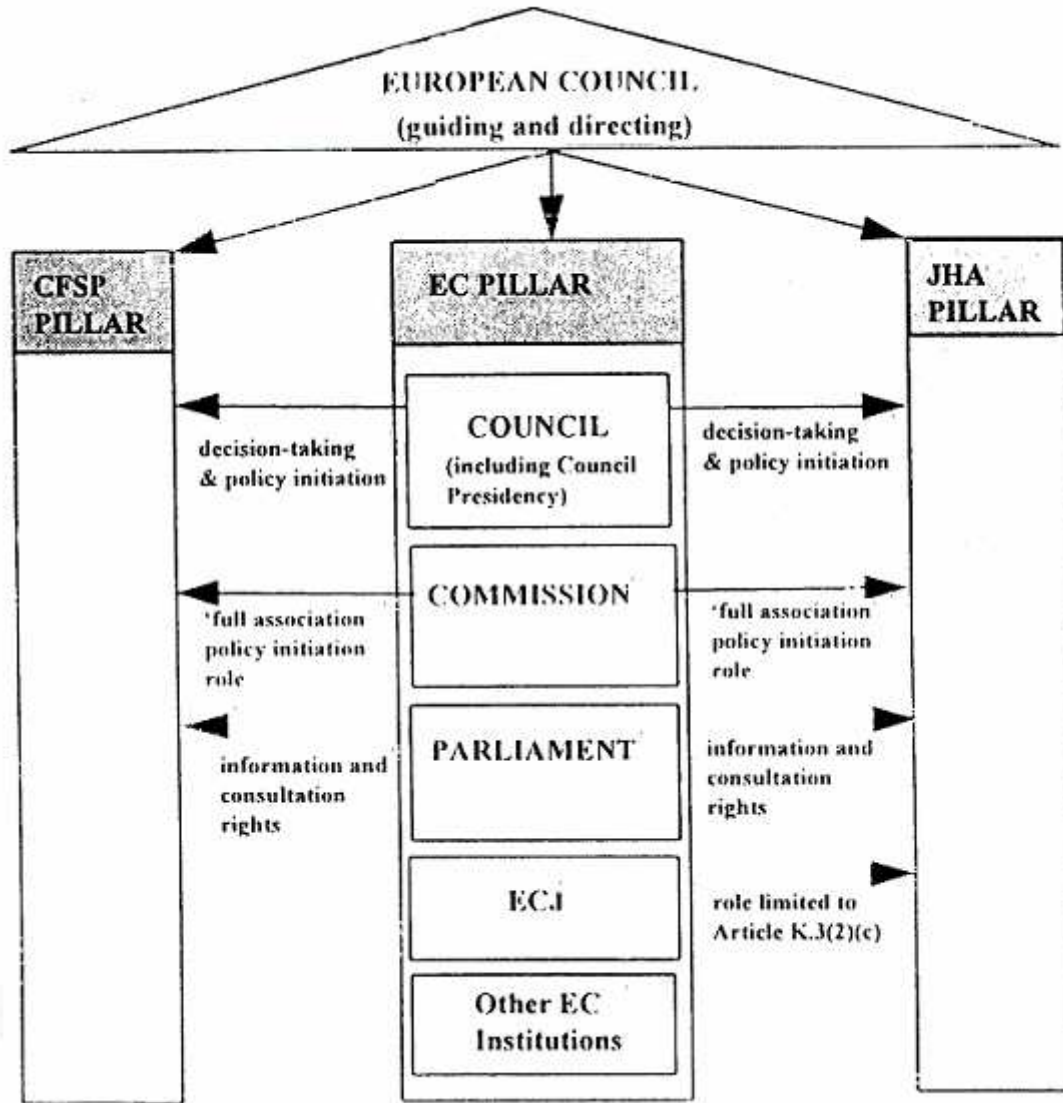
^s Employment data is based on the data of 2003.

Note: The list covers non-financial TNCs only. In some companies, foreign investors may hold a minority share of more than 10%.

The 3-pillar structure

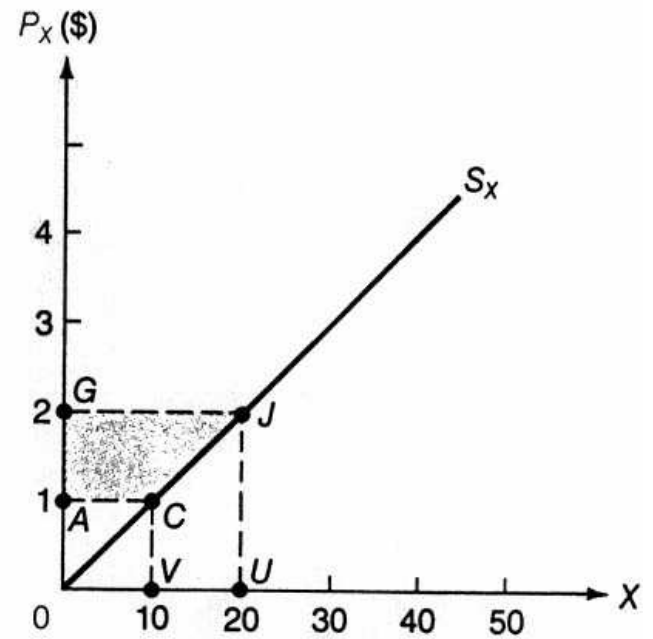
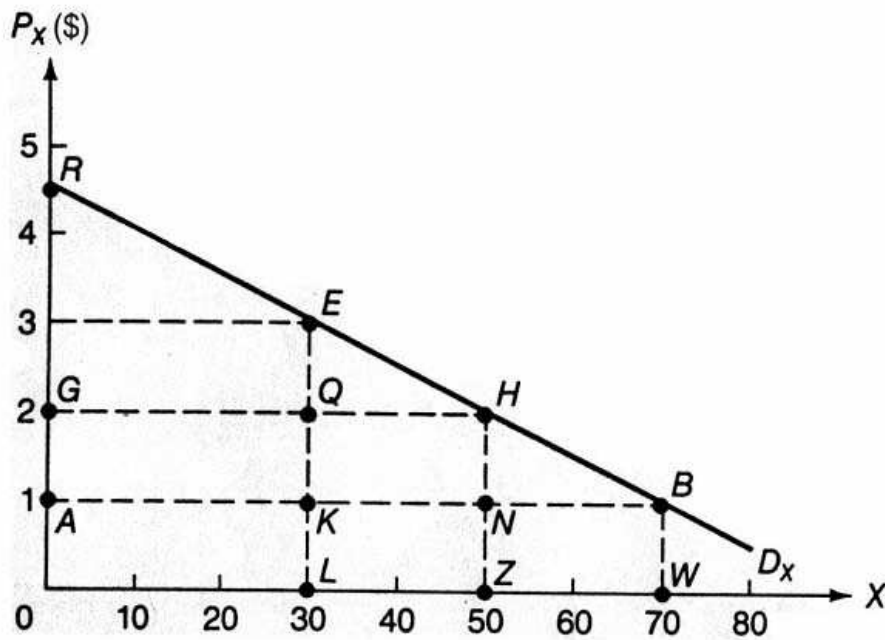


The Union's Institutional Framework

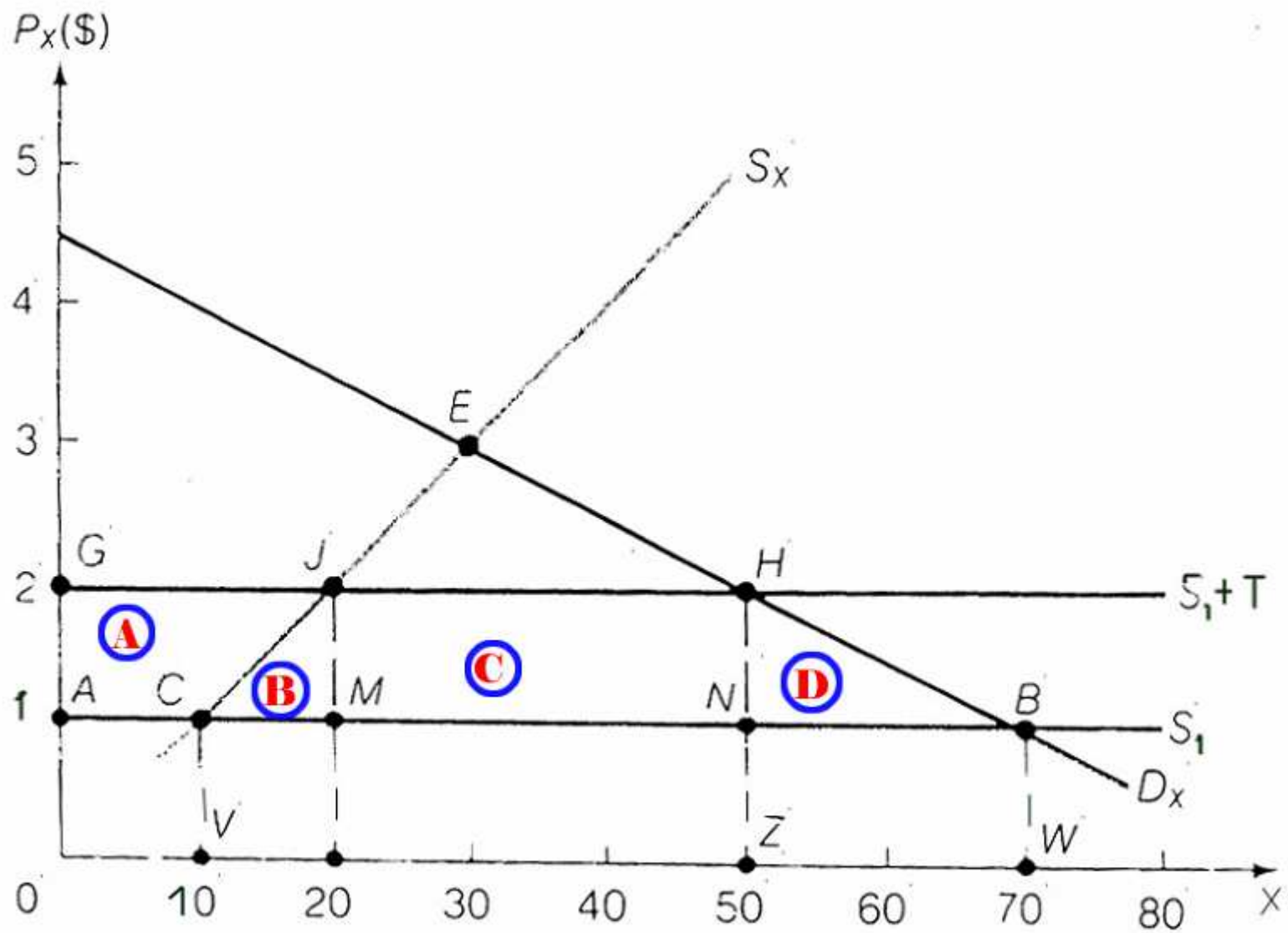


The Main Functions and Roles of the Institutions

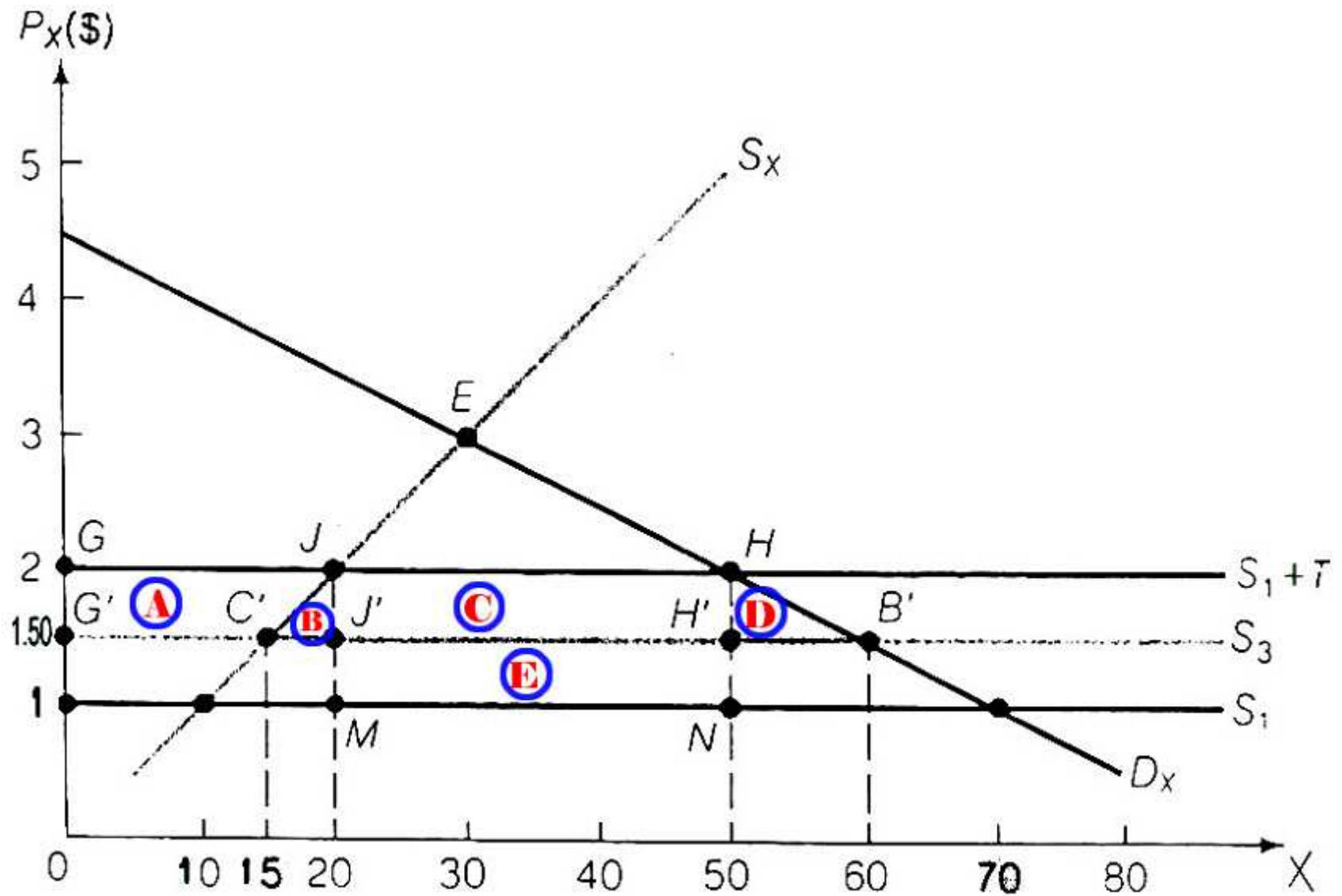
Institution	Main Functions and Roles
Commission <i>(appointed)</i>	policy initiation; implementation; guardian of treaties; drafting budget; monitoring; troubleshooting; external relations; 'motor' of integration
European Council <i>(heads of government of member states)</i>	guidance and strategic direction; decision-taking
Council of the European Union <i>(ministers of member states)</i>	main legislative and decision-taking arm; adoption of budget; external relations
European Parliament <i>(directly elected)</i>	legislative scrutiny, amendment and (limited) 'co-decision'; assent; supervision; adoption of budget; discussion forum; redress of grievances
European Court of Justice <i>(appointed)</i>	judicial interpretation and enforcement
Economic and Social Committee <i>(appointed)</i>	advice and representation
Committee of the Regions <i>(appointed)</i>	advice and representation
Court of Auditors <i>(appointed)</i>	financial auditing
European Investment Bank <i>(appointed)</i>	financing Union development projects



Effect of Tariff on Consumer and Producer Surplus

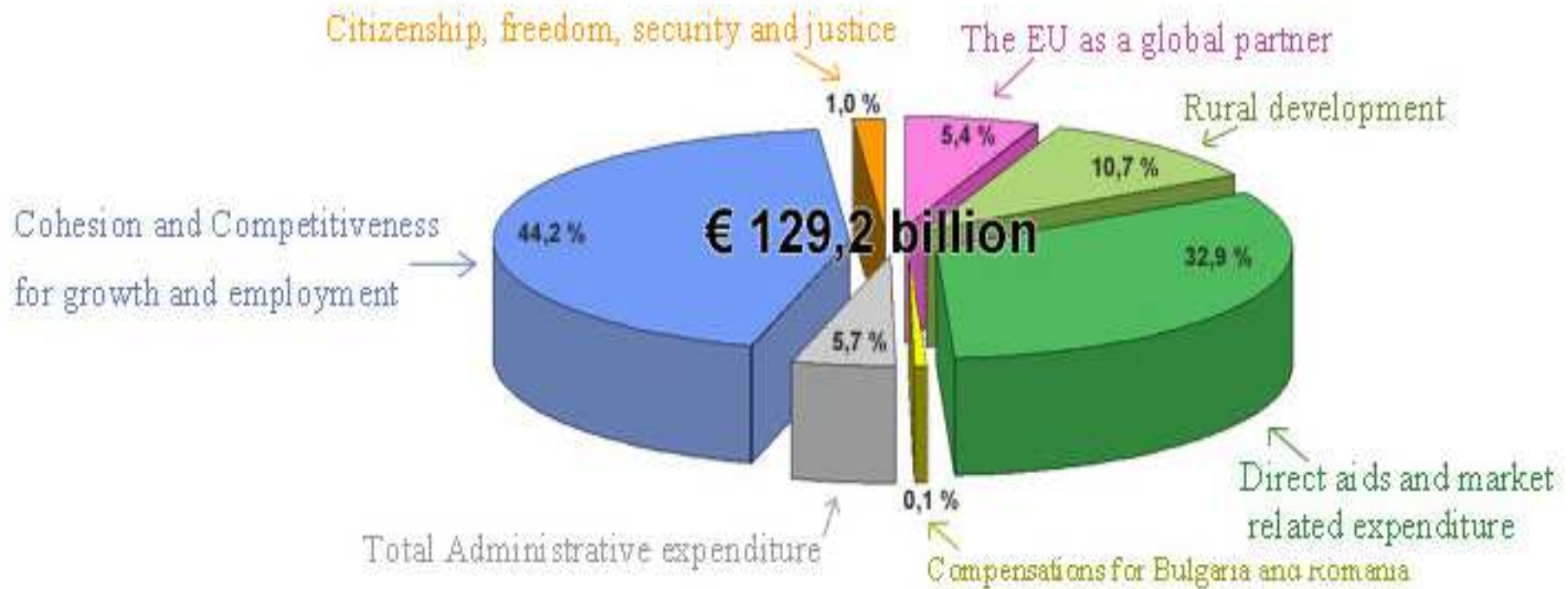


A Trade-Creating Customs Union

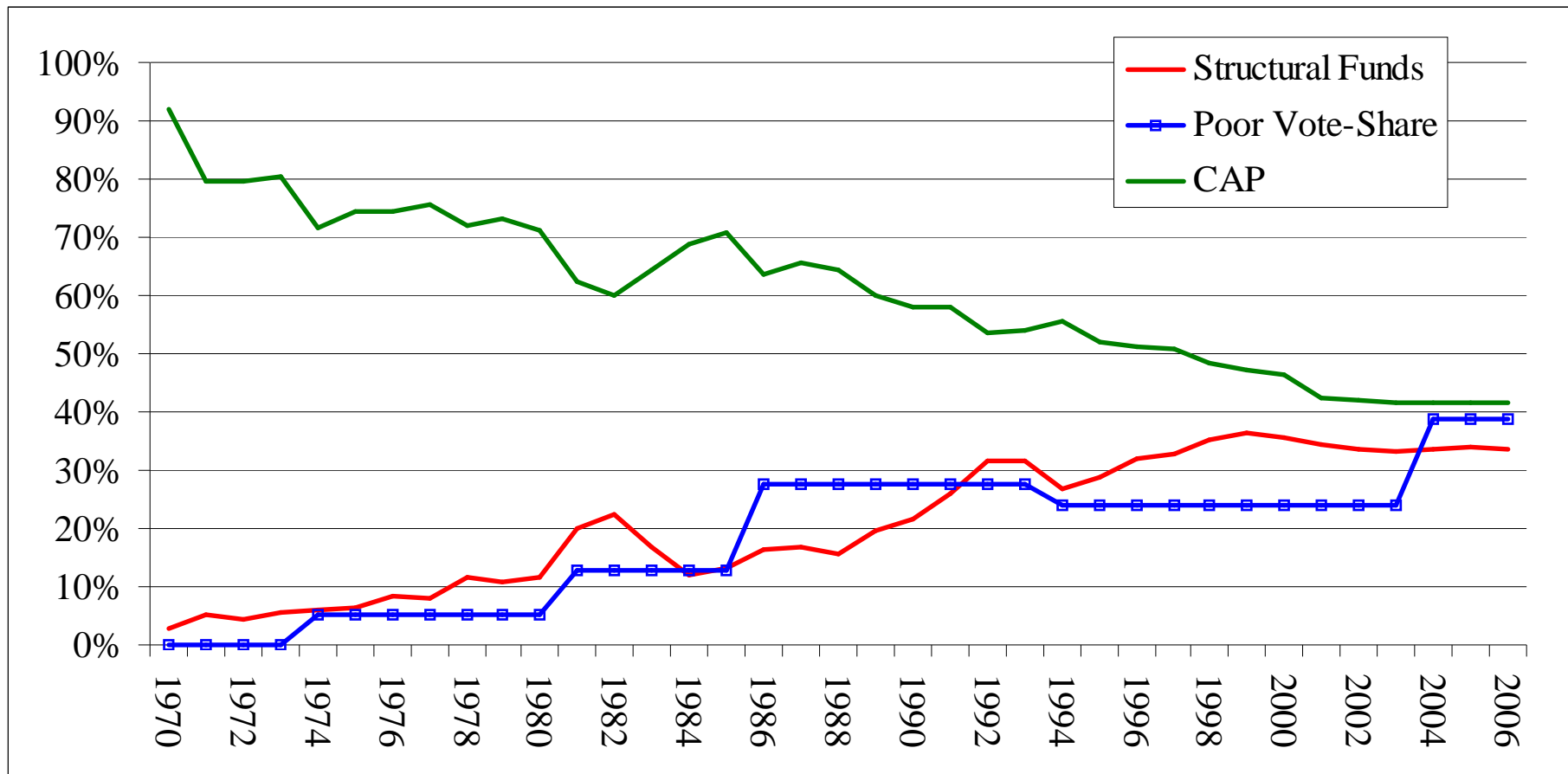


A Trade-Diverting Customs Union

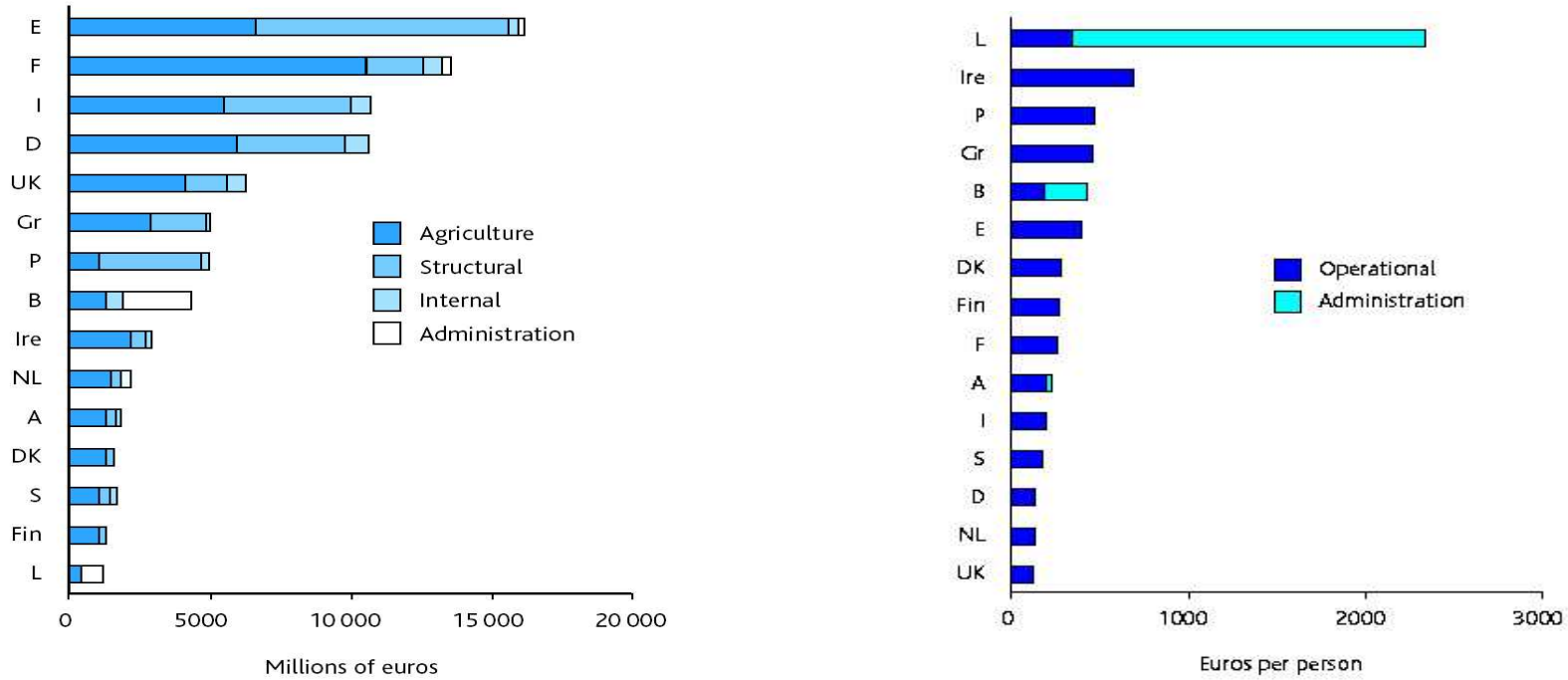
Proposed Budget 2008



EU budgetary expenditures, 1956-2006, CAP vs Structural Funds



The EU spending by member, by type and per capita, 2003



Source of EU funding, 1971-2001

