MID TERM I - Practice

I. Short Answer Questions (community stands for either EEC, EC, or EU)

1. The sizes of the original 6 members of the European Coal and Steel Community were very different. Did the Schumann Plan address the issue? What was the principle involved?

2. What was the European Free Trade Area (created in 1960)?

3. Subsidiarity means that whenever possible it is better for Brussels to delegate to the member states. Which form of legislation initiated by the commission best meet this principle? Explain.

4. What is the scope of the European Council (or IGC\(^1\)): i.e. what kind of issues this council would consider.

5. The EU's revenues consist of revenues generated by the common commercial policy, revenues from value added taxes and a certain proportion of GDP: which of these are considered as own resources and which are contributions by the member states?

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\(^1\) InterGovernmental Conferences
6. The EU is often accused of dumping: what is the basic symptom of dumping (i.e. how does the ITC\textsuperscript{2} define dumping)?

7. What is the difference between a free trade area and a customs union?

8. Explain why the White Paper or Cockfield Report endorsed by the European Council in Milan in 1985 was so appealing to business.

9. The Single European Act signed by the (then) EC members in 1986 introduced a number of new European goals: could you mention some of these goals (at least 2).

10. Article 86 makes the abuse of a dominant position illegal. However the Competition Policy of the EU also deals with other forms of anti-competitive behavior. What kind of anti-competitive practices are forbidden by Article 85.

11. The original policy on movements of labor in the (then) EEC has 2 tenets: one is the fundamental rights of workers to move freely within the community. What is the other tenet of the policy (it would obviously also involve movements of labor).

\textsuperscript{2} The US agency that investigates possible cases of dumping.
12. In which specific circumstances does the EU (and the US) use the right to impose countervailing duties (legal with WTO)?

13. The EU is involved in a large number of trade treaties (e.g. preferential agreements) with sub groups of WTO members: could you mention a few (at least 2) of these treaties.

14. Can you mention and describe in a few lines one of the various trade squirmishes between the EU and the US.

15. Border taxes and subsidies: explain what happens to the VAT when the EU export goods to the rest of the world.

16. The subsidies to agriculture were distributed under the auspices of the Guarantee Fund (compulsory expenditures in the budget) and of the Guidance Fund (non-compulsory expenditures in the budget): what was the goal and the impact of the Guidance fund on European agriculture.

17. The EU agricultural policy is blamed for depressing world agricultural prices. However the most strident complaints come from the US, Australia, Canada, Argentina etc. Explain why other countries like Senegal, Saudi Arabia etc. are not as unhappy about the policy.
18. Originally the CAP had 5 goals, however they were not all consistent. For instance the first goal was to insure a fair standard of living for the farmers. Can you mention another goal of the policy that could have an adverse impact on the farmers' revenues.

19. Why are public procurements anti-competitive at the EU level?

20. Can the EU run a budget deficit? Explain.

II Theory Questions (answer in words – no graph)

1. Why is a customs union considered a second best (to free trade)?

2. Why is a large customs union more likely to increase the overall welfare of its members than a small one (think in terms of trade creation, expansion and diversion). Explain.
3. When capital controls are removed between a capital rich low interest country A and a capital poor high interest country B,

    capital will flow from country ________ to country ________

    the share of income going to labor in country A will __________________

    the share of income going to the owners of capital in country B will ________

4. What is the purpose of the *variable import levies* imposed on foreign agricultural produces by the common external policy (CAP instrument).

**III Essay** (15 lines)

Explain why the UK was reluctant to join the common market at its onset and why the UK demanded special treatment with regard to its contributions to the EU budget. (use the rest of the page)