



Indiana & The European Union

European Integration

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As the 27 member states of the European Union (EU) become more integrated, it is increasingly important to view the EU as a single actor. Through the customs union, the single market, and the euro, the member states have transferred many of their traditional economic powers to the EU, creating the world's largest economic area of 500 million citizens with a GDP worth \$18.5 trillion in 2008.

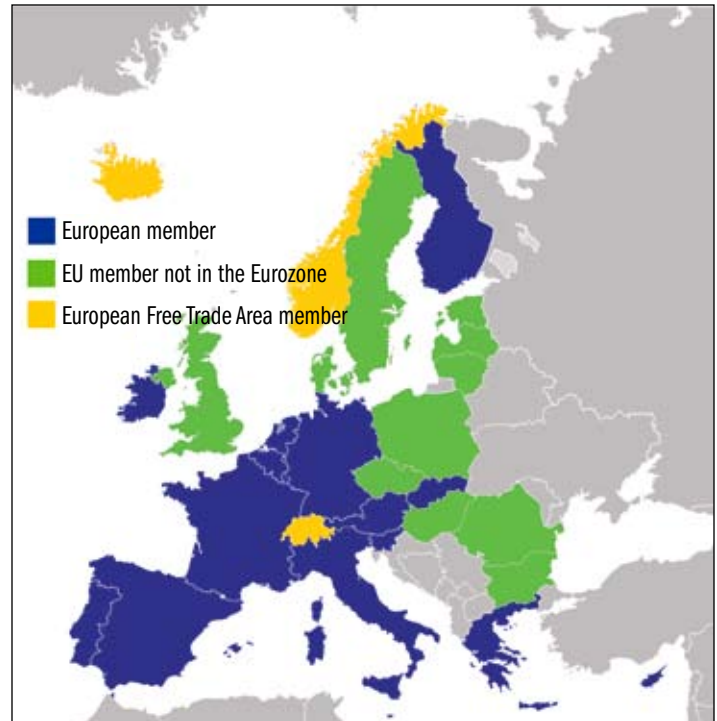
With the signing of the Treaty of Rome in 1957, six European countries formed a customs union, eliminating tariffs between the members and setting common customs duties. Now Indiana exporters deal with only one set of customs duties regardless of EU point of entry. Since then, economic integration has deepened. Internal barriers have all but disappeared across the EU with the creation of the Common Market. This trend has continued with the adoption of the euro by many EU member states, creating a transnational currency that has further tied EU economies together.

The Common Market

- Initiated by adoption of the Single European Act in 1986
- Ensures the free movement of goods, capital, labor, and services across the European Economic Area (EEA)
- European Economic Area: the 27 EU member states plus the 4 members of the European Free Trade Area (EFTA)

With this integration, the EU's administrative arm (the European Commission) has gained significant powers. The European Commission helps set customs rates and represents the member states in external trade matters. The EU now speaks for all 27 countries at the World Trade Organization (WTO) and in bilateral trade talks with the United States, with the result that trade policy is formulated increasingly by the EU with input from its members.

European integration is good for American businesses, so it is important for Hoosier businesses to be aware of



integration's advantages. EU integration has simplified transactions between its member states, helping facilitate globalization, while increasing the EU's importance. As a result, EU actions often strongly influence international trade and investment.

The Euro

- Created in 1999 with 12 EU member states
- 4 EU states have since joined
- Allows for use of a single currency in transnational transactions, facilitating the free movement of capital across the region, accelerating financial integration
- Reduces transaction costs for companies, as firms no longer have to convert currencies and removes the risk of fluctuating exchange rates
- The euro now represents one-third of all foreign exchange transactions

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