

Economic Advantages of the European Union – An Inquiry into Economic Growth and Trade Relationships for European Union Member States

Unit Plan

6 Credits

Year	NCEA Level	Duration
12	2	6–8 weeks

This unit has been developed in relation to Economics Achievement Standard 90798 (2.5). Teachers should ensure that they adjust the unit to meet the needs of their students and NCEA requirements.

Introduction

This unit of work requires students to investigate economic policies and how they impact on economic growth in the context of the European Union (EU) and New Zealand.

Specifically, students will:

- learn about the “single market” and the Eurozone
- consider factors affecting the economic growth of a country and economic growth indicators for New Zealand and the EU
- examine trade relationships both within and external to the EU
- consider how the EU is responding in economic terms to external influences specifically, the global financial crisis and climate change.

The unit plan is divided into:

- **Curriculum links** – including vision, principles, key competencies, and values.
- **Context background** – which briefly describes the history of the EU and related economic issues.
- **Teaching activities** – a list of suggested discussion topics and activities. Adapt and modify the activities to meet the needs of your students.

Also included as part of this unit (but as separate PDFs) are:

- **Formative assessment** – the formative assessment is designed to prepare students for external assessment. This assessment would ideally be used in the practice/mock/final trial school examinations. Specific details of this achievement standard are provided on the NCEA website <http://www.nzqa.govt.nz/ncea/>. Teachers should check the NCEA website to find out the assessment specifications for any particular year.
- **Resources** – including additional background information, website links, and recommended further reading for students and teachers.

Suggested approach for teachers

This unit has been written with Level 2 Economics in mind. Teachers may find it useful to either:

- use its activities as a focus unit for a review and further exploration of government policies following the completion of study into the issues of **trade, growth, and inflation**; or
- select individual activities to incorporate into, and enhance, existing units on **trade, growth, and inflation**, providing an unifying theme across the three economic issues.

Curriculum Links

Note: In this section, links of primary relevance have been given an asterisk.

Vision for young people

- International citizens*
- Literate and numerate
- Connected*
- Effective users of communication tools
- Active seekers, users, and creators of knowledge*

Principles

- **Learning to learn** – students will focus on the process of learning and have the opportunity to reflect, critique, analyse and enhance their own learning.
- **Future focus** – students will consider contexts that have consequence for the future.

Key competencies

- **Thinking*** – students will make comparisons, synthesise information, draw conclusions and process information.
- **Using language, symbols and texts** – students will express ideas and information, both orally and in writing, using appropriate language conventions.
- **Managing self*** – students will determine areas of interest and motivate themselves to conduct independent research.
- **Relating to others** – students will actively listen, recognise different points of view, negotiate and share ideas. Students will also examine how nations work together in an international relations context.
- **Participating and contributing*** – students will see the benefits of nations working together to solve issues.

Values

- **Excellence** – students will strive for personal standards of excellence when they use high-level thinking and research skills to investigate complex issues.

- **Innovation, inquiry and curiosity** – students will problem solve, create innovative solutions, identify their own areas for investigation, and discover topics that inspire them.
- **Diversity** – students will examine a variety of different cultural contexts and engage with global issues.
- **Equity** – issues around human rights may be identified and examined.
- **Community and participation** – students will work together and examine models where nations work together for communal benefit.
- **Integrity** – students will examine how countries conduct themselves in a global context.

Learning area: Social Sciences – Economics

- In social sciences, students explore how societies work and how they themselves can participate and take action as critical, informed, and responsible citizens.
- In the economic world, students learn about the ways in which people participate in economic activities and about the consumption, production, and distribution of goods and services. The students develop an understanding of their role in the economy and how economic decisions affect individuals and communities.

Achievement objectives (Curriculum Level 7 – Year 12)

Students will gain knowledge, skills and experience to:

- understand how economic concepts and models provide a means of analysing contemporary New Zealand issues
- understand how government policies and contemporary issues interact.

Key concepts

- Economic growth
- Trade agreements and organisations
- Trade regulations
- Government policies to promote trade
- Free trade versus protectionism
- Policy responses to unforeseen and external influences
- Impact of trade policies on growth and inflation

Context Background

Many New Zealanders can trace their ancestry to Europe. The Treaty of Waitangi (1840), New Zealand's founding document, was signed between the British Crown and more than 500 Māori chiefs, and began an ongoing process of immigration to New Zealand from the United Kingdom and Europe.

While New Zealand has increasingly become a nation focused on the Asia-Pacific region, there are strong social, economic, cultural, and legal ties to Europe. It is important that New Zealanders understand and appreciate the role the EU plays in the world. The EU is New

Zealand's largest trade partner in the world after Australia. The EU's economy is the biggest in the world, now surpassing the United States in size. In 2007, the EU's economy produced \$14.4 trillion in goods and services.

Since the European Economic Community (EEC) was formed in 1957 by the Treaty of Rome, European countries have looked for opportunities to integrate political, legal, economic, and social policies. One of the objectives of the EU is to achieve this integration for the mutual benefit of its Member States.

Until 2004, there were 15 Member States of the EU. These states were located in wealthier parts of Western Europe and Scandinavia. After the fall of the Iron Curtain and the dismantling of Communism in Eastern Europe in the late 1980s and early 1990s, a number of former Eastern European countries transformed their economies to such an extent that they became eligible to join the EU, and did so in 2004 and 2007. In 2004, the two island states of Cyprus and Malta joined after meeting EU criteria as well, bringing the total number of Member States to 27 with a combined population of nearly half a billion people.

Countries like Poland, Hungary, the Czech Republic, and the Baltic states of Estonia, Latvia, and Lithuania now enjoy the benefits of being members of the EU. These benefits include:

- peaceful relations within Europe
- improved economic opportunities through trading within a single Europe-wide market
- harmonisation of rules and regulations
- access to regional aid
- rebates and subsidies in some areas, notably agriculture
- increased movement of people due to reduced travel restrictions, and subsequent freer labour markets
- modernisation
- involvement in EU decision-making processes
- greater impact on the international scene when the EU speaks with one voice.

Membership provides greater political and economic stability, protects social diversity, and has introduced tougher environmental controls that have helped to improve the quality of life for those living in these new Member States. In return, Member States are expected to meet certain criteria for membership including a fully functioning democracy and the adherence to agreed human rights legislation and practices.

Teaching Activities

Please note: Teachers should adapt these activities to the needs and interests of their learners.

Activity 1: Introduction to the EU

- Ask students to write down the main things they know about the EU and write their ideas on the board, grouping them into key points.
- Using this information, have the students frame brief research questions that give them background knowledge about the EU and then work in groups or individually to gather the relevant information and present it to the class.

- The questions could cover the EU's formation, its structure and institutions, Member States, and changes over time. Some useful introductory websites are:
 - <http://europa.eu> EUROPA is the website of the EU and provides information about the EU as well as access to documents produced by the EU.
 - http://news.bbc.co.uk/1/hi/world/europe/country_profiles/3498746.stm Is a website that gives an overview of the EU.
 - http://news.bbc.co.uk/1/hi/in_depth/europe/2002/eu_enlargement/default.stm Is an interactive site about enlargement.
 - http://en.wikipedia.org/wiki/European_Union While this website provides background information about the EU, students should be reminded about the process by which information is placed on Wikipedia and the accompanying issue of validity of this information.

Activity 2: Becoming a member of the EU

- Ask students to prepare for a discussion about the advantages and disadvantages of new countries joining the EU using website research.
- Discuss the enlargement of the EU — and the advantages and disadvantages that have resulted from this for the EU and individual member countries.
- Discuss some of the countries that are seeking membership and the issues they must address before they can achieve membership.

Activity 3: What is economic growth?

- Ask students to discuss what issues affect economic growth of a country. Encourage them to consider both internal and external influences.
- Revise student's knowledge on how economic growth is measured and reported in New Zealand, and examine New Zealand economic growth indicators over the last five years. Also introduce some of the fiscal and monetary control mechanisms that the New Zealand Government has introduced to regulate growth patterns. See <http://www.stats.govt.nz/analytical-reports/linked-indicators/economic-indicators.htm>
- Ask students to select a policy area from the list below and describe how it can affect economic growth:
 - regional development
 - research and development
 - taxation
 - subsidies
 - business development
 - education
 - Fiscal Responsibility Act
 - supply side policies
 - Resource Management Act
 - Emission Trading Scheme.

- Have students present their information to the class.
- Ask students to create a presentation (for example, a flow chart) exploring in detail one control mechanism. They must include an example of how the control mechanism has been used in New Zealand and the effect that it has had on the economy.
- Discuss with students what economic growth indicators are used by the EU as an organisation. Establish similarities and differences between the growth indicators and measures used in New Zealand, See http://ec.europa.eu/economy_finance/db_indicators/index_en.htm?cs_mid=8359
- Examine economic growth indicators for the EU over a number of years and consider the impact of internal and external influences, such as fuel cost spikes and EU enlargement rounds.
- Ask students to select an EU Member State and investigate its economic growth indicators before and after membership. Ask them to justify what they discover in economic terms and identify the impact of any global economic forces.

Activity 4: Trade agreements and organisations

- Ask students to examine:
 - Closer Economic Relations websites <http://www.mfat.govt.nz/Foreign-Relations/Australia/1-CER/index.php> and <http://www.australia.org.nz/wltn/CloseEconRel.html>
 - the World Trade Organization (WTO) website <http://www.wto.org>
 - the EU website <http://europa.eu>
- For each one, ask students to identify who the parties/members are and what the criteria is for inclusion.
- Students may construct a table and identify similarities and differences between the various cooperation arrangements.
- Focusing on the EU, ask students to discuss how the single market and common external tariffs are used to enhance trade between members.
- Ask students to investigate how trade relationships between EU member countries operate. Get them to explain the differences between these and the bilateral or multilateral agreements the EU has with other countries. Students could consider advantages, opportunities, and risks or disadvantages of the different trade relationships.
- Explain key economic and financial policy entities:
 - European Central Bank <http://www.ecb.int/home/html/index.en.html>
 - Economic and Financial Affairs Directorate-General http://ec.europa.eu/economy_finance/the_euro/index_en.htm?cs_mid=2946
 - European Commission's Directorate-General Internal Market and Services http://ec.europa.eu/dgs/internal_market/index_en.htm
 - European Commission's Directorate-General Employment and Social Affairs <http://ec.europa.eu/social/main.jsp?langId=en&catId=656>
 - European Commission's Directorate-General for Trade <http://ec.europa.eu/trade/>

- Ask students to investigate one of these entities in depth and write a newspaper article describing how its work contributes to economic growth for the EU.

Activity 5: Trade regulations

- Brainstorm with the class why it is necessary to regulate trade.
- Describe how each of the following policies could be used to regulate trade:
 - tariffs
 - quotas
 - local content laws
 - anti-dumping measures
 - biosecurity regulations
 - import licences
 - technical regulations
 - price stability
 - exchange rates.
- Ask students to select a policy to investigate in more detail. Ask each student to explain how the policy is employed (or not employed) within the EU to manage trade relations. They should also describe how their policy impacts on European integration.
- Describe the trade relationship that New Zealand currently has with the EU.

Activity 6: Policies to promote trade

- Brainstorm with the class a list of trade promotion policies.
- Identify ways that the EU promotes trade internally (between Member States) and externally.
- Internally: http://ec.europa.eu/internal_market/top_layer/index_1_en.htm
- Externally: <http://ec.europa.eu/trade/>
- Discuss the possible impact of new countries joining the EU from a trade perspective. Consider what effect their entry would have on international trade relationships, and what effect it would have on New Zealand in particular.
- Discuss the Doha Declaration and WTO, and the EU's role in each. What is the significance of the EU at WTO?
 - The WTO website <http://www.wto.org>
 - The EU website <http://europa.eu>
- Focus on the idea of the Eurozone and examine the Euro currency in depth. Ask students to examine the benefits of a single currency and consider how that benefit might enhance trade. For example:
 - **Citizens** – price transparency, easier travel with no currency exchange, lower interest rates.

- **Businesses** – no exchange rate transaction costs or uncertainty, full benefits of the single market, financial market integration.
 - **Macroeconomy** – price stability (low and stable inflation), exchange rate stability, low interest rates.
 - **Global** – greater diversity and currency choice, enhanced stability (even amid adverse world events that would have caused exchange rate turmoil pre-euro).
 - **Political** – milestone step in European integration, enhanced global role.
- Ask the students to draw or use a map and identify Eurozone countries. Why are some EU Member States excluded from that zone?

Activity 7: Economic stability

- Brainstorm with the class the benefits of economic stability.
- Discuss the mechanisms the EU uses to ensure economic stability, in particular the Stability and Growth Pact.
 - <http://www.euractiv.com/en/euro/stability-growth-pact/article-133199>
 - <http://europa.eu/scadplus/leg/en/s01040.htm> (Note: students may find the information on this website challenging.)
- Discuss how interest rates and exchange rates are used to promote economic stability within the EU.

Activity 8: Free trade versus protectionism

- Organise a class debate on free trade versus protectionism.
 - Split the class into two groups and ask the groups to research their argument.
 - Each group is to nominate a lead speaker to introduce their argument, a rebuttal speaker, and a closing speaker to summarise their argument.
 - Conduct the debate.
- After the debate, have the students decide which group had the strongest argument and justify their decision.

Activity 9: Policy responses to unforeseen and external influences

- Brainstorm with the class what kind of external forces would necessitate economic policy change and have students determine what they think are major external influences the EU and other countries are currently concerned about.
- Indicate that this unit of work will consider two issues: climate change and the global financial crisis.

Climate change

- Explain that, in December 2008, the EU adopted an integrated energy and climate change policy. Ask the students to investigate this policy and discuss how having binding targets may effect the economies of Member States. Consider opportunities and risks.
 - http://ec.europa.eu/climateaction/eu_action/index_en.htm

The global financial crisis

- Examine the credit crunch and global market collapse and what the EU has done to assist its own economy.
 - http://ec.europa.eu/financial-crisis/index_en.htm

Activity 10: Impact of trade policies on growth and inflation

- Ask students to consider the consequences if the EU decides to increase tariffs in an effort to reduce unemployment in Member States. Ask students to identify the possible impact of this decision on each of the following issues for (1) EU Member States, and (2) New Zealand:
 - employment might increase/decrease
 - growth might increase/decrease
 - inflation might increase/decrease
 - inequality might increase/decrease.
- Turkey wants to join the EU. Ask students to consider the economic consequences if Turkey meets the criteria to become a member.
 - Identify the positive and negative impacts on trade from the perspective of a Member State.
 - Identify the positive and negative impacts on employment, inflation, growth, and inequality from the perspective of a Member State.
 - Identify the impacts on external trade partners: consider the impact on New Zealand's trade with the EU.
 - Evaluate whether the positive impact on trade is more significant than the impact on the other economic issues.