



EC 357 EUROPE IN THE GLOBAL ECONOMY

IES Abroad Vienna

DESCRIPTION: The course presents the European position in the global economy. It reviews issues of international trade flows and capital flows between the European economies and the major partners. The course deals with the policies of the European Union, that of the World Trade Organization and of the IMF. It presents the economic relations between Europe and the United States. It analyzes the external economic policy issues of the European Union. The formation of economic competitiveness between the leading nations is an integral part of the program. The course illustrates the role of the multinational companies it deals with the current issues of the international capital flows. It helps understand the current trends of globalization and of de-globalization their effects on the European Union and on the European economy. It analyzes the reasons of the recent global crisis and that of the euro crisis. The course puts a special emphasis on the economic environment in the new EU member countries. It applies the instruments and methods of international economic policy.

CREDITS: 3 credits

CONTACT HOURS: 45 hours

LANGUAGE OF INSTRUCTION: English

PREREQUISITES: Studies in macroeconomics, international economics or in international relations.

METHOD OF PRESENTATION:

- Lectures
- Seminars
- Open discussions (team work is encouraged)

REQUIRED WORK AND FORM OF ASSESSMENT:

- Midterm – in-class exam /35%/
- Final test – in-class exam /40%/
- Class participation in the discussion of the readings + assignments /10%/
- Policy paper (3000 words+ bibliography, 1.5 spaced, 12 letter, printed version) /15%/.

Policy paper (Deadline: end of April 2017.)

Options:

- **EU-US economic relations. Issues in the Trans-Atlantic trade and capital flows, significance of the transnational corporations.**

The policy paper will analyze the economic interdependence between the EU and the US. It can concentrate on trade flows, capital flows, and on the economic power of the transnational enterprises. Main questions could be: Is there a growing or declining economic integration between the EU and the US? What are the main components of the economic relationship? What are the main engines and what are the main barriers of the further integration? What is the foreign economic policy of the EU and that of the US in the development of the free trade area?

- **Country-report: Impact of the recent global economic crisis. Reactions to global challenges. Analysis of one EU member country macroeconomic policy and economic situation between 2007-2016.**

You can investigate effects of the recent global and euro crisis and the government response to the crisis. In your paper you analyze national government policy reactions to the euro crisis, strong and weak sides of the economy, factors of international competitiveness.

Structure of the paper:

1. Introduction: What do you want to analyze? What are the sources? What findings do you expect from the research? Why did you choose this country?
2. Political structure, political development, national elections, political and social stability, political freedom
3. Government's economic policies: fiscal and monetary, exchange rate policies. Economic development, economic structure, strong and weak points, comparative advantages.

What was the main priority of the government's economic policy?

What kind of economic imbalances are existing?

What are the impact of the global crisis and that of the euro crisis on your country's economic growth, government budget, public debt, external account, foreign debt, rate of unemployment. (Statistical tables, diagrams on 2007-2016)

4. What was the government's economic response to the crisis? Economic stimulus and/or austerity policy? How did the main macroeconomic indicators change?
5. Conclusion, main findings: Evaluation of the country's economic achievement and/or failure.
6. Bibliography (When you quote you can put the name of the author in the footnote or when you use a source, you can put the name shortly in brackets and at the end in the bibliography).

The time framework of the policy paper is 2007-2016. The length of the paper is 3000 words, printed pages (1.5 spaced, 12 letter) included diagrams, statistical tables. Bibliography is over this size limit. You need to use the publications of the international organizations (IMF, World Bank, OECD, EBRD, EU) and the documents of the analyzed countries' national banks, statistical office, governments, research agencies. At least three serious economic papers (20-30 pages each) should be consulted and quoted.

The midterm exam and the final exams are written in-class exams will consist of essay questions and definition of economic terms based on the class notes and the readings. Students should learn the terms of various international economic issues being used in the readings and in the class lectures.

Students are expected to attend class regularly and participate in the discussions. Students must complete each reading assignment before class and come prepared to discuss the material. It is important to attend the lectures and seminars. Readings will be discussed in the class. Students are asked to turn off mobile phones and possibly have printed copies of the readings. Laptops and other electrical devices can be used only for making notes or if common work needs it.

LEARNING OUTCOMES:

- Students will get deep understanding of the recent trends in the global economy.
- They will become familiar with the policies of the European Union, that of the World Trade Organization and of the IMF.
- They will understand the interconnection between the dominant international economic policy issues especially from the standpoint of the European Union.
- They will study about the international economic position of the main European economies.
- Students will also gain insight on the economic environment in the new EU member countries.

CONTENT:

Week	Content	Reading
Week 1	<p>Globalization. Europe and the international trade</p> <p>Introduction.</p> <p>Meaning of globalization. Quantification of globalization. Driving forces and obstacles. Globalization and Europe. Current world economic situation. Refugee crisis. Multilateral trade liberalization. Role and functions of the World Trade Organization.</p>	<ul style="list-style-type: none"> • Chandy, Laurence, Seidel, Brina (2016): Is Globalization's Second Wave about to Break? The Brookings Institution, Washington DC, p. 22, US • Karmakar, Suparna Karmakar, (2013): Life after Bali: Renewing the World Trade Negotiating Agenda. Bruegel Policy Contribution, Issue 17, p. 9, Brussels, Belgium

<p>Week 2</p>	<p>Regional economic integration and the European Union</p> <p>Advantages and drawbacks of the regional trading blocs and of free trade agreements. Economic policy milestones of the European Union. Enlargement and accession to the European Union. The Maastricht criteria. Nominal and real convergence.</p>	<ul style="list-style-type: none"> • Delegation of the European Union to the United States (2016): <u>A Guide for Americans. The EU.</u> p. 48 Washington DC, US
<p>Week 3</p>	<p>Globalization and the international monetary organizations</p> <p>Functions of the International Monetary Fund. Current account convertibility and exchange rate stability. IMF operations in the emerging markets. International financial crisis. Contagion effects.</p> <p>Rating agencies. The euro and the dollar.</p>	<ul style="list-style-type: none"> • Véron, Nicolas (2016): <u>The IMF's role in the euro-area crisis: financial sector aspects.</u> Bruegel, p. 32. Brussels, Belgium • Reinhart, Carment M. & Rogoff, Kenneth S. (2013): <u>Financial & Sovereign Debt Crisis: Some Lessons Learned & Those Forgotten.</u> IMF Working Paper, WP/13/266, p.21, Washington DC, US
<p>Week 4</p>	<p>International debt crisis in the euro area. Crisis management: governments' economic policies. Recovery.</p> <p>The origin of the crisis. Euro area fiscal challenge. Competitiveness challenge. Euro area banking crisis. European responses to the crisis. Euro-plus Pact, European Stability Mechanism.</p>	<ul style="list-style-type: none"> • Oxenford, Matthew (2016): <u>The Evolution of US and European Monetary Policy after Bretton Woods. A Historical Overview & Lessons for the Future.</u> Chatham House, p. 26, London, UK • Baldwin, Richard & al. (Consensus authors) 2015: <u>Rebooting the Eurozone: Step1. – agreeing a crisis narrative.</u> Centre for Economic Policy Research, p. 15, London, United Kingdom
<p>Week 5</p>	<p>Economic integration through international capital flows. Role of the multinational enterprises</p> <p>Motivations for foreign direct investment. Relationship between host countries and multinational firms: global trends. European multinational companies. Privatization in the western world and in Central-Eastern Europe. Mergers and acquisitions. Major West-European multinationals.</p>	<ul style="list-style-type: none"> • Vetter, Stefan (2014): <u>Recent trends in FDI activity in Europe.</u> Deutsche Bank Research, Briefing, European Integration, p.11, Frankfurt am Main, Germany
<p>Week 6</p>	<p>Macroeconomic performances: international competitiveness</p> <p>Comparing competitiveness of national economies. Macroeconomic policy management of major European economies. Economic relationship between EU and US. Smaller economies in Europe and their economic adjustment.</p>	<ul style="list-style-type: none"> • Subachi, Paola, Nood, den van Paul (2016): <u>Increasingly Apart. Post-Crisis Growth Trajectories in the UK & Eurozone.</u> Chatham House, p. 25, London, UK • Keating, Michael & Harvey, Malcolm (2013): <u>The Political Economy of Small States.</u> University of Aberdeen & Scottish Centre on Constitutional Change, p. 20, UK

<p>Week 7</p>	<p>Stabilization and liberalization policies of the emerging markets. The case of the Central and East European countries</p> <p>Transition to the market-type system. Transformation recession. Second transition crisis. Economic policy of the CEE countries. Current international competitiveness of the CEE economies.</p>	<ul style="list-style-type: none"> • Sobják, Anita (2013): <u>From the Periphery to the Core? Central Europe and the Economic Crisis</u>. The Polish Institute of International Studies, No.7 (55), April, p. 10, Warsaw, Poland
<p>Week 8</p>	<p>Big emerging markets and economic challenges in China and Russia</p> <p>Emerging market economies. Market developments in China. Factors determining economic competitiveness. Relationship between the political and economic sectors.</p>	<ul style="list-style-type: none"> • European Commission (2016): <u>Elements for a new strategy on China</u>, p. 19, Brussels, Belgium • Harrison, Mark & Ma, Debin (2013): <u>Soaring Dragon, Stumbling Bear. China's Rise in a Comparative Context</u>, p.16, Chatham House, London, UK
<p>Week 9</p>	<p>Labor markets, labor relations, social inequality, outsourcing</p> <p>Regulation and labor markets. Comparative labor relations: labor union models in the OECD-countries. Employment policy. Unemployment. Wage policy. Social transition. Problems of the social welfare system. Refugee crisis.</p>	<ul style="list-style-type: none"> • Terzi Alessio (2016): <u>Italian Job: The Need for Collective Wage Bargaining Reform</u>, Bruegel, p.12, Brussels, Belgium • European Commission (2016): <u>An Economic Take on the Refugee Crisis</u>, p. 44, Brussels, Belgium
<p>Week 10</p>	<p>International competitiveness. Europe in the global economy</p> <p>European competitiveness. Lisbon strategy. Current state of the European economies. US economic position.</p>	<ul style="list-style-type: none"> • World Economic Forum (2016): <u>Europe: What to watch out for in 2016-2017</u>, p. 15, Davos, Switzerland • Patricia Wruuck (2015): <u>The business environment in the eurozone</u>, EU Business environment, p. 13, Deutsche Bank Research, Frankfurt am Main, Germany

REQUIRED READINGS:

- Chandy, Laurence, Seidel, Brina (2016): Is Globalization's Second Wave about to Break? The Brookings Institution, p. 22, Washington DC, US
- Karmakar, Suparna Karmakar, (2013): Life after Bali: Renewing the World Trade Negotiating Agenda. Bruegel Policy Contribution, Issue 17, p. 9, Brussels, Belgium
- Delegation of the European Union to the United States (2016): A Guide for Americans. The EU. p. 48 Washington DC, US
- Véron, Nicolas (2016): The IMF's role in the euro-area crisis: financial sector aspects. Bruegel, p. 32, Brussels, Belgium
- Reinhart, Carment M. & Rogoff, Kenneth S. (2013): Financial & Sovereign Debt Crisis: Some Lessons Learned & Those Forgotten, IMF Working Paper, WP/13/266, p.21, Washington DC, US
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 - European Commission (2016): An Economic Take on the Refugee Crisis, p. 44, Brussels, Belgium
 - World Economic Forum (2016): Europe: What to watch out for in 2016-2017, p. 15, Davos, Switzerland
 - Patricia Wruuck (2015): The business environment in the eurozone, EU Business environment, p. 13, Deutsche Bank Research, Frankfurt am Main, Germany
- Package of slides. It contains all the slides from the lectures.

RECOMMENDED READINGS:

- UNCTAD (2015): Global Investment Trends, Chapter one, p. 28, World Investment Report, Geneva, Switzerland
- Peterson Institute for International Economics (2015): From Drift To Deals: Advancing The WTO Agenda, p. 62, Washington DC