

Cairo University
Faculty of Economics and Political Science
The Euro-Mediterranean Studies Program

Course Name: Economic Relations in the Euro-Med Area; Code: 603U
Academic Year 2019/200

Dr. Ashraf Samir, Assistant Prof. of Economics

Office Hours: Sundays 17.00 – 18.00, Office 81, 4th Floor

▪ **Pre-requisites:**

Introductory microeconomics and macroeconomics. A refreshment of basic tools will be provided at the beginning of the course.

▪ **Course Objectives:**

This course is designed to help students understand the different aspects of the economic relationships between the European Union and southern Mediterranean countries. The course will focus on four main themes: Trade Theories, Trade Policy, Economic Integration, and Euro-Mediterranean Trade Agreements.

▪ **Course Design and Content:**

The course covers the main economic aspects of international trade theory, the instruments of trade policy, the current development of the European Union and its policies, and the impact of economic integration on trade, currency, and FDI.

This first section of the course will cover a brief introduction to international trade theories, namely the Ricardian model, Specific Factors and Income Distribution model, and the Heckscher-Ohlin model. The second section of the course will look at the impact of trade policy on developing countries. The third section of the course will demonstrate the theory of regional integration with implication of the European Union. The last section of the course will explain various consequences of Economic Integration with respect to trade, currency, and FDI in the context of Euro-Mediterranean trade agreements.

The Course Structure and Readings are described below.

▪ **Course Structure and Readings:**

Week & Date	Topic	Readings
Section 1: Trade Theories		
<i><u>Week 1</u></i>	- Introduction - International Trade Theory - Labor Productivity and Comparative Advantage: The Ricardian Model and its	Required Readings* -(Krugman, Obstfeld, & Melitz, 2012), Ch.3, Pp 24-49 Optional Readings**



	implications on trade in the Euro-Med Area	- (Salvatore, 2004)
<u>Week 2</u>	- Specific Factors and Income Distribution Model and its implications on trade in the Euro-Med Area	<p>Required Readings*</p> <p>- (Krugman, Obstfeld, & Melitz, 2012), Ch.4, Pp 50-79</p> <p>Optional Readings**</p> <p>- (Salvatore, 2004)</p>
<u>Week 3</u>	- Resources and Trade: The Heckscher-Ohlin Model and its implications on trade in the Euro-Med Area.	<p>Required Readings*</p> <p>- (Krugman, Obstfeld, & Melitz, 2012), Ch.5, Pp 80-110</p> <p>Optional Readings</p> <p>- (Salvatore, 2004)</p>
Section 2: The Impact of Trade Policy on Developing Countries		
<u>Week 4</u>	- The Instruments of Trade Policy	<p>Required Readings*</p> <p>- (Krugman, Obstfeld, & Melitz, 2012), Ch.9, Pp 192-218</p> <p>Optional Readings**</p> <p>- (Salvatore, 2004)</p>
<u>Week 5</u>	- Trade Policy in Developing Countries and Southern Mediterranean Countries.	<p>Required Readings*</p> <p>- (Krugman, Obstfeld, & Melitz, 2012), Ch.11, Pp 256-270</p> <p>Optional Readings**</p> <p>- (Salvatore, 2004)</p>
Section 3: Theory of Regional Integration with implication of the European Union		
<u>Week 6</u>	- The EU within the Global Context of Regional Integration	<p>Required Readings*</p> <p>- (El-Agraa, 2007), Ch.1, Pp 1-20</p> <p>Optional Readings**</p> <p>- (El-Agraa, 2015)</p> <p>- (Baldwin & Wyplosz, 2015)</p> <p>- (Schiff & Winters, 2003)</p>
<u>Week 7</u>	- The Economics of the Single Market and the Trade Expansion in Neighboring Countries	<p>Required Readings*</p> <p>- (El-Agraa, 2007), Ch.7, Pp 130-143</p> <p>Optional Readings**</p> <p>- (El-Agraa, 2015)</p> <p>- (Baldwin & Wyplosz, 2015)</p> <p>- (Burrage, 2016)</p>
<u>Week 8</u>	- Factor Mobility, i.e., Capital Movement & Labor Movement, and its impact on Southern Mediterranean Countries	<p>Required Readings*</p> <p>- (El-Agraa, 2007), Ch.8, Pp 144-164</p> <p>Optional Readings**</p> <p>- (El-Agraa, 2015)</p> <p>- (Baldwin & Wyplosz, 2015)</p>
Section 4: The Impact of Economic Integration on Trade, Currency, and FDI in the context of Euro-Mediterranean trade agreements		
<u>Week 9</u>	<p>- Measuring the Impact of Economic Integration</p> <p>- The Challenge of Economic Integration in the MENA Region</p>	<p>Required Readings*</p> <p>- (El-Agraa, 2007), Ch.9, Pp 165-189</p> <p>- (Romagnoli & Mengoni, 2009), Pp 69-83</p> <p>Optional Readings**</p> <p>- (Baldwin & Wyplosz, 2015)</p> <p>- (Schiff & Winters, 2003)</p>



<u>Week 10</u>	- Monetary Integration in EU and its impact on Southern Mediterranean Countries	<p>Required Readings*</p> <p>- (El-Agraa, 2007), Ch.10, Pp 193-207</p> <p>Optional Readings**</p> <p>- (El-Agraa, 2015)</p> <p>- (Baldwin & Wyplosz, 2015)</p>
<u>Week 11</u>	- External Trade Policy - The Euro-Med Free Trade Area	<p>Required Readings*</p> <p>- (El-Agraa, 2007), Ch.24, Pp 473-493</p> <p>- (Elmallah, 2014) , Pp 1-51</p> <p>Optional Readings**</p> <p>- (El-Agraa, 2015)</p> <p>- (Baldwin & Wyplosz, 2015)</p> <p>- (Cieřlik & Hagemeyer, 2009)</p> <p>- (Liargovas, 2013)</p> <p>- (Elshennawy, 2013)</p> <p>- (Peridy, 2005)</p>
<u>Week 12</u>	- European FDI in Southern Mediterranean Countries	<p>Required Readings*</p> <p>- (Chenaf-Nicet & Rougier, 2016), Pp 66–91</p>
<u>Week 13</u>	- Final Discussion	

*Required Readings:

- Chenaf-Nicet, D., & Rougier, E. (2016). The Effect of Macroeconomic Instability on FDI Flows: A gravity Estimation of the Impact of Regional Integration in the Case of Euro-Mediterranean Agreements. *InternationalEconomics*, 145, 66–91.
- El-Agraa, A. M. (2007). *The European Union- Economics and Policies* (8 ed.). United States of America: Cambridge University Press.
- Elmallah, M. (2014, July 21). The Euro-Med Free Trade Area: An Empirical Assessment of the main Trade Agreements' Effects. *MPRA*(No. 57448,).
- Krugman, P. R., Obstfeld, M., & Melitz, M. J. (2012). *International Economics- Theory & Policy* (9 ed.). United States of America: Addison-Wesley.
- Romagnoli, A., & Mengoni, L. (2009). The Challenge of Economic Integration in the MENA Region: From GAFTA and EU-MFTA to Small Scale Arab Unions. *Econ Change Restruct*, 42, 69–83.

**Optional Readings:

- Baldwin, R., & Wyplosz, C. (2015). *The Economics of European Integration* (5th ed.). UK: McGraw-Hill Education.
- Burrage, M. (2016). *Myth and Paradox of the Single Market: How the trade benefits of EU membership*. London: CIVITAS.
- Cieřlik, A., & Hagemeyer, J. (2009). Assessing the Impact of the EU-sponsored Trade Liberalization in the MENA Countries. *Journal of Economic Integration*, 24(2), 343-368.
- El-Agraa, A. M. (2015). *The European Union: Illuminated- Its Nature, Importance and Future* (1 ed.). UK: Palgrave Macmillan.
- Elshennawy, A. (2013). The Euro-Mediterranean Free Trade Agreement and the Cost of Tariff Liberalization in Egypt. *Journal of Policy Modeling*, 35, 326–338.



- Liargovas, P. (2013, January). Eu Trade Policies Towards Neighboring Countries. *Working paper 2/01*.
- Peridy, N. (2005). The Trade Effects of the Euro–Mediterranean Partnership: What are the Lessons for ASEAN Countries? *Journal of Asian Economics*, 16, 125–139.
- Salvatore, D. (2004). *International Economics: Trade and Finance* (10 ed.). United States of America: JOHN WILEY & SONS, INC.
- Schiff, M., & Winters, A. (2003). *Regional Integration and Development*. Washington, DC: The International Bank for Reconstruction and Development / The World Bank.

Useful links for material and data about the EU:

- <http://ec.europa.eu/trade/policy/countries-and-regions/statistics/>
- <http://www.ecb.europa.eu/home/html/index.en.html>
- https://www.wto.org/english/res_e/statis_e/tradebyregion_e.htm
- <http://data.worldbank.org/data-catalog/world-development-indicators>
- <http://www.oecd.org/>

• **Evaluation:**

▪ Presentation (30 minutes)	10
▪ Short Paper (approx. 5000 words, excluding reference/ tables/ charts/. etc.) – Paper Deadline: Week 12.	20
▪ Participation in class discussions during all teaching weeks	5
▪ Quiz 1 (13 October)	5
▪ Quiz 2 (24 November)	10
▪ Final Exam	50
Total	100

Note on Cheating and Plagiarism: Neither will be tolerated. All assignments, exams, and papers for this class are individual work. No notes of any sort may be used on assignments and exams. By handing in a paper, each student is affirming that this paper is her/his own personal work and that it was written by her/him.