

**COURSE DATA****Data Subject**

Code	43731
Name	Economic integration
Cycle	Master's degree
ECTS Credits	6.0
Academic year	2021 - 2022

Study (s)

Degree	Center	Acad. Period
2166 - M.D. in Economic Globalisation: Internac. Trade Management	Faculty of Economics	1 First term

Subject-matter

Degree	Subject-matter	Character
2166 - M.D. in Economic Globalisation: Internac. Trade Management	5 - Economic integration	Obligatory

Coordination

Name	Department
REQUENA SILVENTE, FRANCISCO	132 - Economic Structure
TAMARIT ESCALONA, CECILIO RICARDO	132 - Economic Structure

SUMMARY**English version is not available**

Economic integration is a process of increasing interaction of markets of two or more countries. Any process of economic integration supposes a loss of sovereignty or control on some aspect of the economy of the members in order to obtain a benefit ensued from a major interaction. The simplest process of integration is a bilateral agreement of trade of some products. On the basis of that agreement, and depending on the degree of transfer of sovereignty or control of the involved countries, there are other forms of economic integration: customs unions, common markets, economic and monetary unions. Some examples are EMU, NAFTA, MERCOSUR or the polemic "Transatlantic Trade and Investment Partnership", TTIP). When a great number of countries take part in these agreements, we have the multilateral trade agreements (the GATT Rounds or the recent WTO Trade Facilitation Agreement).



This course uses the economic theory to explain the nature and origin of any process of economic integration as well as the consequences worldwide, for the member partners and for non-members partners. Let us recall an example to illustrate the advantages of using economic theory. After completing the course, the student will be able to evaluate the economic benefits and costs of the exit of the United Kingdom of the European Union (BREXIT): What are the consequences for the United Kingdom of choosing the so-called WTO model, Canadian model, Norwegian model, Swiss model or Turkish model? This terminology just simplifies different degrees of economic integration based on the fact that there is a trade-off between “gains from trade” and “loss of sovereignty”. To identify the types of economic integration and to be able to evaluate the expected benefits and costs are both central aims of this course. Given the importance that the EC/SM/EMU has for Spain, the European real and financial integration process will be a motive of recurrent case study; nevertheless, we will also study globalization and other important regional integration processes.

Economic Integration is a half-term mandatory course, taught in the first semester of the Master in Internationalization. The course has 6 credits based on the ECTS system, divided into theoretical sessions (lectures) and practical sessions (classes), both on-site. In the practical sessions, the students and the class teacher will interact to solve the students’ doubts about the exercises and case studies that they had prepared before the classes.

PREVIOUS KNOWLEDGE

Relationship to other subjects of the same degree

There are no specified enrollment restrictions with other subjects of the curriculum.

Other requirements

OUTCOMES

LEARNING OUTCOMES

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DESCRIPTION OF CONTENTS



1. Topic 1. The processes of international economic integration in the 21st century

- 1.1. The theory of the economic integration in the context of the International Economy.
- 1.2. The liberalization of the worldwide trade: globalization and regionalism.
- 1.3. The current situation of the multilateral trade agreements: WTO/WTO.
- 1.4. The current situation of the Economic Integration in Europe: EMU.

2. Topic 2. Trade Integration. Theory of the Customs Unions.

- 2.1 Traditional theory of the Customs Unions: effects on allocative efficiency.
- 2.2 Beyond the traditional theory: effects on the terms of trade and the suppression of non-tariff barriers.
- 2.3 Dynamic effects of the trade integration.
- 2.4 Measurement of the effects of the formation of customs unions: the case of the formation of the European Community.

3. Topic 3. Free movements of factors. Common market theory.

- 3.1 Definition and elements of a Common Market.
- 3.2 Explanatory models of the determinants of the mobility of factors: labour and capital.
- 3.3 Static effects of the free mobility of labour.
- 3.4 Foreign Direct Integration and Investment.

4. Topic 4. Productive specialization and localization: introduction to the economic geography.

- 4.1 The role of space in Economics: the traditional vision and the new theory of the international trade.
- 4.2 The core-periphery model.
- 4.3 Integration and location
 - 4.3.1 Demand and supply linkages
 - 4.3.2 Specialised labour pool.
 - 4.3.3 Knowledge spillovers.

5. Topic 5. Economic integration and growth.

- 5.1. The relationships between the trade openness and income per capita.
- 5.2. The effects of the economic integration over the productivity.
- 5.3. Empirical evidence in the European Union



6. Topic 6. International Financial Integration.

6.1 Recent trends in international financial markets: deregulation of national markets and liberalization of capital controls.

6.2 International capital markets. Basic conceptual issues.

6.3 Measurement of the degree of international financial integration.

Determinants of interest rate differentials.

Nominal interest rate differentials: market efficiency and conditional and non-conditional estimations of uncovered interest rate differentials.

Real interest rate differentials: PPP and the short run.

6.4. The evolution of the international financial markets.

6.5. Consequences for the EU of the financial integration process: banking sector and financial markets.

6.6. International transmission of financial crises and financial supervision

7. Topic 7. Incomplete monetary unions: the OCA theory and the European Monetary System.

7.1 A historical introduction to European monetary integration.

7.2 The choice of exchange rate regimes.

7.3 Monetary integration theory: Cost-benefit analysis from the Optimum currency areas approach (OCA).

7.4 The fragility of incomplete monetary unions.

7.5 An assessment of the European Monetary System.

7.6 The transition to a monetary union: the costs of the disinflation process in the 80s.

7.7 The Maastricht Treaty: a critical assessment of the convergence criteria.

7.8 Is Emu an optimum currency area?

8. Topic 8. Complete monetary unions: the European Monetary Union.

8.1. Economic Governance under Emu

8.2. The European Central Bank: targets, instruments and institutional setup.

8.3. Monetary policy in Emu.

8.4 Fiscal policies in Emu.

9. Topic 9. The EMU crisis: (1) origin and (2) solutions.

9.1. The causes of the euro crisis.

9.2. How to solve the EZ crisis?

i. On going reform plans.

ii. Banking Union and Capital Market Integration.

iii. New monetary and fiscal policies.

iv. Structural and institutional reforms.

9.3 The future of the EZ: towards a federal EZ?

**WORKLOAD**

ACTIVITY	Hours	% To be attended
Theory classes	40,00	100
Group work	8,00	100
Seminars	6,00	100
Tutorials	4,00	100
Other activities	2,00	100
TOTAL	60,00	

TEACHING METHODOLOGY

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EVALUATION

- The set of tasks included in the practical module represents up to 30 % of the final grade (3 points).
- The written examination will suppose 70 % of the final grade (7 points).
- The attendance to seminars and conferences may raise the final grade in 0,5 points.

REFERENCES**Basic**

- Camarero, M. y C. Tamarit (2019): Gobernanza y políticas fiscales en la UEM, Camarero M. y Tamarit, C. (coordinadores): Economía de la UE, Cap. 8.
- De Grauwe, P. (2020): Economics of Monetary Union, Oxford University Press, (13th edition). Cap. 5, 7 and 8.
- European Commission (2017): Reflection paper on the Deepening of the Economic and Monetary Union, COM(2017) 291 of 31 May 2017.

Additional

- Baldwin, R. y Ch. Wyplosz (2019): The Economics of European Integration, MacGraw-Hill. 19.

Baldwin, R. et al (2015): Rebooting the Eurozone: Step I- agreeing a crisis narrative, CEPR Policy Insight no. 85.

Baldwin, R. and F. Giavazzi eds (2016): How to fix Europe's monetary union: Views of leading economists. VoxEU.org eBook. CEPR Press.



ADDENDUM COVID-19

This addendum will only be activated if the health situation requires so and with the prior agreement of the Governing Council

Las sesiones de la asignatura tendrán carácter estrictamente presencial, tanto las clases, seminarios... como las pruebas de evaluación. Solo en caso de que la situación sanitaria lo requiriese, se modificaría esa exigencia de presencialidad.

En particular, si alguno de los alumnos se viese obligado a respetar un confinamiento que le impida la asistencia a las sesiones, la UV arbitraría los mecanismos necesarios para que, solamente durante el tiempo en el que se prolongase ese confinamiento, el alumno pudiese seguir el curso de manera no presencial, preferentemente de manera sincronizada con sus compañeros.