

# **The EU in the Global Economy**

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## 2 INTRODUCTION

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At the Faculty of Economics and Business Administration, University of Szeged, several foreign students have been able to study in an English-language training programme called Business Administration and Management BSc programme for several years. One of the courses belonging to the scientific field they have to study during their three and half year programme is titled The European Union in the Global Economy. The course is announced in the second semester, i.e. the students study it in their first year in Hungary.

Concerning the course itself and its topics, the lecturer has to handle several challenges. Firstly, the vast majority of **students come from countries outside of the European Union** – they are mainly from Asian, African and Latin American countries. As a result, the students participating in this programme have very **limited knowledge about the European Union**. Based on my experiences the students do know that Hungary is a member of the EU but they have no idea why it does not have the Euro as a currency or how the EU actually operates (e.g. formal integrations, decision-making process, etc.). Without this basic knowledge it is very difficult to convince the students of the course's importance and its essential nature in understanding why the EU is a global player. Secondly, since the vast majority of the students of this training programme come from countries outside of the EU and they plan to go back to their home countries, **the topics should concentrate on issues which will be useful for them in their future**. Thirdly, the new-comers of this training programme were born at the Millennium (or shortly before it), so they belong to the so-called **Y and Z generations**. Their main characteristic is that they live in a digital world which is natural for them, and they require multitasking. It has also been shown that traditional

front-teaching is not effective in their case. Altogether, a lecturer should be well-prepared to handle this situation. Fourthly, there could be a **language gap** between the lecturer and the students since English is a foreign language for both parties. Lastly, regarding the above-mentioned concerns, there is no opportunity to incorporate any text book into the lectures.

This handbook is based on my teaching experiences in this multicultural training programme and I also use my experiences on involving digital tools in education. **The main aim of this handbook is to give ideas on how to teach “The European Union in the Global Economy” in a multicultural environment in a modern way** and with taking into account the following challenges:

1. Multicultural background of the students
2. Limited knowledge on the European Union itself
3. Interesting and useful topics for the youth who go back to their home country (which is outside of the EU)
4. Special characteristics and needs of the young generations
5. Language gap
6. No available text book

The present handbook is structured as follows. The first part gives ideas on how to determine the topics of the course and it also gives an example for what a course description may look like. The second part details the contents of all classes. This description contains not only an outline of a certain class, but details on how it is connected to the ability, skills, attitude and autonomy principles (i.e. how a certain class may improve these). Each description contains tasks which can be solved during the classes or could be given as homework for the students. The last part of

this handbook gives examples for mid-term tests. I emphasize that these are only examples, and the topics and their contents should be adjusted to the needs of the students who are currently studying this course.

### 3 COURSE DESCRIPTION AND AGENDA

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In the followings I introduce a possible course description and agenda according to which the course can be taught and according to which this handbook is prepared. The course description and tasks detailed in this handbook completely meet the needs of the Y and Z generations. The topics are flexible enough to be changed according to the actualities.

When preparing the course agenda and the course description, one should take the following aspects into consideration:

1. Where do the students come from?
2. What knowledge do they have on the EU?
3. How old are they?
4. How good is their English?

These questions can be answered in the first class, so the course description and agenda should be flexible enough. I recommend organising an interactive introductory class where:

- The students introduce themselves. This enables the lecturer to get an insight into the English skills of the course's participants.
- There shall be an interactive game on the basis of the EU to test what the participating students know about the EU itself.

The next part of this handbook will give details on what kind of tasks one can do to get this knowledge.

When deciding the topics, the following figure can help. Prepare a chart and connect which topics you would like to detail during the course. Concerning the challenges detailed in the Introduction of this handbook, the topics should concentrate on the external activities of the EU rather than giving details on the operations of the EU itself.



Based on the above-mentioned issues, here is an example of a course description.

## THE EUROPEAN UNION IN THE GLOBAL ECONOMY

### **Basic information on the course**

Lectures/week: 2 hours

Exam: written exam

Credits: 3

Lecturers: Beáta Udvari, PhD

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Qualification: scale of five grades (1-5)

**Course description**

The aim of the course is to give an overall picture of the current economic trends and to introduce the main economic features of the European Union as a global actor. The aim of the course is to help students obtain overall, useful and sufficient knowledge on current economic trends and that they will be able to evaluate the activities of the European Union.

**Improved skills**

The course is built on the active participation of the students. The group-building, working in a group and the ability of arguing are the key skills which are improved in the classes. With the voluntary blog posts, the writing skills are in focus. As a mandatory task, the poster improves the students' ability to approach a topic in a complex way but give an essence of the topic in a creative way.

**Agenda**

- 1 Introduction to the EU
- 2 Global economy – and the role of the EU in the global economy
- 3 Global issues
- 4 Introduction to international trade
- 5 Institutions of international trade
- 6 The role of the EU in foreign direct investments
- 7 International development cooperation of the EU
- 8 The role of the EU in migration and brain drain
- 9 The EU's relations with China and the US
- 10 'What have we learnt?' (Summary class)
- 11 Mid-term exam
- 12 Repeat of the mid-term exam

**Requirements:**

The teachers use PowerPoint presentations during the semester which are published on Coospace. In order to get the final grade of the course, students must complete different tasks. Taking an exam and completing the course are conditioned on achieving the minimum points in the case of



every task. **In case a student does not meet the minimum requirements of a particular task, he or she is not allowed to take an exam.**

During the semester, students can obtain **100 points as a maximum**, according to the following tasks: 1) **Active participation on the lectures:** Participation is accepted if a student takes part in the lecture in its whole duration. During the lectures, tablet, laptop or other electronic devices can be used, and in some lectures these are mandatory tools. 2) **Mid-term exam:** maximum 50 points (minimum: 30 points). Students must take a mid-term exam at the end of the semester, on .... In case the mid-term exam is not successful or if a student is not satisfied with the result, a student can retake the mid-term on 14 May 2018. 3) **Poster:** 50 points (minimum: 25 points). Students in groups (with maximum two members) have to prepare a poster in one of the proposed topics. The poster must be informative and creative, an example will be uploaded to CooSpace. Besides the poster, a bibliography must be attached – these prove that poster is based on official articles. The poster will be evaluated according to its contents, the quality of the used literature and the style of the bibliography. The points of the poster will be equally distributed among the group members. The poster is subject of the plagiarism rule of the Faculty of Economics and Business Administration, University of Szeged. **Deadline: ...**

#### **Additional points:**

During the semester, the students will have the opportunity to prepare

**blog posts** in the following topics:

1. Impacts of international trade on the global issues – **deadline: ...**
2. Investment disputes in the European Union – **deadline: ...**
3. The EU's aid activity in numbers (using the OECD's database) – **deadline: ...**

All topics are open to all students and the blog posts submitted by the deadline will be evaluated. The best ones will be published on the internet, on the official blog page of Beáta Udvari. All blog posts will be subject of open comments. Both the blog posts and the comments are subject of the plagiarism rule of the Faculty of Economics and Business Administration, University of Szeged. **The maximum point for one blog post: 10 points.** The maximum point for a **valuable comment: 2 points** (measured according to the professor's liking)

**Evaluation:**

- 0 – 59 points: fail (1)
- 60 – 69 points: pass (2)
- 70 – 79 points: satisfactory (3)
- 80 – 89 points: good (4)
- 90 – 100 points: excellent (5)

**Topics for the poster** (these are only topics and not titles of the presentations; therefore the team has to determine the precise title, research question and narrower topic):

1. Economic relations between the EU and an African country
2. Research and development cooperation between the EU and Africa
3. The EU as a global player handling a global issue
4. Economic relations between the EU and a Latin American country
5. Projects of the EU in Africa
6. Projects of the EU in Latin America
7. Projects of the EU in Asia
8. The role and activities of European civil society organizations (NGOs) in the world
9. The impact of BREXIT on EU trade.
10. Other topic agreed with the course leader

**Students with individual schedule:**

**Only students working abroad or learning abroad** do not have to comply with the requirements mentioned above. But they have to submit the final – official – decision on their individual schedule to the course teacher till ... . In case this notification is not submitted until the deadline, these students must comply with the normal requirements. Students working in Hungary or having other obligations must meet the requirements mentioned above.

If the student submitted the notification, he or she must take a **written exam** (maximum 50 points).

**Evaluation of students with individual schedule:**

- 0 – 29 points: fail (1)
- 30 – 34 points: pass (2)
- 35 – 39 points: satisfactory (3)
- 40 – 44 points: good (4)
- 45 – 50 points: excellent (5)

**Compulsory reading:**

Besides the lectures and the uploaded articles: UNCTAD: World Investment Report, 2017; WEF: The Global Competitiveness Report, 2016-2017; WTO: World Trade Report, 2010-2017; Cotonou Partnership Agreement; Webpage of the EU (DG for Trade, Development Cooperation, External relations)

**Recommended reading:**

Actual OECD Economic Surveys

This course description handles the above-mentioned challenges in the following way:

1. Multicultural background of the students
  - a. The topics cover a wide range of global processes and the EU is analysed in this context.

- b. The topics do not cover the EU's internal operation and internal problems but reflect on the global role of the EU.
- 2. Limited knowledge on the European Union itself
  - a. To make sure the students understand the EU's global role, basic information should be provided on the EU.
  - b. The first introductory class covers this, there is a short introduction to the EU.
- 3. Interesting and useful topics for the youth who go back to their home country (which is outside of the EU)
  - a. This is in connection with the first point: the topics cover global processes, so the course helps not only to understand the EU's global role, but also provides skills to the students to be able to evaluate global trends.
  - b. This ensures that they take knowledge back to their home country, which is useful in general.
- 4. Special characteristics and needs of the young generations
  - a. The different tasks of the classes ensure that the students will pay attention to classes.
  - b. Compulsory tasks (poster, blog posts) that must be solved by the students during the semester require the use of digital tools and need creativity from the students.
- 5. Language gap
  - a. The introductory class enables to measure the English knowledge of the students.

- b. Using the experiences of the introductory class, the lecturer can decide how to build up the presentations and what extra material he/she should prepare to overcome the language gap.
  - c. The classes are built in an interactive way, so the development in English language skills is expected.
6. No available text book
- a. The text book is substituted with slides and oral presentations.
  - b. The tasks are prepared and submitted to the students in a written form.

## 4 SKILLS IMPROVED WITH THIS COURSE

The European Union in the Global Economy course aims to improve several skills of the students in line with the official regulation on competencies. Since the course is taught in an interactive way (using individual tasks, small-group and large-group tasks) and requires creativity from the students, all competency areas (knowledge, skills, attitude and autonomy) are expected to be improved. The following table details how the course meets this requirement and which competencies are targeted to be developed.

<b>Knowledge</b>	<b>Skills</b>	<b>Attitude</b>	<b>Autonomy</b>
<i>The student has mastered the professional and effective usage of written and oral communication along with the presentation of data using charts and graphs.</i>	<i>The student can uncover facts and basic connections, can arrange and analyse data systematically, can draw conclusions and make critical observations along with preparatory suggestions using the theories and methods learned.</i>	<i>The student is accepting of the opinions of others and the values of the given sector, the region, the nation and Europe (including social, ecological and sustainability aspects).</i>	<i>The student takes responsibility for his/her work and behaviour from all professional, legal and ethical aspects in connection with keeping the accepted norms and rules.</i>
<i>The student knows the essential methods of collecting information.</i>	<i>The student follows and understands business processes on the level of international and world economy.</i>	<i>The student is open to new information, new professional knowledge and new methodologies.</i>	<i>The student takes responsibility for his/her analyses, conclusions and decisions.</i>
<i>The student is familiar with digital and other office appliances designed to aid economic processes.</i>	<i>The student can calculate the complex consequences of economic processes.</i>	<i>The student behaves in a proactive, problem-oriented way to facilitate quality work.</i>	<i>The student completes his/her tasks independently and responsibly as a member of team tasks.</i>
<i>The student is familiar with the relationships of national and international economies, relevant economic actors, functions and processes.</i>	<i>The student can cooperate with others, and the student can present conceptually and theoretically professional suggestions and opinions well both in written and oral form.</i>	<i>The student is open to take on task demanding responsibility in connection with both solitary and cooperative tasks.</i>	

## 5 DETAILED PLAN OF THE CLASSES (OBJECTIVE, OUTLINE, METHOD, PREVIOUS KNOWLEDGE, EXERCISES AND TASKS, QUESTIONS)

In the following the outline of the classes will be detailed. Besides the objective of the class, its structure, used method, required previous knowledge and some recommended tasks are explained. The tasks are only examples, they can be changed – at the end of this handbook, some assignments are detailed, any of them can be used during the classes or can be submitted as homework. Each description ends with control questions. Each class is set to last 90 minutes. A semester consists of 14 weeks, out of which 2 occasions are spent on the mid-term exams. Altogether 12 outlines will be presented here.

### Week 1

Topic	Introductory class
<b>Objective</b>	The main objective of the class is to get to know the students, discover their knowledge on the EU and test their English language skills.
<b>Pre-knowledge</b>	Not relevant.
<b>Method</b>	Interactive games in small groups with common discussion. The lecturer's responsibility is to motivate all students to actively participate in the games. If there are any student who seems to avoid any game, the lecturer has to handle it.
<b>Outline of the class</b>	The class should contain three elements: <ul style="list-style-type: none"> <li>- Introduction of all students</li> <li>- Describing the course structure</li> <li>- Discussion about the EU</li> </ul>
<b>Basic concepts</b>	Not relevant.
<b>Control questions</b>	Not relevant.
<b>Tasks during the class</b>	1) Introduction of the students. There are several team building tools which can be used here. E.g. ask everybody to create pairs, and each member should introduce themselves to their partner in 2 minutes. Then each partner should introduce their partner to the others. Or you can list some characters (e.g. having a pet, like reading, has been in a country where you have never been to, etc.), and the students have to fill in this table with names from the group. They have to ask the others and get

information on them.

It is important that the lecturer should be involved in any games.

2) Discussion about the EU. It is an interactive way of discussion. Give an A3 sheet of paper with pens to each sub-group in the class and ask them to collect information and draw a chart about the facts they know about the EU. Emphasize that it is not a problem if they only know little, but they should write/draw everything they remember. Then there should be a joint discussion and the lecturer should focus on the question why a certain piece of information remained in their memory, why they remember it.

### Homework

Not relevant.

## Week 2

Topic	Introduction to the EU
Objective	The class aims to understand how the EU works and why the EU is a unique integration.
Pre-knowledge	Not relevant.
Method	It contains two methods: 1) Front-teaching 2) Working in small groups (and with using smart devices) At the end of the class, a joint discussion takes place.
Outline of the class	Discussing the stages of integration Discussing the reasons for establishing an integration Discussing what a state needs for its own operations Explaining how the EU is similar to and different from the state operations Detailing basic information on the EU (origin, reasons for the establishment, member states, interests of the member states) Interactive game
Basic concepts	<ul style="list-style-type: none"> <li>• preferential trade area</li> <li>• free trade area</li> <li>• customs union</li> <li>• common market</li> <li>• single market</li> <li>• monetary union</li> <li>• political union</li> <li>• Rome Treaty</li> <li>• European Economic Community</li> <li>• Maastricht Treaty</li> <li>• Lisbon Treaty</li> <li>• budget – surplus and deficit</li> </ul>



- net beneficiary
- net contributor

### Control questions

- What are the stages of integrations?
- What do the different stages mean?
- What are the similarities and differences between a customs union and a single market?
- When was the EU established?
- What are the main treaties of the EU?
- What positions can be found in connection with the EU budget?
- How many member states does the EU have?
- What do you know about the Euro?

### Tasks during the class

There should be an interactive task in which we can activate the students, and we should allow them to use any device. Create small groups – each group should have maximum 2-3 students. The groups should be separated from each other. All groups can use their smart devices to answer the following questions on the EU:

- What do the following abbreviations refer to: EEC, EC, EU, EMU?
- When was the EU established?
- Which countries were the founders of the EU?
- Why did the UK decide not to join the EEC?
- At present, how many countries are members of the European Union?
- How many Member States use the Euro as single currency?
- Since when has Hungary been a member state of the EU and the Eurozone?
- Stages of integration: where is the EU at present?
- Does the European Union have its own budget?
- How large is the EU's budget? (in Euros)
- Where does the money (revenue) of the EU budget come from?
- Can the EU's budget have deficit?
- What is the EU's revenue spent on?
- The Fortune Magazine lists the biggest 500 companies in the world every year. How many European companies do you think are on the list of 2014?

### Homework

Ask the students to collect data on the following indicators for the EU and for the US, and compare them:

Population; GDP; GDP per capita; GNI per capita; Share of world exports; Share of world FDI inflows; Share of world FDI outflows; Ecological footprint; Official Development Assistance; Energy consumption; Trade disputes within the World Trade Organization (from the beginning until now)

Another homework can be that the student should prepare a mind map on the topics of the class. It is a good tool to structure the topic and with controlling it, the lecturer can see whether the student understand the logic or not.

### Competencies

Basic knowledge on the EU

Searching for information  
Ability to compare data  
Digital competences

### Week 3

Topic	Global economy – and the role of the EU in the global economy
<b>Objective</b>	The class aims to understand how we can measure the role of a country in the world economy and to assess the role of the EU in the world economy (including the changes).
<b>Pre-knowledge</b>	Macroeconomic indicators Previous class on the EU
<b>Method</b>	It contains two methods: 1) Front-teaching 2) Working in small groups (and with using smart devices) At the end of the class, a joint discussion takes place.
<b>Outline of the class</b>	<p>Ask for the basic concepts of the previous class:</p> <ul style="list-style-type: none"> <li>• How many member states does the EU have?</li> <li>• At which integration level is the EU currently standing?</li> <li>• What does a monetary union mean?</li> <li>• What is the difference between a customs union and a free trade area?</li> <li>• Why is the EU a unique integration?</li> </ul> <p>Basic macroeconomics (details of the macroeconomic indicators, especially GDP, GNI, nominal and real value, why the per capita indicator is essential)</p> <p>Introduction to world economy</p> <p>World economy = Aggregate of economic relations occurring between nations</p> <p>World economy is under continuous changes, from the point of view of geographical (more and more countries appear in the world economy) and context changes (not only trade in goods but trade in services, FDI, financial relations, international development, intellectual property rights, etc).</p> <p>Actors of world economy</p> <ul style="list-style-type: none"> <li>• Countries</li> <li>• Regions and regional integrations</li> <li>• International organizations</li> <li>• Companies</li> <li>• Civil organizations, NGOs</li> </ul> <p>Country groups – According to income</p> <ul style="list-style-type: none"> <li>• Least developed countries (LDCs)</li> <li>• Low Income Countries (LIC), Middle Income Countries (LMIC, UMIC), High Income Countries (HIC)</li> </ul>

### Features of current world order

- Growing role of International organizations
- Globalization and regionalization
- USA as a dominant power
- 3 powers ~ Triad (expanding?)
- TNC, MNC
- North-South differences
- Interdependencies (Symmetric and Asymmetric) -> Resulting in global crises!!!

### Basic concepts

- GDP
- GNI
- Factors determining the GDP
- Real GDP
- Nominal GDP
- world economy
- changes of the world economy
- differences between GDP and GNI
- country groups
- actors of the world economy

### Control questions

- What is the difference between the GNI and GDP?
- What does it mean if the GDP is higher than the GNI?

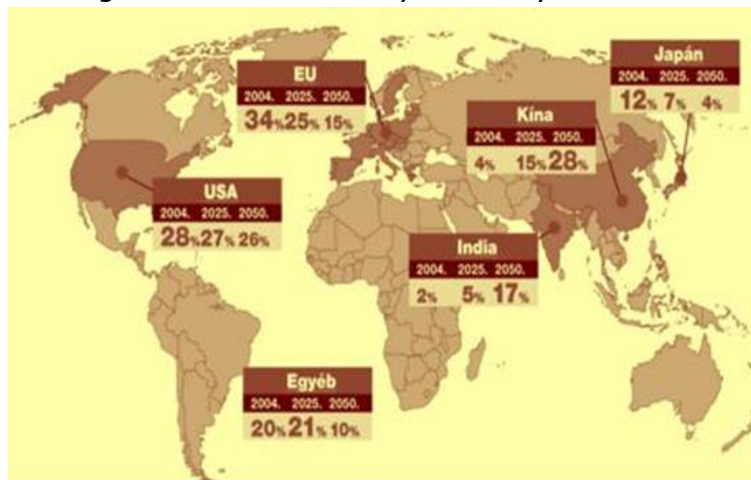
### Tasks during the class

Using the UNCTADStat database, the students in small groups should look for data of the following indicators: GDP, GNI, GDP/capita, GNI/capita, population. The selected years are 1970 and 2017. The selected countries are: World, EU, USA, Japan, China, Hungary.

After collecting the data, put all of them into a table (you can use e.g. a google excel sheet), and analyse the data together. Raise the students' attention that they can calculate different indicators (e.g. share in world total) with which the comparison can be much better.

### Homework

Use the figure below and analyse it on your own.



Another homework can be that the student should prepare a mind map on the topics of the class. It is a good tool to structure the topic and with controlling it, the lecturer can see whether the student understand the logic or not.

### Competencies

Global role of the EU from economic point of view – comparison with other developed and underdeveloped countries (including Hungary)

Analysis of global trends

Searching for information

Ability to compare data

Digital competences

## Week 4

Topic	Global issues I.
<b>Objective</b>	
The class aims to understand what globalization means and what kind of global issues can be mentioned. The aim is also to discuss why globalization is an issue.	
<b>Pre-knowledge</b>	
Macroeconomics	
<b>Method</b>	
It contains two methods:	
1) Front-teaching	
2) Working in small groups	
At the end of the class, a joint discussion takes place.	
<b>Outline of the class</b>	
Definition of globalization	
Advantages and disadvantages of globalization	
Anti-globalisation movements	
Millennium Development Goals, Sustainable Development Goals	
Definition of global issues	
Some examples for global issues:	

- Arms control, arms trade
- Causes of poverty
- Climate change and global warming
- Conflicts in Africa
- Fair trade
- Health issues (epidemics)
- Natural disasters
- Nuclear weapon
- Sustainable development
- World hunger and poverty
- War on terror

### Basic concepts

- globalization
- engines of globalization
- global issues (+ examples)
- advantages of globalization
- disadvantages of globalization
- anti-globalization movement (+ examples)

### Control questions

- How can you define globalization?
- What are the advantages of globalization?
- What are the negative impacts of globalization?
- What are the main characteristics of global issues?

### Tasks during the class

Create some smaller groups in the class and ask them to analyse the advantages and disadvantages of globalization. Each group should concentrate either the advantages or the disadvantages. After a certain time of preparation, there should be a debate – each group should present their points of view.

### Homework

Ask the students to collect examples of anti-globalization movements from their own country and any other country they choose. They should find some videos on Youtube detailing the aim of these organizations, and/or they should analyse the social media pages of these organizations.

### Competencies

Knowledge on global trends  
Searching for information  
Critical way of thinking  
Digital competences

## Week 5

### Topic Global issues II.

#### Objective

The class aims to improve the skills which are needed to analyse the global and national impacts of global issues. It improves the global way of thinking and

requires logical thinking.

### **Pre-knowledge**

Global issues I. class

Macroeconomics

### **Method**

Practice in small groups with continuous support of the lecturer (a group should contain maximum 2-3 students).

At the end of the class, a joint discussion takes place.

### **Outline of the class**

Repeat the concepts of the previous class – emphasis on the definition of globalization and global issues (it should be a questions-answers session).

The role of the EU in solving poverty (participation in the Millennium and Sustainable Development Goals) and piracy in Somalia. (other issues can also be detailed)

After this, the lecturer should explain what a flow chart means and how it can be drawn.

The second part of the lecture will be the work of the smaller groups, and the joint discussion of their solutions.

### **Basic concepts**

- global issues (+ examples)
- economic impacts
- social impacts
- environmental impacts

### **Control questions**

- How can you assess the impacts of a global issue?
- Who is affected by a global issue?
- How can a global issue be handled?

### **Tasks during the class**

Create smaller groups within the class. Each group has to choose a global issue. They have to collect the global and national consequences of this global issue. Then, the groups should draw their own flow chart about the impacts of a global issue. The experiences show that this task requires the lecturer to continuously follow the work of the groups and discuss with them how to improve their solution. At the end of the class, each group should detail their results.

If there is enough time, this task can be completed with the analysis of the reasons why a global issue appeared.

### **Homework**

There are several opportunities for homework:

- The students should create another flow chart on the impacts of another global issue.
- The students should prepare an infographic on the impacts of a global issue.
- The students should prepare an animated video on the impacts of a global issue.

Or any kind of mixture of these.

### **Competencies**

Knowledge on global trends  
 Critical way of thinking  
 Logical way of thinking  
 Structural thinking  
 Using theory in practice, learning the global processes in practice  
 Digital competences

## Week 6

Topic	Introduction to international trade
<b>Objective</b>	The class aims to define and explain the basic concepts of tariffs and non-tariff barriers.
<b>Pre-knowledge</b>	Basic knowledge on the EU (previous classes)
<b>Method</b>	Front-teaching, case studies with small groups. At the end of the class, a joint discussion takes place.
<b>Outline of the class</b>	<p>Repeat of the previous classes on the EU (it should be a questions-answers session)</p> <p><b>The role of trade in economic development</b></p> <ul style="list-style-type: none"> <li>• Basic idea: <math>Y = C + I + G + X - IM</math></li> <li>• Trade as an engine of growth. Trade not aid.</li> </ul> <p><b>Debate on the impacts</b></p> <ul style="list-style-type: none"> <li>• Who can be the winners?</li> <li>• Countries dependent on tariffs – budget deficit?</li> <li>• Poverty reduction? Economic growth?</li> <li>• Global crisis: diversification of exports?</li> <li>• Autocorrelation</li> <li>• Effects of trade agreements</li> <li>• Competitiveness of countries</li> </ul> <p><b>Factors which influence the success of trade in economic development</b></p> <ul style="list-style-type: none"> <li>○ Income elasticity and instability of export income                             <ul style="list-style-type: none"> <li>▪ Primary products: low income elasticity</li> <li>▪ Primary products: low price elasticity</li> <li>▪ Result: decreasing prices, price volatility =&gt; volatility of export income</li> <li>▪ Income and price elasticity: remember your microeconomics study!</li> </ul> </li> <li>○ Hypothesis of Prebisch-Singer                             <ul style="list-style-type: none"> <li>▪ Export income = export quantity * export price</li> <li>▪ Prebisch and Singer: continuous decrease in export prices =&gt; LDC: loss of income, only if they can expand their exports</li> </ul> </li> </ul>

- LDC: dependency on primary products – to avoid!
- Investigating international trade
  - Distribution of exports and imports
    - Partners
    - Type of product
  - Terms of trade (not conditions of trade policy ☺)
    - Price of exports/price of imports
    - Declining terms of trade (failing)
    - Increasing terms of trade

Analysis of terms of trade figures and describe why it is advantageous for a country and why not.

**Trade policy:** Trade policy can be liberal or protectionist. Definition and analysis of liberalism and protectionism.

**Tools for influencing trade:**

a) Tariffs

- Tax imposed on goods which go through a border
- Logic of tariffs:
  - Price of a product = production cost
  - No tariff -> selling on world price
  - If there is a tariff
    - Financial element, tax on a product
    - The exporter must pay the tariff! (USA exports to the EU -> USA must pay tariff)
    - If producer must pay -> additional cost for the producer -> production costs increase -> increase in product price
  - How does the tariff restrict trade?
    - Product: more expensive -> consumers will not buy it!
    - No demand for the product -> decreasing trade
- An example
  - Production cost of 10,000 pencils: 18,500 USD
  - USA wants to export 10,000 pencils to the EU
  - In the case of no tariff:
    - USA can sell 10,000 pencils on the price of 18,500 USD in the EU
  - In the case of tariff of 10%:
    - 10% tariff:  $18,500 \times 0,1 = 1,850$  USD
    - USA must sell pencils to cover the costs:  $18,500 + 1,850 = 20,350$  USD
    - Pencils will be more expensive in the EU
- Types:
  - Export tariff
  - Import tariffs
  - Transit tariffs
  - Fiscal tariffs



- Prohibitive tariffs

#### b) Non-tariff barriers

- Every measure but not tariffs which aim to restrict or influence trade
- Basically, they are not financial tools
- Tools:
  - Quota – the quantity is determined
  - Embargo – permanent restriction (punishment)
  - Administrative rules (prescription) – **exporters** must prove that they meet these rules!
    - Technical certifications
    - Quality certifications
    - Sanitary certifications
  - Volunteer export restraints (VER)

#### Real examples of NTBs

- **Quota:** quotas on US sugar imports: *„imports of raw sugar are limited to about 3 billion pounds“*
- **Embargo** *„The US trade embargo on Cuba“*
- **Sanitary and phytosanitary measures:** *„requiring products to come from a disease-free area, inspection of products, specific treatment or processing of products“*
- **VER:** *„Japan imposed a VER on its auto exports into the U.S. as a result of American pressure in the 1980s.“*

#### Comparison of tariffs and NTBs

##### Basic concepts

- trade policy
- tariff (and its types)
- non-tariff barrier (and its types)
- export
- import
- terms of trade

##### Control questions

- What are the differences between tariffs and non-tariff barriers?
- How can you assess the role of international trade in economic development?
- What examples can you mention for non-tariff barriers?
- Why does a country use trade restriction tools?
- What is trade policy and why is it important?
- How many kinds of trade policies can we distinguish according to their level of intervention?

##### Tasks during the class

This class is mainly based on front-teaching, but in order to involve the students and keep the contact, there should be some tasks. Here is an example which can be solved in smaller groups.

Here are some measures which are imposed by countries which have commercial interest with the EU. The students should mention which type of the

measure (tariff or NTB) is imposed and what its precise name is. All of them are true stories.

- a. In November 2003, the Australian Government announced a long-term assistance package of \$A747 million for Australia's TCF industry. The main component of this package is an extension of the Textile, Clothing and Footwear Strategic Investment Program (TCF-SIP) Scheme through to 2015, which came into effect from 1 July 2005.
- b. In the 1990's Canada introduced restrictions on the import of ruminant animals and products thereof from all European countries based on concerns about Bovine Spongiform Encephalopathy (BSE). Then Canada amended its import legislation in 2007, mainly following the new OIE code, which should have permitted imports. However, Canada still did not issue any import permits for these products. Canada had its first case of BSE in May 2003 and has had around 20 cases since then.
- c. Imports of EU electronic and fuel products have to go through a burdensome two-step certification procedure. Certificates or tests carried out in the origin country, although valid in Chile, must be completed with tests in Chile which increase the cost for importing goods. This requirement also applies for products certified in their country of origin by internationally recognized laboratories and which are based on international standards. In addition, the foreign certificates also have to be validated by the Chilean consulate in the country of origin.
- d. Colombia has adopted a series of technical regulations that require re-certification in Colombia to validate international certification or to obtain certification from the manufacturers, with the additional costs this implies (no lab test). This also applies to spare components.
- e. There is a temporary ban on importing tomato paste and concentrates into Ghana with effect from 1 November 2007. The aim of this ban is to secure the jobs and livelihoods of about 1,250 Ghanaian tomato farmers across the country.

After the task is solved, a joint discussion should take place.

### **Homework**

As homework, the students can collect more real examples on imposed trade measures – either the EU used them, or other countries imposed them against the EU.

Another homework can be that the student should prepare a mind map on the topics of the class. It is a good tool to structure the topic and with controlling it, the lecturer can see whether the student understand the logic or not.

### **Competencies**

Knowledge on global trends

Structural way of thinking

Using theory in practice with real examples

## Week 7

Topic	Institutions of international trade
<b>Objective</b>	The class aims to introduce the GATT and WTO as the main international organizations which manage international trade and determine the main rules of international trade. It also aims to show the role of the EU in the multilateral trading system, including the distinction between extra- and intra-trade.
<b>Pre-knowledge</b>	Basic concepts of international trade (previous class)
<b>Method</b>	Front-teaching and case studies. At the end of the class, a joint discussion takes place.
<b>Outline of the class</b>	<p>Repeat the concepts of the previous class – emphasis should be put on the basic concepts of international trade (previous class), this is a question-answer session</p> <ul style="list-style-type: none"> <li>- A short history of the GATT and the WTO (why do we need these institutions for?)</li> <li>- Principles <ul style="list-style-type: none"> <li>o Non-discrimination <ul style="list-style-type: none"> <li>▪ Most favoured nations</li> <li>▪ National treatment</li> </ul> </li> <li>o Liberalization</li> <li>o Protection with tariffs</li> <li>o Consultation</li> <li>o Transparency</li> </ul> </li> </ul> <p>Dispute settlement Disputes between the EU and the USA Analysis of the current disputes in which the EU is involved (case study in a form of a simulation game)</p>
<b>Basic concepts</b>	<ul style="list-style-type: none"> <li>• WTO</li> <li>• GATT</li> <li>• non-discrimination</li> <li>• most-favoured nations</li> <li>• national treatment</li> <li>• liberalization</li> <li>• protectionism</li> </ul>
<b>Control questions</b>	<ul style="list-style-type: none"> <li>• What are the advantages and disadvantages of the GATT/WTO system?</li> <li>• How is the EU a member of the WTO system?</li> <li>• How is the dispute settled in the WTO system? What are the main criticisms of this process?</li> <li>• Why is there any trade dispute or trade war?</li> <li>• What is GATT and what led to its establishment and in which year?</li> </ul>

- Why did GATT fail in its establishment in 1944?
- What are the main aims and principles of GATT?
- How many trade rounds are there in GATT and what are they?
- What is the difference between GATT and WTO?
- How many trade rounds are in the WTO and what are the causes of the delays in the Doha round?
- What is the dispute settlement process in the WTO?

### Tasks during the class

Create some smaller groups in the class. Each group will represent a stakeholder in a trade dispute. This trade dispute can be, for instance, the current trade war between the EU and the USA – this dispute is focused on steel products. Firstly, the lecturer should introduce the dispute shortly, then the groups with using their smart devices can collect more information and they have to find out the following:

- How would this trade war affect them (the stakeholders they represent)?
- How would they foster to solve this issue?
- What countermeasures would they take against the US?

Potential stakeholders can be large EU-countries with automobile industry, the USA itself, the consumers in Western Europe, consumers in Eastern Europe and representatives, for instance, of Japan or India. These latter two ones are essential since the trade war impacts countries which are not directly involved in the war as well.

After the groups collected information and created their strategy, there should be a common discussion (the lecturer is the moderator): all groups detail their strategy and they should make a compromise by the end.

### Homework

The students should analyse the social media appearance of the World Trade Organization. After analysing it and finding the weak points of its social media activity, the students have to write a social media post for the WTO which could be interesting for the general public.

### Competencies

Knowledge on global trends  
Critical way of thinking  
Working in groups  
How to debate with others  
Using theory in practice with a simulation game  
Digital competences

## Week 8

### Topic The role of the EU in foreign direct investments

#### Objective

The class aims to define FDI and transnational companies and to introduce the main global trends with special attention to the EU.

#### Pre-knowledge

International trade (previous two classes) and globalization

### Method

Front-teaching and case studies.

At the end of the class, a joint discussion takes place.

### Outline of the class

Repeat of the previous classes – emphasis on the characteristics of the multilateral trading system and globalization (it should be a questions-answers session)

Forms of international financial flows

FDI in the world – reasons for decreasing values, geographical differences, why not to Africa

Motivations of investing abroad (including the trade restrictions!)

Definition of TNC

Main TNCs in the world – their role in developing and developed countries

The main EU investors and the main host countries – including sectors, too

Advantages of being a host and an investor country

In the second half of the class, there should be a simulation game (see details below).

### Basic concepts

- FDI
- TNC
- motivations of investing abroad
- host country
- home country (investor country)
- parent company
- affiliation

### Control questions

- How can you assess the impacts of FDI on the host country?
- How can you assess the impacts of FDI on the home country?

### Tasks during the class

Create some smaller groups in the class. Each group represents a country and they have to convince the representatives of the EU (another group) to invest in their own country.

A specific industry: the EU would like to improve space research and they assume that some materials from space would contribute to better cure some serious illnesses (e.g. cancer). But this research is too expensive within the EU. The EU looked around the world and found some interesting places. Some countries also heard about the EU's attempts and offered some ideas about why it should invest in their countries. The competitors for the investments are: the USA, New Zealand, Japan, Canada, Mexico, Nigeria, China.

Each group should collect information and build up their strategies. One of the members should present their results, the EU-representatives can ask questions. Then the EU should make a decision.

### Homework

Homework can be that the student should prepare a mind map on the topics of the class. It is a good tool to structure the topic and with controlling it, the lecturer can see whether the student understand the logic or not. While

preparing it, the student repeats the basic concepts.

### Competencies

Knowledge on global FDI trends  
Critical way of thinking  
Working in groups  
Speaking in front of several people  
Structural thinking  
Using theory in practice, learning the global processes in practice  
Digital competences (searching for information)

## Week 9

Topic	International development cooperation of the EU
<b>Objective</b>	The class aims to introduce the problems of developing countries and to give a short insight into international development cooperation and to its problems. It also aims to introduce how the EU tries to overcome poverty in the world, furthermore to emphasize the costs and the EU's interest. Besides increasing knowledge on this topic, the class generally aims at increasing the sensitiveness of the students towards the problems of underdeveloped countries.
<b>Pre-knowledge</b>	Globalization and global issues Basic knowledge on the EU's budget
<b>Method</b>	Front-teaching with common discussion of videos
<b>Outline of the class</b>	<p><b>Repeat the class</b> about globalization and global issues (it should be a questions-answers session)</p> <p><b>Introducing developing countries</b></p> <ul style="list-style-type: none"> <li>- The term 'developing country' (first, second and third world)</li> <li>- Factors leading to the underdevelopment of developing countries</li> <li>- Discussing whether external intervention is needed</li> <li>- How to intervene?</li> </ul> <p><b>International development cooperation in general</b></p> <ul style="list-style-type: none"> <li>- Definition of aid activity, its impacts and main critiques.</li> </ul> <p><b>The EU's international development cooperation policy</b></p> <ul style="list-style-type: none"> <li>- ACP countries</li> <li>- Trade preferences, GSP and GSP+, EBA</li> <li>- European Year for Development (what did we learn?)</li> <li>- Budgetary issues</li> <li>- Some examples for projects carried out in developing countries by the EU (or EU Member States)</li> </ul>
<b>Basic concepts</b>	<ul style="list-style-type: none"> <li>• aid (ODA)</li> <li>• EYD</li> </ul>

- forms of international financial flows
- PCD

### Control questions

- How can you assess the problems of developing countries?
- How can aid contribute to solving the problems of developing countries?
- What are the main characteristics of the EU's international development cooperation policy?

### Tasks during the class

In order to increase the sensitiveness of the students towards the problems of developing countries and poor people, this class requires showing some videos about poverty. I highly recommend collecting videos on projects implemented by the EU and watch them together with the students. After this, the whole group can discuss which project they preferred and why, and you can also discuss what kind of impacts a project may have on poor people and on the country itself.

### Homework

Homework: student should prepare a mind map on the topics of the class. It is a good tool to structure the topic and with controlling it, the lecturer can see whether the student understand the logic or not. While preparing it, the student repeats the basic concepts.

Another homework can be the blog post which is detailed in the course description.

### Competencies

Knowledge on global trends

Sensitivity towards problems of less fortunate people

Critical assessment of global aid trends (including the EU's activity)

## Week 10

### Topic The role of the EU in migration and brain drain

#### Objective

The class aims to improve the knowledge on migration and to better understand the motivations and main reasons for it. This class also aims to clarify the relevant concepts and trends on migration and brain drain.

#### Pre-knowledge

Global issues I-II. classes

#### Method

Front-teaching and case studies

#### Outline of the class

**Repeat of the previous classes** – emphasis on the definition of globalization and global issues (it should be a question-answer session)

Introduction to the basic concepts – explain the differences between the different types of migration

Detail the forms of migration

Reasons for migration (pull and push factors)

Economic theories on migration (neoclassical theory of migration; new household economics of migration; dual labour market theory)



Major migration trends in the EU  
Why brain drain?

### **Basic concepts**

Migration  
Immigration  
Emigration  
Net migration  
Internally Displaced Person (IDP)  
Asylum seeker  
Refugee  
Forms of migration (rural-urban, seasonal, planned, voluntary, forced, legal, illegal, refugee)  
Brain drain

### **Control questions**

- What are the main forms of migration?
- What is the difference between voluntary and forced migration?
- What are the pull factors of migration?
- What are the push factors of migration?
- What are the main trends of migration in the EU?

### **Tasks during the class**

Migration is a difficult topic, especially the forms of migration. In order to ensure that the students learn the concepts correctly, it is important to involve them. At the end of this Handbook there is a detailed interactive game on migration. The students are separated into smaller groups and they represent a country in different parts of the classroom. The lecturer tells them cases on migration (e.g. a civil war breaks out), and the students should act according to this case (i.e. they have to move to another country). When the movement of the students have finished, the groups have to decide what kind of migration happened – they have to choose between different cards. Then the whole class discusses together the good solution and discusses why a solution was not appropriate. This game requires at least 30 minutes – depending on the number of the cases.

### **Homework**

The students should collect some reasons why people migrate from their home countries to another one or why people choose their country. If there was any migration crisis in the country (e.g. in Jordan), it can also be included. From these pieces of information, the students should create an infographic.

### **Competencies**

Knowledge on global trends  
Critical way of thinking  
Logical way of thinking  
Structural thinking  
Using theory in practice, learning the global processes in practice  
Digital competences



## Week 11

Topic	The EU's relations with China and the US
<b>Objective</b>	The class aims to give a critical assessment on the EU-China and EU-US relations. The class aims to show the positive and negative side of these relationships, including the negotiations of the TTIP.
<b>Pre-knowledge</b>	Basic concepts of international trade FDI
<b>Method</b>	Front-teaching, simulation game At the end of the class, a joint discussion takes place.
<b>Outline of the class</b>	<p><b>Repeat of the previous class</b> – emphasis on the definition of international trade and foreign direct investments (it should be a question-answer session)</p> <p><b>Lisbon Strategy, EU2020 strategy</b></p> <p><b>The EU-US relations</b></p> <p>History of the EU-US relations</p> <p>Competitors or friends? (EU-US relations)</p> <p>Trade wars</p> <p>Critical assessment of the Transatlantic Trade and Investment Partnership</p> <ul style="list-style-type: none"> <li>- The story of the TTIP</li> <li>- Standpoints of the negotiations</li> <li>- ISDS (investor-state dispute settlement) – with real examples from the past</li> <li>- Why do some civil society organizations oppose the TTIP?</li> </ul> <p><b>The EU-China relations</b></p> <p>History of the EU-China relations</p> <p>Trade wars</p> <p>FDI opportunities – China as the host country of environment pollution activities?</p>
<b>Basic concepts</b>	<ul style="list-style-type: none"> <li>- TTIP</li> <li>- ISDS</li> <li>- Lisbon Strategy</li> <li>- EU2020</li> </ul>
<b>Control questions</b>	<ul style="list-style-type: none"> <li>• How can you assess the EU-US relationship?</li> <li>• What are the advantages and disadvantages of the TTIP?</li> <li>• Why is the EU-China relationship challenging?</li> </ul>
<b>Tasks during the class</b>	At the beginning of the class the students should be separated into two groups. One represents China, the other the US. Each group should collect their intentions and knowledge on the EU-US and EU-China relationship – on which field and sector does it appear? Is it advantageous or not?

Concerning the TTIP, there are several videos detailing the concerns about it. During the class, some of them should be showed and the critics of the TTIP and its negotiations should be collected together.

### Homework

Homework can be that the student should prepare a mind map on the topics of the class. It is a good tool to structure the topic and with controlling it, the lecturer can see whether the student understand the logic or not. While preparing it, the student repeats the basic concepts.

### Competencies

Knowledge on the EU's external relations  
Critical way of thinking  
Logical way of thinking  
Working in groups  
Digital competences

## Week 12

### Topic 'What have we learnt?' (Summary class)

#### Objective

The class aims to give a structure of the whole semester and repeat the main concepts and logic. This is a summary class before the mid-term exam.

#### Pre-knowledge

In general, the whole material of the semester, though this is still a summary class.

#### Method

Interactive games.

#### Outline of the class

A good solution to repeat the whole semester would be for the lecturer to bring several tables and figures that could be analysed by the students. There is no specific outline for this class. At the end of this handbook, there are several tasks which are complex and can be used for this purpose.

#### Basic concepts

Not relevant.

#### Control questions

Not relevant.

#### Tasks during the class

At the end of this handbook, there are several tasks which are complex and can be used for this purpose.

#### Homework

Not relevant.

#### Competencies

Complex way of thinking  
Digital competences

## 6 OTHER ASSIGNMENTS

### Practice task for migration

#### The EU in the global economy

##### Basic information

There are four hypothetical countries:

1. **Nowhere:** the least developed country among the four countries
2. **Somewhere:** the second least developed country among the four countries
3. **Far-far-away:** the second most developed country among the four countries
4. **Anywhere:** the most developed country among the four countries

Each country can be divided into four parts as can be seen below:

<b>1.</b> <b>The least developed part</b> <b>Rural area</b>	<b>2.</b> <b>A less developed part</b> <b>Rural area</b>
<b>3.</b> <b>More developed part</b> <b>Urban area</b>	<b>4.</b> <b>The most developed part</b> <b>Urban area</b>

##### Required equipment and tools

The followings are needed for this game:

Equipment	Per country	Total
country name paper	1	4
a sheet of paper for the country flag	1	4
flags for the cases (with the migration terms)	8	32
numbers of the country regions	4	16

**Migration terms:** (1) immigration, (2) emigration, (3) internally displaced people, (4) seasonal, (5) planned, (6) volunteer, (7) forced, (8) rural-urban

### The process of the game

The game has the following steps:

1. The students have to be divided into four groups. Max. 10 students can be in one group.
2. Each group will receive – randomly – a country which they will represent.
3. The moderator of the game has to introduce the rules – including the basic information on each country.
4. Each group has to create their own flag – they have to write the country's name on the flag and they should use some signs that refer to the development level of the country.
5. The moderator of the game will read some cases (related to migration). What happens here:
  - a. The representatives of the country (or countries) concerned have to react according to the event (e.g. move to another country or only to a different region within the same country).
  - b. Each group (concerned and not concerned) shows the "term-flag" which fits to the situation the most.
6. After the discussion of each situation each participant has to go back to their original place.

# Practice task for international trade I.

## The EU in the global economy

Please read the following story about trade between the EU and China. Please prepare a SWOT analysis of it from the point of view of the EU. That is: What are the strengths, weaknesses, opportunities and threats for the EU regarding trade with China?

### Trade relations between the EU and China

The European Union and China are two of the biggest traders in the world. China is now the EU's 2nd biggest trading partner behind the United States and the EU is China's biggest trading partner.

The EU is committed to open trading relations with China. However, the EU wants to ensure that China trades fairly, respects intellectual property rights and meets its WTO obligations.

At the 16th EU-China Summit held on 21 November 2013 both sides announced new negotiations about a comprehensive EU-China Investment Agreement. The Agreement will make progressive liberalisation of investment and the elimination of restrictions for investors to each other's markets possible. It will provide a simpler and more secure legal framework for investors of both sides by securing predictable long-term access to EU and Chinese markets respectively and providing for strong protection for investors and their investments.

### Trade picture

- EU-China trade has increased dramatically in recent years. China is the EU's biggest source of imports by far and has also become one of the EU's fastest growing export markets. The EU has also become China's biggest source of imports. China and Europe now trade well over €1 billion a day.
- EU imports from China are dominated by industrial and consumer goods: machinery and equipment, footwear and clothing, furniture, lamps and toys. EU exports to China are concentrated on machinery and equipment, motor vehicles, aircraft and chemicals.
- Bilateral trade in services, however, only amounts to 1/10 of total trade in goods and the EU's exports of services only amount to 20% of EU's exports of goods.
- As a result, the EU records a significant trade deficit with China. This is in part a reflection of global and Asian value chains but in part also due to remaining market access barriers in China.

- Investment flows also show vast untapped potential, especially when taking into account the size of our respective economies. China accounts for just 2-3% of overall European investments abroad, whereas Chinese investments in Europe are rising but from an even lower base.

### **EU and China**

China is one of the world's largest economies and an important trading partner for the EU. China is also an increasingly important political power.

China's accession to the WTO in December 2001 was a major step. It required China to take bold reforms and liberalize important parts of its economy. Both China and the wider WTO members have benefited greatly from China's integration into the global economic order.

Yet while China has made good progress in implementing its WTO commitments, there are still remaining problems. The EU's concerns include:

- lack of transparency
- industrial policies and non-tariff measures in China which may discriminate against foreign companies
- a strong degree of government intervention in the economy resulting in a dominant position of state-owned enterprises and unequal access to subsidies and cheap financing
- inadequate protection and enforcement of intellectual property rights in China

However, while there are many challenges, China's market and rapid development also continues to offer huge opportunities with significant potential for further expanding trade and investment and strengthening of the relations.

The recent launch of the negotiations on a bilateral investment agreement is an important forward-looking initiative that aims to promote bilateral investment by providing transparency, legal certainty and market access to investors from both sides.

3 rounds of the negotiation took place so far in January, March and June 2014. In order to support the negotiation, the European Commission commissioned to a law firm a study on existing restrictions to foreign investment on the Chinese market, which was finalized in August 2014.

Topics arising in the bilateral trade and investment relationship are discussed in a range of dialogues, including the annual Joint Committee and the EU-China High Level Economic and Trade Dialogue (HED). The last Joint Committee was held on 24 October 2013 in Brussels.

Obviously, at high levels of trade irritants occur, and the EU remains firm on the

need for China to comply with its international commitments. But this should not stand in the way of both sides developing a long-term vision of cooperation. Moreover, the EU and China have demonstrated willingness and ability to diffuse tensions through dialogue and cooperation.

# Practice task for international trade II.

## The EU in the global economy

**Case studies.** In the following you can see a short description of certain countries' economies. They all plan to establish trade relationship with the EU. Based on the given information, answer the following questions:

- Would a preferential, a free trade/bilateral or a unilateral trade agreement be suitable?
- When should the agreement come into force? What period should the agreement be valid for?
- How long should the length of transitional period be?
- Which products should the main import/export commodities be?
- Should the agreement affect the intellectual property rights?

### China

The aim of the EU's trade and development policy is to put trade at the service of inclusive growth and sustainable development. Trade openness is a necessary condition to lasting economic development and developing countries have become new drivers of trade, accounting for over half of world exports. The EU's aim is to effectively use different trade and development instruments to the benefit of developing countries, with particular attention paid to LDCs and other countries most in need. Therefore, the EU intends to sign trade agreements with developing countries like China.

The European Union and China are two of the biggest traders in the world. China is now the EU's 2nd biggest trading partner behind the United States and the EU is China's biggest trading partner.

The EU is committed to open trading relations with China. However, the EU wants to ensure that China trades fairly, respects intellectual property rights and meets its WTO obligations. EU-China trade has increased dramatically in recent years. China is the EU's biggest source of imports by far, and has also become one of the EU's fastest growing export markets. The EU has also become China's biggest source of imports. China and Europe now trade well over €1 billion a day.



Trade relations are part of the EU's overall political and economic relations with China. The EU supports China's trade reform and sustainable development agenda via the EU China Trade Project (EUCTP). The EU also supports European SMEs to export to and invest in China and also offers SMEs specific advice on IPR issues.

<b>Economic trends</b>	
GDP (current US\$):	9 318 901
GDP growth (annual %):	8
<b>Trade</b>	
Export of goods and services (% of GDP):	27
Import of goods and services (% of GDP):	25
Merchandise trade (% of GDP):	45
Exports (million US\$):	20 487 82.3
Imports (million US\$):	181 819 9.3
Export concentration index:	0.097
Balance (million US\$):	230 583.0
<b>Export commodities:</b>	electrical and other machinery, data processing equipment, radio telephone handsets, textiles, integrated circuits
<b>Imports commodities:</b>	electrical and other machinery, oil and mineral fuels, nuclear reactor, boiler, optical and medical equipment, metal ores, motor vehicles, soybeans

## **Nigeria**

The aim of the EU's trade and development policy is to put trade at the service of inclusive growth and sustainable development. Trade openness is a necessary condition to lasting economic development and developing countries have become new drivers of trade, accounting for over half of world exports. The EU's aim is to effectively use different trade and development instruments to the benefit of developing countries with particular attention paid to LDCs and other countries most in need. Therefore, the EU intends to sign trade agreements with developing countries like Nigeria.

Nigeria is the biggest economy on the African continent and a major EU trade partner with a particular focus on oil and gas. The basis for political, trade and development cooperation relations between the EU and Nigeria is the 2000 Cotonou Agreement (also known as the ACP-EU Partnership Agreement). Nigeria mainly exports oil to the EU and imports mostly machinery, equipment and refined petroleum products. The country is one of 16 negotiating the West African Economic Partnership Agreement (EPA) with the EU.

<b>Economic trends</b>	
GDP (current US\$):	521 809 314
GDP growth (annual %):	5
<b>Trade</b>	
Export of goods and services (% of GDP):	18
Import of goods and services (% of GDP):	13
Merchandise trade (% of GDP):	30
Exports (million US\$):	143 151.2
Imports (million US\$)	358 72.5
Export concentration index:	0.772
Balance (million (US\$):	107 278.7
<b>Export commodities:</b>	petroleum and petroleum products, cocoa, rubber
<b>Imports commodities:</b>	machinery, chemicals, transport equipment, manufactured goods, food and live animals

## **Azerbaijan**

The aim of the EU's trade and development policy is to put trade at the service of inclusive growth and sustainable development. Trade openness is a necessary condition to lasting economic development and developing countries have become new drivers of trade, accounting for over half of world exports. The EU's aim is to effectively use different trade and development instruments to the benefit of developing countries with particular attention paid to LDCs and other countries most in need. Therefore, the EU intends to sign trade agreements with developing countries like Azerbaijan.

The EU is Azerbaijan's main trading partner accounting for around 42.4% of Azerbaijan's total trade. The EU continues to be Azerbaijan's biggest export and import market with respective 48.3 % and 27.7% share in total Azerbaijan's exports and imports.

The EU supports closer trade and economic integration with Azerbaijan through the European Neighbourhood Policy and its Eastern Partnership dimension. An Action Plan has been agreed in this respect in 2006. Under the EU Generalised Scheme of Preferences (GSP), as of 22 February 2014 preferences for Azerbaijan have been deferred and Azerbaijan reverted to the standard "Most Favoured Nation" treatment. The new regime focuses preferences on poorer countries. Countries which are classified as "upper-middle income" economies by the World Bank for at least 3 years in a row, like Azerbaijan, have their preferences deferred.

<b>Economic trends</b>	
GDP (current US\$):	73 560 484
GDP growth (annual %):	6
<b>Trade</b>	
Export of goods and services (% of GDP):	49
Import of goods and services (% of GDP):	27
Merchandise trade (% of GDP):	58
Exports (million US\$):	238 27.2
Imports (million US\$):	964 1.7
Export concentration index:	0.875
Balance (million (US\$):	141 85.5
<b>Export commodities:</b>	oil and gas, machinery, cotton, foodstuffs
<b>Imports commodities:</b>	machinery and equipment, oil products, foodstuffs, metals, chemicals

## **Saudi Arabia**

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Saudi Arabia has an oil-based economy with a strong government control over major economic activities. It possesses about 16% of the world's proven petroleum reserves, ranks as the largest exporter of petroleum and plays a leading role in OPEC. The petroleum sector accounts for roughly 80% of budget revenues, 45% of GDP, and 90% of export earnings. Saudi Arabia is encouraging the growth of the private sector in order to diversify its economy.

Saudi Arabia is a part of Gulf region (with also Bahrein, Kuwait, Oman, Qatar, United Arab Emirates) which region is important negotiation partner for the EU. The EU is the first trading partner for Saudi Arabia but the two parties have applied informal contracts.

<b>Economic trends</b>	
GDP (current US\$):	748 449 600
GDP growth (annual %):	4
<b>Trade</b>	
Export of goods and services (% of GDP):	52
Import of goods and services (% of GDP):	31
Merchandise trade (% of GDP):	73
Exports (million US\$):	388 401.1
Imports (million US\$):	155 593.0
Export concentration index:	0.767
Balance (million (US\$):	232 808.1
<b>Export commodities:</b>	petroleum and petroleum products
<b>Imports commodities:</b>	machinery and equipment, foodstuffs, chemicals, motor vehicles, textiles

## **Tuvalu**

The aim of the EU's trade and development policy is to put trade at the service of inclusive growth and sustainable development. Trade openness is a necessary condition to lasting economic development and developing countries have become new drivers of trade, accounting for over half of world exports. The EU's aim is to effectively use different trade and development instruments to the benefit of developing countries with particular attention paid to LDCs and other countries most in need. Therefore, the EU intends to sign trade agreements with developing countries like Tuvalu.

Tuvalu consists of a densely populated, scattered group of nine coral atolls with poor soil. Only eight of the atolls are inhabited. The country has no known mineral resources and few exports and is almost entirely dependent upon imported food and fuel. Subsistence farming and fishing are the primary economic activities. Tuvalu is an ACP country which group enjoys the EU's special attention.

<b>Economic trends</b>	
GDP (current US\$):	38 322 360
GDP growth (annual %):	1
<b>Trade</b>	
Export of goods and services (% of GDP):	1.73
Import of goods and services (% of GDP):	54.71
Merchandise trade (% of GDP):	43
Exports (million US\$):	26,5
Imports (million US\$):	16
Export concentration index:	0.676
Balance (million (US\$):	-16
<b>Export commodities:</b>	copra, fish
<b>Imports commodities:</b>	food, animals, mineral fuels, machinery, manufactured goods

## **Somalia**

The aim of the EU's trade and development policy is to put trade at the service of inclusive growth and sustainable development. Trade openness is a necessary condition to lasting economic development and developing countries have become new drivers of trade, accounting for over half of world exports. The EU's aim is to effectively use different trade and development instruments to the benefit of developing countries with

particular attention paid to LDCs and other countries most in need. Therefore, the EU intends to sign trade agreements with developing countries like Somalia.

Despite the lack of an effective national government, Somalia maintains an informal economy largely based on livestock, remittance/money transfer companies and telecommunications. Agriculture is the most important sector with livestock normally accounting for about 40% of GDP and more than 50% of export earnings.

<b>Economic trends</b>	
GDP (current US\$):	1 306 000
GDP growth (annual %):	22.4
<b>Trade</b>	
Export of goods and services (% of GDP):	0.3
Import of goods and services (% of GDP):	1.68
Merchandise trade (% of GDP):	-
Exports (million US\$):	540
Imports (million US\$):	1300
Export concentration index:	0.9000
Balance (million US\$):	-760
<b>Export commodities:</b>	livestock, bananas, hides, fish, charcoal, scrap metal
<b>Imports commodities:</b>	manufactures, petroleum products, foodstuffs, constructions materials

## **Russia**

The aim of the EU's trade and development policy is to put trade at the service of inclusive growth and sustainable development. Trade openness is a necessary condition to lasting economic development and developing countries have become new drivers of trade, accounting for over half of world exports. The EU's aim is to effectively use different trade and development instruments to the benefit of developing countries with particular attention paid to LDCs and other countries most in need. Therefore, the EU intends to sign trade agreements with developing countries like Russia.

The Partnership and Cooperation Agreement between the EU and Russia has been the framework of the EU-Russia relations since 1997 and regulates the political and economic relations between the two parties.

Russia is the third trading partner of the EU and the EU is the first trading partner of Russia. Both of the two parties are working towards growing trade and investment relations.

<b>Economic trends</b>	
GDP (current US\$):	2 096 777
GDP growth (annual %):	1
<b>Trade</b>	
Export of goods and services (% of GDP):	28
Import of goods and services (% of GDP):	22
Merchandise trade (% of GDP):	41
Exports (million US\$):	524 766.4
Imports (million US\$):	316 192.9
Export concentration index:	0.433
Balance (million (US\$):	208 573.5
<b>Export commodities:</b>	petroleum and petroleum products, natural gas, metals, wood and wood products, chemicals and wide variety of civilian and military manufactures
<b>Imports commodities:</b>	machinery, vehicles, pharmaceutical products, plastic, semi-finished metal products, meat, fruits and nuts, optical and medical instruments, iron, steel

# **Role play for the summary class (Week 12)**

## **The EU in the global economy**

### **ROLES IN STAKEHOLDERS NEGOTIATION TO PRODUCE, INVEST, OUTSOURCE AND SELL SELF-DRIVING CARS**

#### **Instructions:**

1. The class should be divided into 4 groups with the same number of people in each group (Producers, Host Countries, Investors and Costumers)
2. Each group represents the interests of their very specific group (leave your personal interests aside)
3. Once you have formed your group, you have 15 minutes to discuss the best interests of your team and to find the way your interests can better match with the expectation of the other stakeholders. Once you have formed a group you cannot leave and join another one.
4. Each team has to designate one delegate to participate as their representative in the stakeholders negotiation
5. It is a real negotiation so you will have to be persuasive, assertive, ready to make quick decisions and to solve problems.
6. It is better to demonstrate to the investor that it is a good business with numbers
7. All members of the group have to participate in the discussion. You cannot be passive!
8. You cannot change any conditions on the roles or the instructions



9. You can check some real data about prices, quantities and quality standards of self-driving cars on your mobile to make the negotiation more real. Be prepared!

**Negotiation context:**

There is an EU Company that produces a brand of self-driving car. They want to attract some foreign investment from China in order to outsource its production to Peru and Vietnam with the aim to reduce their production costs (They want to produce at the cheapest possible cost). The investors in China are looking for maximizing the profit and want to know all the information about the other stakeholders of the project. Chinese investors have many other options for investing their money. (They want to have the maximum profit on their investment)

The host countries for production (Peru and Vietnam) have some labour and environmental regulations and also tax rules that the producers and investors will have to deal with. Peru and Vietnam are developing countries without stable governments and institutions so the producers will have to manage all problems associated with these issues.

The market for selling self-driving cars is the USA, where people can afford to buy this type of product but there is also more market competition of national brands. Western European countries also have a serious tendency to buy environmentally friendly products.

So as you can see, there are many different groups of interest. As a group you should find the best way to negotiate with the other stakeholders and find an agreement about the best conditions of production, investment, outsourcing and market strategy

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## **GROUPS CARDS**

### **1. PRODUCERS OF SELF DRIVING CARS**

Located in the EU

You have your own industry of self-driving cars in the European Union but in order to decrease the production costs you want to outsource (produce) overseas. Therefore, you need to negotiate capital funding you're your investors.

You have to convince the investors that it is a good business to invest their money in self driving cars and that it is a good and highly profitable product to sell on the American market (investors have many other options to invest their money).

You are in charge of designing and producing a brand of self-driving car

You have the adequate technology to produce self-driving cars

You require investment (from Chinese companies) to outsource production overseas

Overall, you want to maximize your profits while maintaining quality standards.

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### **2. HOST COUNTRIES**

Located in South America (Peru) and in Southeast Asia (Vietnam).

You do not have the adequate technology to produce self-driving cars by yourself.

You do not have enough capital to produce self-driving cars by yourself. Therefore the self-driving car industry can boost employment and income for some sectors of your population.

Companies in your countries are required to pay a minimum wage of 200 Euros per month to their employees.

You have some regulations about environmental and child labour issues.

You have some tax regulations to make it easier for foreign companies to produce goods in your country so you can ask for some of the company's profit to stay inside the country

You do not have a very stable economy. You do not have stable institutions

-----

### 3. INVESTORS

Located in China.

You look for high rates of profit in your investments.

You charge interests of 8 to 10 percent in the capital.

You do not have environmental standards to produce overseas.

You want to guarantee your investment with a high project NPV and IRR.

You want to be sure that self-driving cars are a good product to sell in Europe.

You would like to have a lot of information about the producer countries, host countries and consumer countries.

You are looking for good opportunities to invest overseas, so you need to be properly convinced about the positive outcome of this opportunity to invest.

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### 4. CONSUMER COUNTRIES

Located in America (mainly the United States, Canada and Europe).

You have your local production of self-driving cars.

You are very demanding about new technologies and improvements.

You are still debating about the pros and cons of self-driving cars.

European citizens you have an existing culture of buying environmentally friendly products. You also buy products free from child labour or other kinds of exploitation.

You prefer to buy goods made in developed countries rather than in underdeveloped ones because of quality standards.

There are some safety and global issues that you will have to consider before buying a product made abroad.

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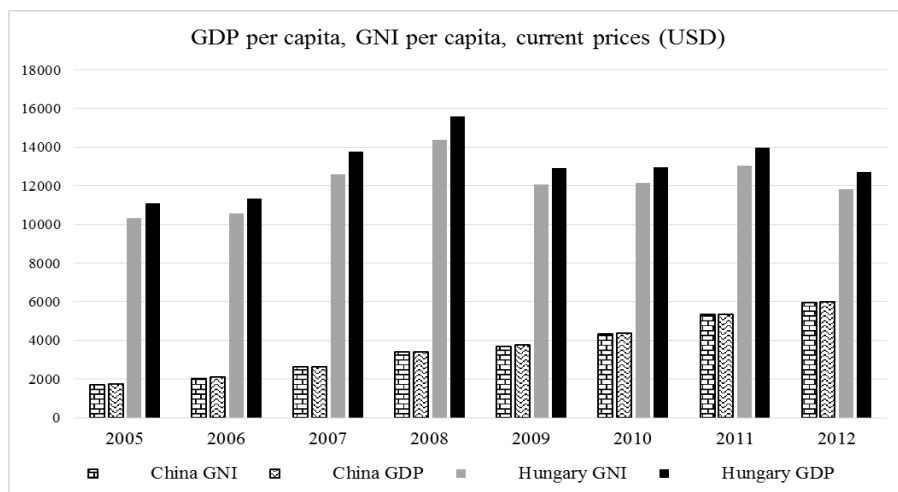
# Sample questions for the summary class (Week 12)

## The EU in the global economy

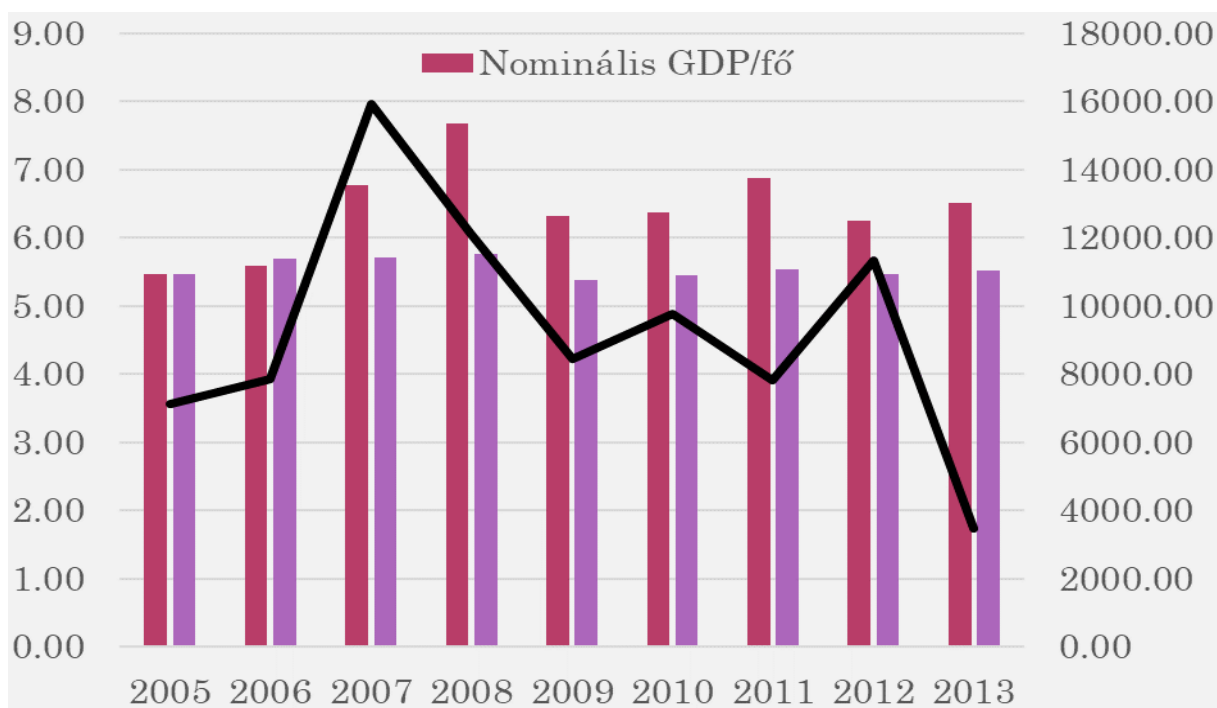
**Detail the difference between the following terms in 1-2 sentences**

Difference between GNI and GDP
Difference between Most-Favoured Nations (MFN) and National treatment
Difference between Foreign Direct Investment and Portfolio investment
Difference between tariff and non-tariff barriers
Difference between Backward and Forward Investment
Difference between Volunteer Export Restrain (VER) and Quota
Difference between Greenfield investment and Acquisition
Difference between a refugee and an asylum seeker
Difference between internal and external migration
Forced and voluntary migration
Difference between Liberal and protectionist trade policy
Difference between intra-extra trade

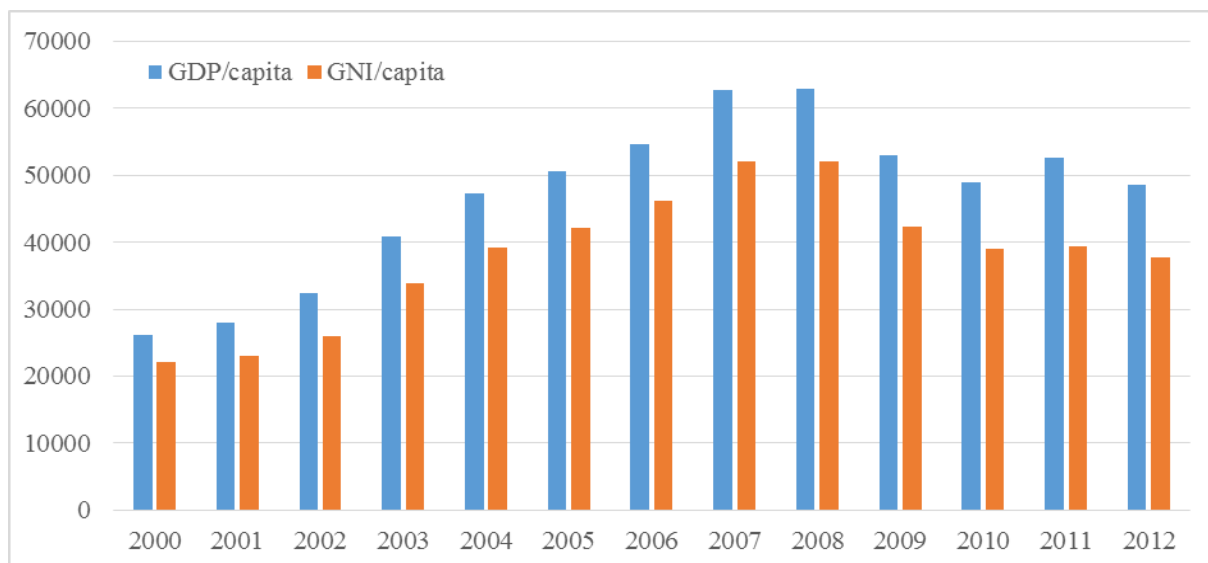
**Please describe the following figures in 4-5 sentences at least!**



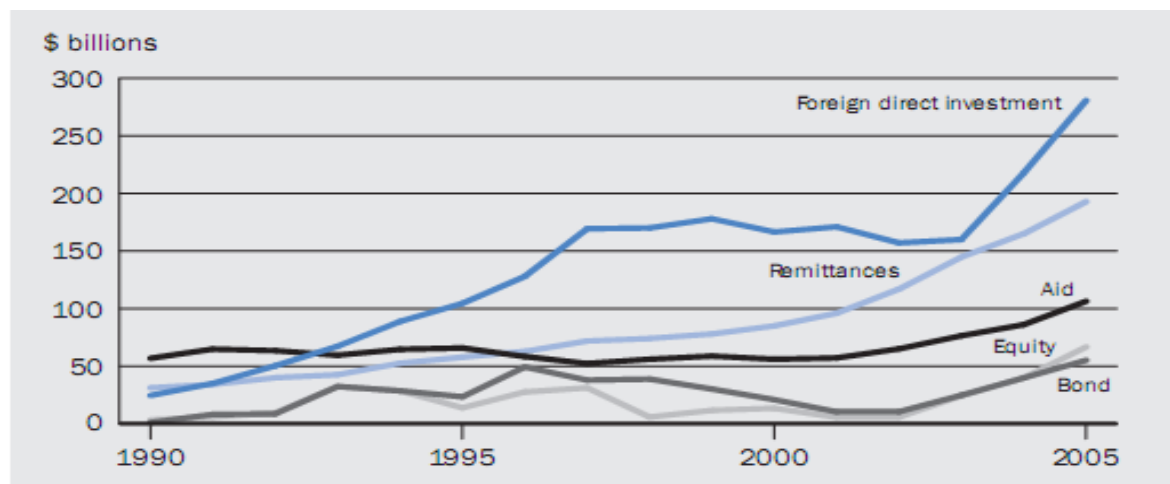
Hungary – Real and Nominal GDP per capita (USD, right axis), inflation (% , left axis)



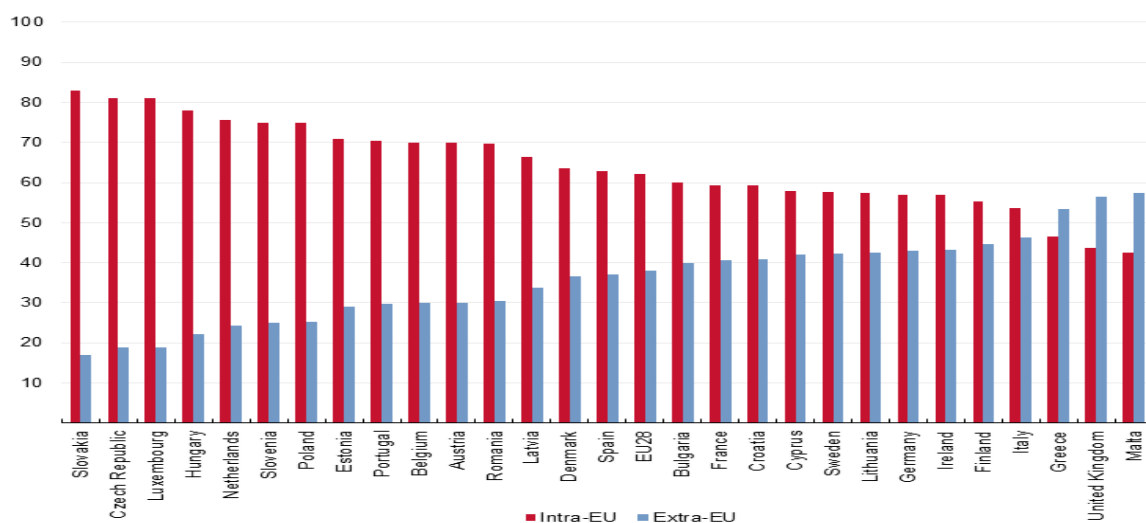
GND/capita and GNI/capita in Ireland, 2000-2012 (current prices, USD)



### Trends of financial flows

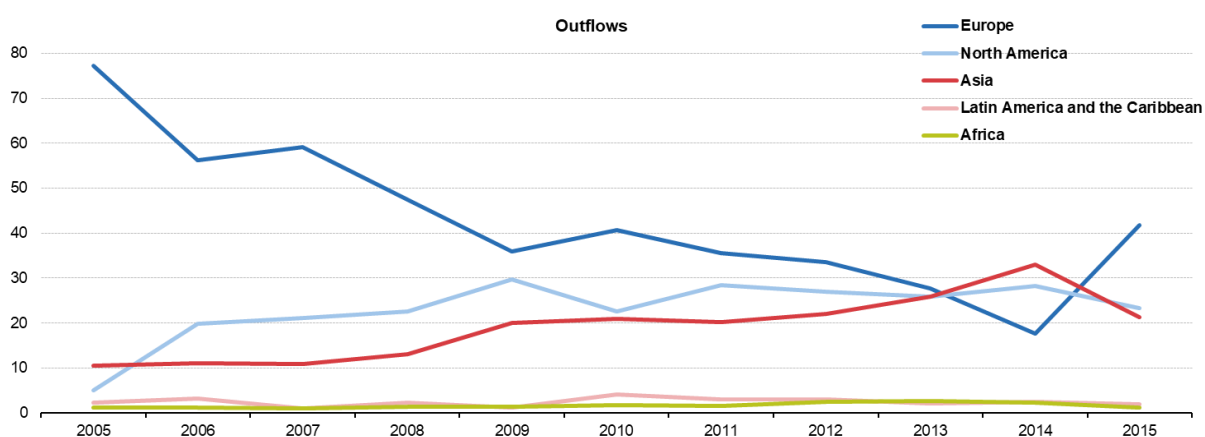


### Intra and extra EU trade



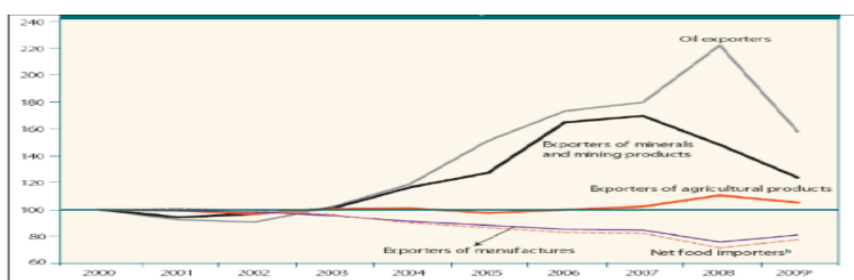
## Global FDI outflows

### GG



## Global terms of trade

### Terms of trade



**The table below contains characteristics of integration at different levels. Please mark with an X if a certain characteristic belongs to the definition of the integration level**

	<b>Preferential trade area</b>	<b>Free trade area</b>	<b>Customs union</b>	<b>Single market</b>	<b>Monetary union</b>
No customs (tariffs) and no NTBs between member states					
Member states use different trade policy towards countries outside the integration					
Member states use the same trade policy towards countries outside the integration					
Only preferential tariffs are provided to member states					
Free movement of capital, labour, goods and services					
Single money and monetary policy					

**What do the following abbreviations stand for?**

FDI	
MNC	
WTO	
GATT	
ISDS	
TRIPS	



TTIP	
MDG	
ACP	

**Write a short essay on the following topics**

- I. What are the benefits and cost of Foreign Direct Investments for developing countries?
- II. What are trade policies and why are they important?
- III. What are the criticisms of the TTIP?
- IV. Why do people migrate?
- V. What are the various levels of integration? Please list and define them!
- VI. Describe the international development cooperation of the EU!
- VII. What are the main motivations behind the below investments?
  - I. „The German company for textile and clothing established a company in China. As the textile industry is a labour-intensive industry, the labour cost is a crucial point in production.”
  - II. „China invested in Angola. As China became a large producer and oil is needed for the Chinese production, oil resources in Angola may be useful.”
  - III. Kazakhstan would be a great market for US products. However, the Kazakh government imposed high tariffs on trade with the US. The US decided to invest instead of trade.”

**Please draw a flow chart of the spillover effects of a civil war!** In your answer, please detail not only the neighboring spillovers but the global effects as well! Points can be given only for the chart, no other composition in text is acceptable. At the top of the flow chart must be the main problem then you must give key words for explaining this problem. The structure of the flow chart depends on you and there are several good solutions, but the flow chart must be logical.

## Complex task for the summary class

The summary class may contain case studies too – these case studies should be handled in a complex way since the students have to analyze different scenarios. In order to be able to argue for or against a scenario, the students have to be familiar with the basic concepts of all topics and they have to understand global trends. The task below is an example, the sample countries may be changed.

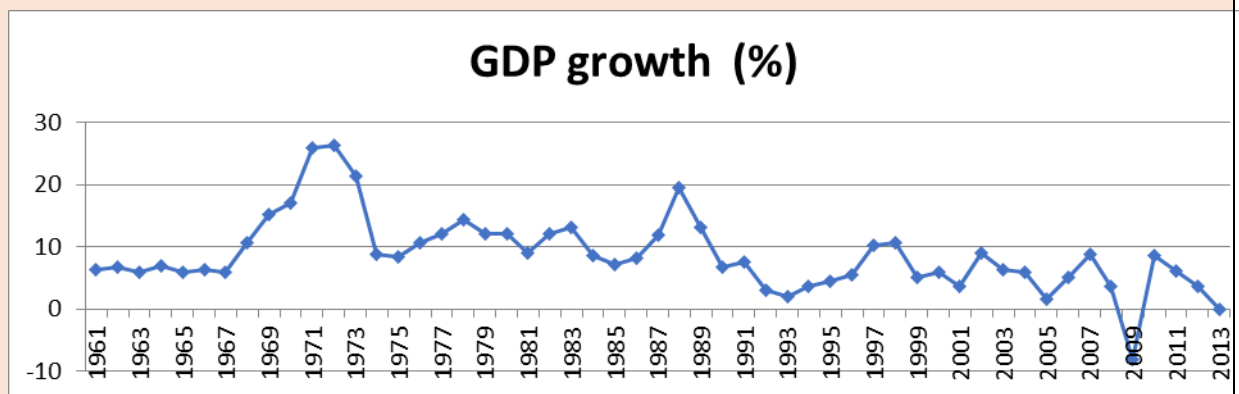
The students should be grouped (not more than 3-4 students in a group). All groups receive a situation analysis of Botswana. According to their knowledge acquired during the course, the students have to answer the following questions:

- Please, prepare a SWOT analysis for the country
- Based on the SWOT, decide and argue whether:
  - o aid from the EU would be beneficial for the country; **or**
  - o trade with EU would be beneficial for the country (signing some kind of trade agreement – preferential trade agreement, free trade agreement,...); **or**
  - o FDI from the EU would be beneficial for the country.
- The group's decision must be based on arguments: the group has to give ECONOMIC reasons why they decided to choose aid, FDI or trade.

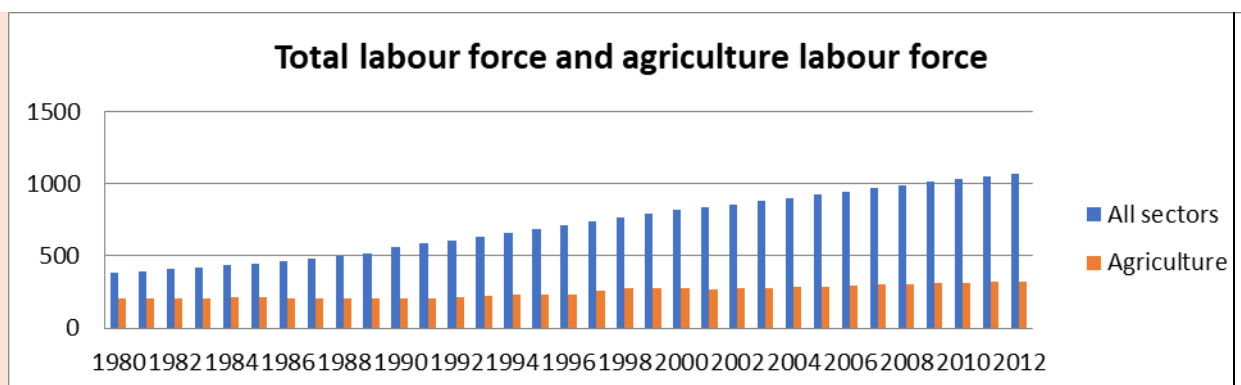
## Botswana – Situation analysis

### Economic environment, economic structure and employment

Botswana's diamond dependent economy has maintained one of the world's highest economic growth rates since independence in 1966. However, economic growth was negative in 2009, with the industrial sector shrinking by 30% after the global crisis reduced demand for Botswana's diamonds. Although the economy recovered by 2010-12, GDP growth slowed in 2012-14. Through fiscal discipline and sound management, Botswana transformed itself from one of the poorest countries in the world to a middle-income country with a per capita GDP of \$16,600 in 2014. Two major investment services rank Botswana as the best credit risk in Africa. Diamond mining has fuelled much of the expansion and currently accounts for more than one-third of GDP, 70-80% of export earnings and about one-third of the government's revenues. Botswana's heavy reliance on a single luxury export was a critical factor in the sharp economic contraction of 2009. Tourism, financial services, subsistence farming, and cattle raising are other key sectors. According to official government statistics, unemployment reached 17.8% in 2009 but unofficial estimates run much higher. The prevalence of HIV/AIDS is second highest in the world and threatens Botswana's impressive economic gains. An expected levelling off in diamond production within the next 10-15 years overshadows long-term prospects. A major international diamond company signed a 10-year deal with Botswana in 2012 to move its rough stone sorting and trading division from London to Gaborone by the end of 2013. The move has supported the development of Botswana's nascent downstream diamond industry.



Source: World Development Indicators

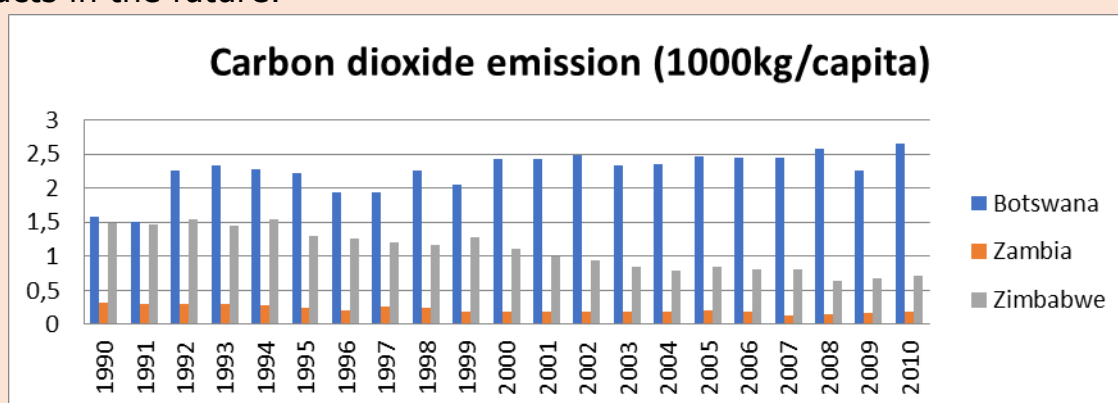


Source: UNCTADStat

## Major environmental issues

### Pollution and toxicity

Botswana is a lightly industrialized country with a relatively sparse population. As such, air pollution is not perceived to be a major problem at present. As in other countries in the region, widespread vegetation fires and dust in the dry winter months establish a moderately high background level of aerosols and ozone. A copper smelter located at Selibi-Pikwe is a significant source of sulphur dioxide. Vehicle use within the capital, Gaborone and the towns of Francistown and Maun is increasing, and could be a future source of air pollutants. The national development strategy, which includes increased light industry, could lead to greater air pollution impacts in the future.



Source: World Bank

### Biodiversity preservation

Botswana has the largest fraction of land area under formal conservation of any country in the world. The preservation of the large mammal and bird biota, as well as the unique landscapes of the Kalahari, the Okavango

Delta and the Chobe area are especially important to the continued growth of the tourism sector. The principle tension is between wildlife and domestic livestock. Areas which were formerly very sparsely inhabited and lightly used due to lack of water, geographic isolation and the presence of cattle diseases are now becoming accessible to cattle raisers due to the development of new roads, boreholes and veterinary services.

#### *Land quality*

The arable land area in Botswana is small due to the low rainfall and the sandy, infertile soils which prevail over most of the country. Maintenance of the productive potential of this scarce resource is a key issue: soil erosion and bush encroachment (and its opposite, depletion of woody cover) are perceived as significant threats.

#### *Freshwater resources*

Botswana is generally an arid country, with little surface water except in the far north. Much of the country depends on groundwater. Major issues are the rate of groundwater replenishment relative to the rate of extraction, and groundwater quality. The quality and quantity of inflows to the Okavango delta are also key variables.

#### *Climate change*

Recurrent droughts are a major feature of life in Botswana. Climate variability and any changes in variability or trends in aridity would be of major importance to Botswana.

#### *National networking*

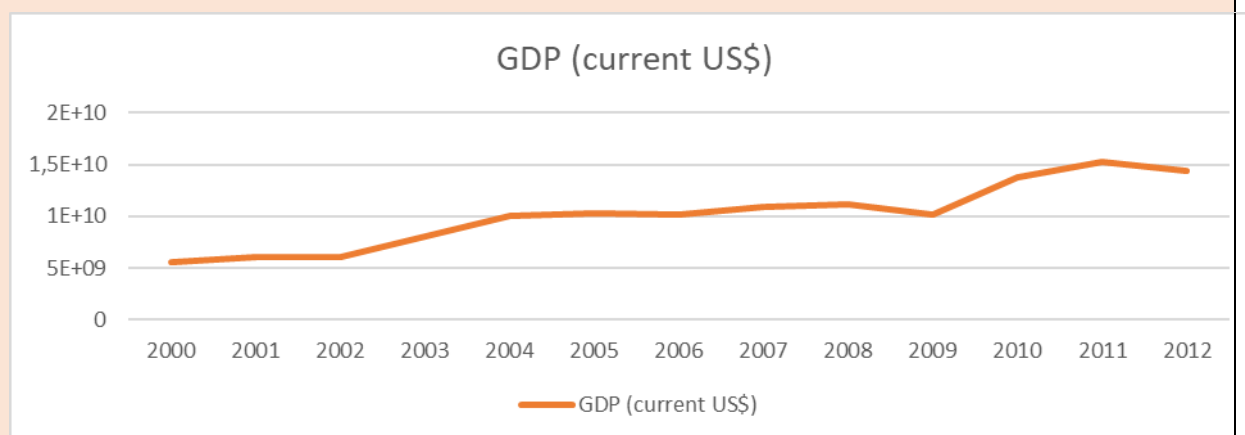
The Office for the Coordination of the National Conservation Strategy is the body with the formal mandate to ensure that environmental activities are coordinated across sectors. This is a relatively new office, and as of yet there is not a great deal of evidence of national networking of environmental information systems. The scientific and technical community in Botswana is relatively small, and highly concentrated in Gaborone. Therefore, most people involved in environmental observations know of the other players in the field.

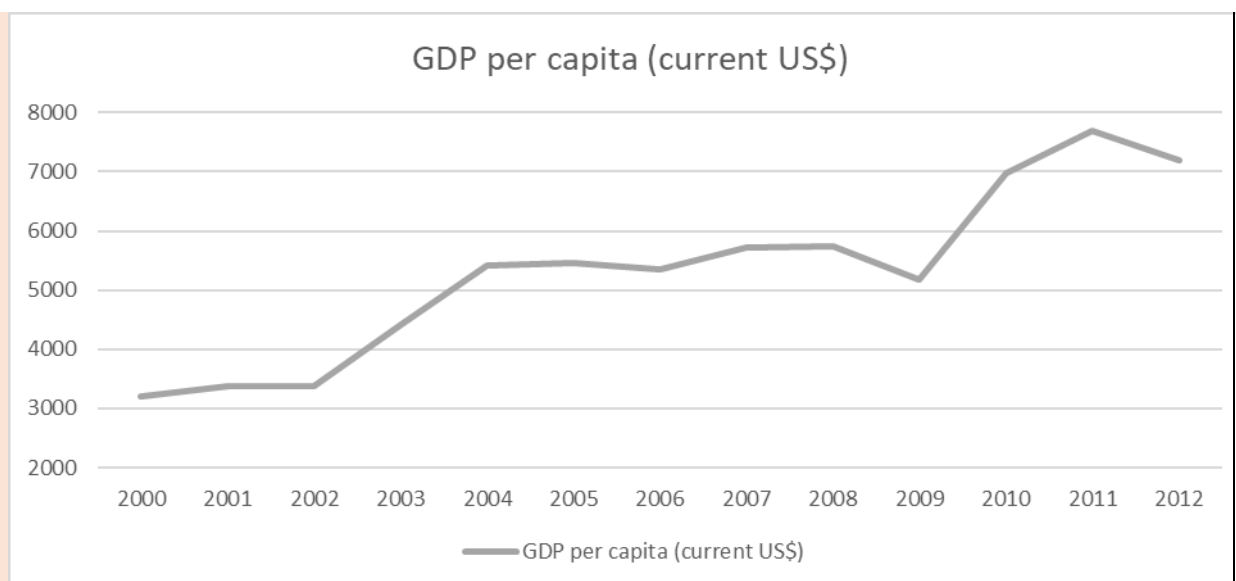
#### *International networking*

Botswana is a signatory of the UN Framework Convention on Climate Change, the Convention on Biological Diversity and the Convention for Combating Desertification, among other international environmental treaties. The hydrological network is linked to FRIEND and HYCOS, and the climate network contributes to WMO.

## 5. Competitiveness

### GDP





### *Relations with the EU*

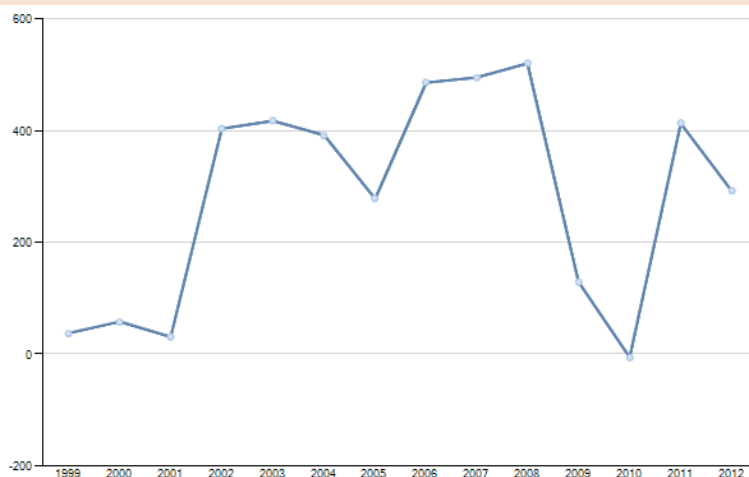
Between 2008 and 2013 Botswana received 72.8 million Euro budget support and technical assistance to improve global competitiveness and foster economic development. The European Union is making efforts in Botswana to support gender equality, environmental sustainability, fight against HIV/AIDS, democracy and good governance and human rights especially in case of children and original inhabitants.

### *FDI*

Botswana has committed itself to a process of diversifying its economy and encourages FDI. Low level of corruption, good economic governance, a liberal taxation system and a stable democracy are the country's strengths. The country also benefits from highly favourable comments from rating agencies. The main hindrances to investments are the high costs of production, the lack of qualified workforce and the landlocked geographical position of the country. It's important to note that the main diamond extracting company, Debswana, jointly owned with the government and the British firm De Beers, have planned to transfer their sorting and business operations from London to the capital of Botswana in 2013, which will insure new investments. In 2013, the country ranked 56th in the 2014 Doing Business ranking, which puts it at the fourth place among African countries.

The mining sector attracts most of the FDI. However, investments in services (insurance and banking) are booming. FDI mainly comes from the Southern African Customs Union (SACU), the European Free Trade Association (EFTA), Canada and Zimbabwe.

Inward FDI 1999-2011 (million USD)



Source: UNCTADStat

### *International development assistance*

Aid for Trade: 16245 thousand USD between 2002 and 2005, in 2009 4731 thousand USD which are 9 and 2 thousand USD per capita.

Aid for trade by sector: agriculture 36%; industry 33%; transport and storage 10%; tourism 10%; trade 2.7%

ODA (Official development assistance):



### Total aid from DAC, 2006-2011 (million USD, %)

Donor:	DAC countries total					
Year	2006	2007	2008	2009	2010	2011
Recipient:						
Botswana	64.11	98.35	581.12	319.3	190.29	163.72
SSA %	0.272606	0.187681	1.934324	0.857845	0.417829	0.416595
World %	0.021822	0.023775	0.234582	0.10226	0.039739	0.040834

Source: OECD

ODA per capita, 2003-2011 (USD)

Donor	DAC countries total								
Type of aid	ODA per capita (USD)								
Year	2003	2004	2005	2006	2007	2008	2009	2010	2011
Recipient									
Total	13.31	15.11	20.15	19.35	19	21.95	21.27	22.48	23.13
SSA	23.98	22.74	29.7	37.84	27.14	29.5	29.82	31.26	32.98
Botswana	14.94	17.18	16	19.08	33	349.24	112.71	52.86	44.33

Source: OECD

### External migration and brain drain

The number of undocumented Zimbabwean migrants in Botswana was estimated at between forty and one hundred thousand as of 2009. In 2012, Botswana deported 17,402 Zimbabweans, while in 2013 it had already deported 22,675 in the first ten months of the year. The illegal immigration issue has produced various tensions between the governments of Botswana and Zimbabwe. Lots of migrants come to Botswana from Namibia and Angola too.

One of the main obstacles to fight against HIV/AIDS is the brain drain: lot of skilled workers work abroad or in the private sector in Botswana. To fill this gap Botswana is making efforts to employ skilled workers from India, Cuba and other African countries.

**Diamond: the primary economic sector**

In the years that followed, supported by the discovery of diamonds, Botswana has been one of the fastest growing economies in the world and moved into the ranks of upper-middle income countries. The main driver of recent growth came from the diamond sector's continued strength with mining value added up 14.2% in real terms. Real gross domestic product (GDP), based on the revised estimates and at the new constant 2006 prices increased at an average annual rate of 4.6% between 1994 and 2011.

Debswana (a 50-50 joint partnership of De Beers Centenary AG and the Government) accounted for all diamond production in Botswana from its four mines. Debswana continued its recovery from the labour unrest that had resulted in a 2-week strike in 2004. In 2005, Debswana treated about 31.2 million metric tons (Mt) of ore to yield 31,890,000 carats (6,378 kg), which was a weight increase of more than 2% compared with 2004. Debswana's diamond production included 148,900,000 carats (29,780 kg) from the 34-year-old Orapa Mine, which was a 7% decline compared with 2004; 15,600,000 carats (3,120 kg) from the 23-year-old Jwaneng Mine, which was a 14% increase compared with 2004; 1,097,000 carats (219.4 kg) from the 20-year-old Letlhakane Mine, which was a 6% increase compared with 2004; and 246,278 carats (49.2556 kg) from the 2-year-old Damtshaa Mine, which was a 27% decline from that of 2004. The production decline at Orapa was attributed to the loss of a haul road because of a ramp failure and a fire, which destroyed a loading shovel.

De Beers and the Government agreed that some of De Beers' Diamond Trading Company's operations would move from London, United Kingdom, to Gaborone, Botswana. Local marketing of domestically produced gemstones was expected to help the local diamond cutting and polishing companies.

A large number of many other companies were exploring for diamond in Botswana. Active exploration operations included those of Boteti Exploration (Pty.) Ltd., which was a joint venture between De Beers (51%) and African Diamonds plc (49%); Gcwihaba Resources (Pty.) Ltd.

(a subsidiary of Tsodilo Resources Ltd.); Helio Resources Corp.; Newdico (Pty.) Ltd., which was a joint venture of Tsodilo (81%) and the Trans Hex Group (19%); Tawana Resources N.L.; and the joint ventures of De Beers and Firestone Diamonds plc; Motapa Diamonds Inc. and Stornoway Diamond Corp.; and Rio Tinto Mining and Exploration Ltd. and Trivalence Mining Corp. In addition, DiamonEx Ltd. of Australia started a re-evaluation of the Martin's Drift prospect, which was a 5-kimberlite deposit that had been trial mined by Tswapong Mining Co. from 1998 to 2001, and Petra Diamonds Ltd. of the Channel Islands acquired Kalahari Diamond Ltd. and its Botswana-based subsidiary Sekaka Diamonds (Pty.) Ltd.

## 7 EXAMPLE – MID-TERM EXAM 1

### Mid-term exam

### The EU in the Global Economy

NAME: .....

#### **A) Please choose the correct answer! (20 points)**

2. The principle of National Treatment in international trade states that  
**(2marks)**
  - A. A country should grant its favourite trade partners easier access to its national market than it grants to less favoured trade partners.
  - B. A country should grant every country the same trade privilege that it grants its most favoured trade partner.
  - C. A country is not allowed to treat national and foreign producers differently.
  - D. A country may not grant other countries the same privileges that it grants a country designated as its most favoured trading partner.
3. Which of the following is a characteristic of a common market? **(2marks)**
  - A. Some but not all members of the trade union apply the exact same tariff rates against outside countries.
  - B. The members do not necessarily permit the free movement of labour between them.
  - C. The free movement of goods, services, labour and capital exists between the member states.
  - D. Some but not all union members set their own tariff rates on imports from outside the trade union.
4. The first European integration in the history of the European Union was the  
**(2marks)**
  - A. European Coal and Sort Community.
  - B. European Civil Society Council.
  - C. European Coal and Steel Community.
  - D. European Civil and Steel Community.
5. The United Nations determines whether a country belongs to the upper, middle or lower income country using  
**(2marks)**

- I GNI per capita  
II Human Assets Index  
III Economic Welfare Index  
IV Economic Vulnerability Index
- A. I and II only.  
B. I, II and III only.  
C. I, II and IV only.  
D. I, II, III and IV only.
6. Some economists and third world policymakers criticize MNCs, arguing that they have a negative effect on developing countries because of  
**(2marks)**
- I Increasing the LDC's technological dependence on foreign sources, resulting in less technological innovation by local workers.  
II Hampering local entrepreneurship and investment in infant industries.  
III Increasing unemployment rates from unsuitable technology.  
IV Restricting subsidiary exports when they undercut the market of the parent company.
- A. I and II only.  
B. III and IV only.  
C. I, II and III only.  
D. I, II, III and IV.
7. Aid or official development assistance (ODA) includes  
**(2marks)**
- I development grants.  
II loans with at least 25 percent grant element.  
III military assistance.  
IV technical cooperation.
- E. I and II only.  
F. I, II and III only.  
G. I, II and IV only.  
H. I, II, III and IV only.
8. According to the Neoclassical Economics of international migration, the increase in migrants in the destination country leads to ?  
**(2marks)**
- A. Increases in the wages in the origin country.  
B. Increases in the wages in the origin country.  
C. The owners of non-labour factors suffer losses in the destination country.  
D. Welfare is transferred from labourers to the holders of other productive factors in the destination country.
9. What means TTIP? **(2 marks)**
- A. Transatlantic Trade and Intelligence Partnership

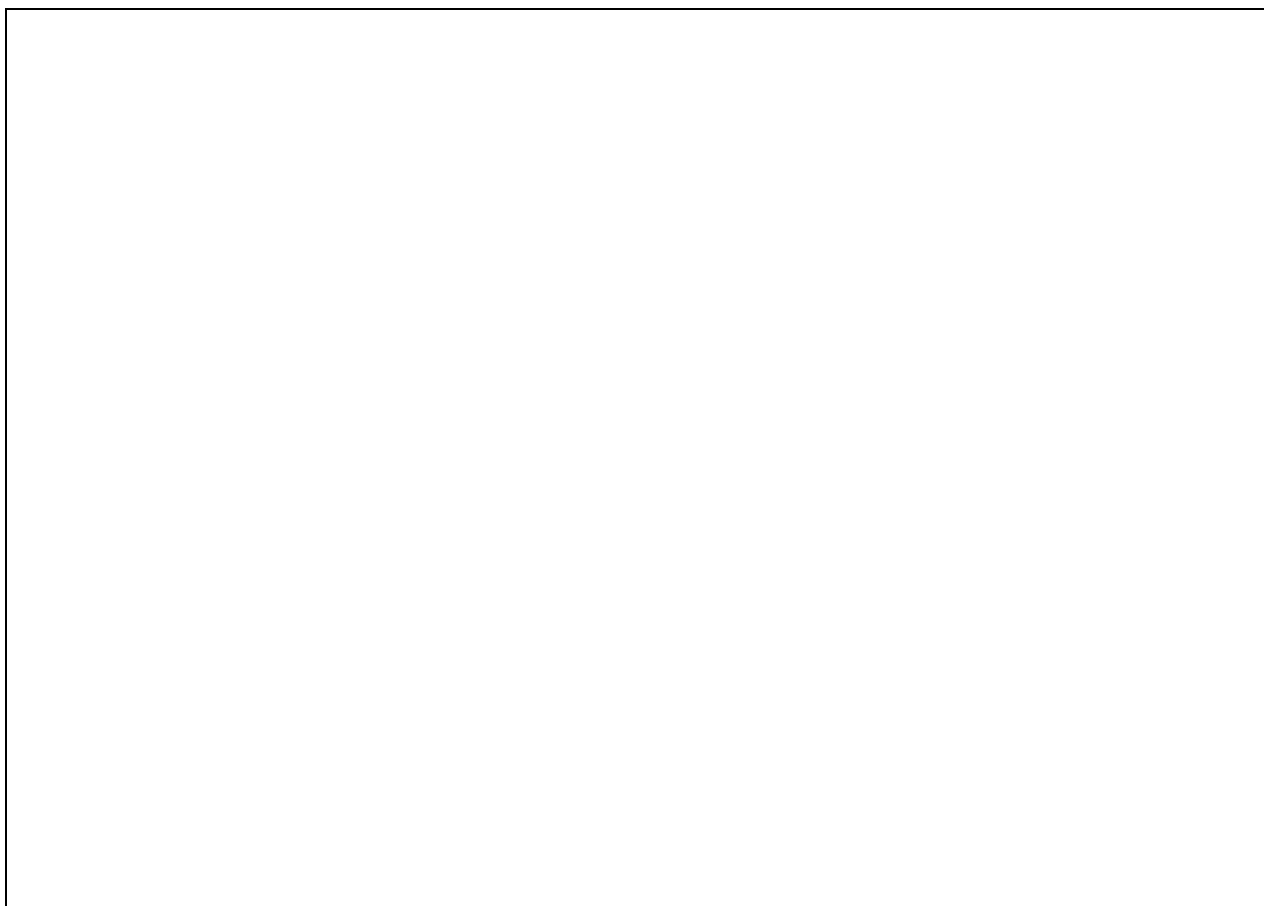
- B. Transpacific Trade and Investment Partnership  
 C. Transatlantic Trade and Investment Partnership  
 D. Transpacific Trade and Intelligence Partnership
10. What do the following acronyms in global economics stand for? **(4marks)**

- A. ECC  
 B. MDG  
 C. FDI  
 D. MNC

**B) Please analyse the following table! Concentrate only the main differences between the countries. (15 points)**

Country	Number of products (export)	Product concentration Export, (0-1)	Diversification Export, (0-1)	Trade openness (total trade/GDP)
EU 28	260	0.067	0.205	85.16
Hungary	245	0.123	0.398	175.23
USA	259	0.100	0.244	26.39
Japan	242	0.141	0.400	32.05
China	256	0.105	0.410	36.43
Angola	7	0.934	0.479	54.46
Nigeria	225	0.734	0.844	20.07
Saudi Arabia	252	0.593	0.780	57.15
Brazil	251	0.126	0.558	23.76
Mexico	251	0.123	0.413	80.49


C) The EU is one of the largest aid provider in the world. **Please draw a flow chart in which you introduce the main reasons why the EU has to provide aid (i.e. why the EU has to help developing countries).** The structure of the flow chart depends on you and there are several good solutions but the flow chart must be logical. I will only evaluate the flow chart and not the additional / explaining text. (15 points)

A large, empty rectangular box with a thin black border, intended for the student to draw a flowchart.

## 8 EXAMPLE – MID TERM EXAM 2

### Mid-term exam

### The EU in the Global Economy

NAME: .....

#### **A) Please choose the correct answer! (20 points)**

11. The principle of Liberalization in international trade states that **(2marks)**
- E. A country should grant its favourite trade partners easier access to its national market than it grants to less favoured trade partners.
  - F. A country should grant every country the same trade privilege that it grants its most favoured trade partner.
  - G. A country is not allowed to treat national and foreign producers differently.
  - H. The trade barriers (including tariffs and non-tariff barriers) need to be decreased.
12. Which of the following is not a characteristic of a common market? **(2marks)**
- E. All members of the trade union apply the exact same tariff rates against outside countries.
  - F. The free movement of goods, services, labour and capital exists between the member states.
  - G. All union members set their own tariff rates on imports from outside the trade union.
  - H. All the above mentioned answers.
13. The Rome treaty established the **(2marks)**
- I. European Coal and Steel Community.
  - J. European Civil Community.
  - K. European Coal and Steel Community.
  - L. European Economic Community.
14. The United Nations determines whether a country belongs to the upper, middle or lower income countries using **(2marks)**
- I GNI per capita
  - II Human Assets Index



- III Economic Welfare Index
- IV Economic Vulnerability Index
- E. I and II only.
- F. I, II and III only.
- G. I, II and IV only.
- H. I, II, III and IV only.

15. Some economists and third world policymakers criticize MNCs, arguing that they have a negative effect on developing countries because of  
**(2marks)**

- I Increasing the LDC's technological dependence on foreign sources, resulting in less technological innovation by local workers.
- II Hampering local entrepreneurship and investment in infant industries.
- III Increasing unemployment rates from unsuitable technology.
- IV Restrict subsidiary exports when they undercut the market of the parent company.
- E. I and II only.
- F. III and IV only.
- G. I, II and III only.
- H. I, II, III and IV.

16. Aid or official development assistance (ODA) includes  
**(2marks)**

- I development grants.
- II loans with at least 25 percent grant element.
- III military assistance.
- IV technical cooperation.
- M. I and II only.
- N. I, II and III only.
- O. I, II and IV only.
- P. I, II, III and IV only.

17. According to the Neoclassical Economics of international migration, the increase in migrants in the destination country leads to ?  
**(2marks)**

- E. Increases in the wages in the origin country.
- F. Increases in the wages in the origin country.
- G. The owners of non-labour factors suffer losses in the destination country.
- H. Welfare is transferred from labourers to the holders of other productive factors in the destination country.

18. What means TTIP? **(2 marks)**

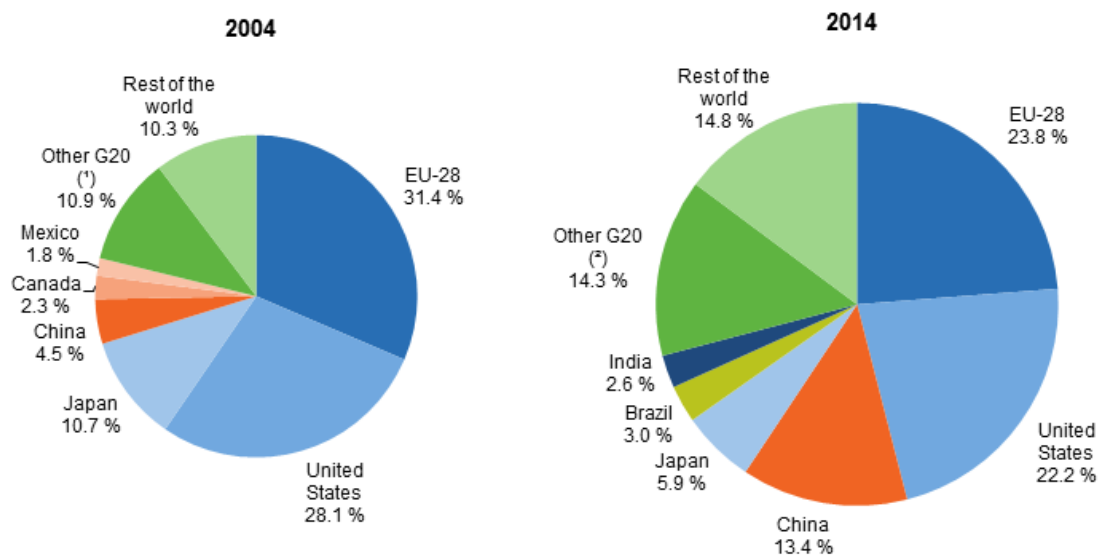
- E. Transatlantic Trade and Intelligence Partnership

- F. Transpacific Trade and Investment Partnership  
 G. Transatlantic Trade and Investment Partnership  
 H. Transpacific Trade and Intelligence Partnership

19. What do the following acronyms in global economics stand for? **(4marks)**

- E. ECSC  
 F. SDG  
 G. FDI  
 H. ACP

**B) Please analyse the following figure! (15 points)**



(\*) Argentina, Australia, Brazil, India, Indonesia, Russia, Saudi Arabia, South Africa, South Korea and Turkey.

(\*\*) Argentina, Australia, Canada, Indonesia, Mexico, Russia, Saudi Arabia, South Africa, South Korea and Turkey.



C) The EU is one of the largest investor in the world. It is assumed that FDI generates economic growth through several channels. **Please draw a flow chart in which you introduce in which process the (inward) FDI can result in economic growth in the host country.** The structure of the flow chart depends on you and there are several good solutions but the flow chart must be logical. I will only evaluate the flow chart and not the additional / explaining text. (15 points)

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