

# EXACT Report on Prof. Wessels Course

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The Trade and economic cooperation have not only paved the way to political integration in the EU. Economics also shapes how the EU relates to the outside and many of the instruments Brussels has at its disposal remain economic ones. It is for these reasons that study of the economics of European integration is an indispensable part to complete the picture of EU external action.

In order to study both the theoretical grounds of trade and economic integration as well as the specific policies that the EU has followed in these areas, the EXACT Fellows benefited from the academic guidance of Prof. Alfred Tovias, Jean Monnet Chair in External Economic Relations of the EU and Walther Rathenau Professor in European Economics at the Hebrew University of Jerusalem. A renowned expert in EU external economic relations, Prof. Tovias, has been studying this area for the last decades. Prof. Tovias contributed to the EXACT ITN as a Marie Curie Visiting Scientist at the University of Cologne from 1<sup>st</sup> October 2010 to 28<sup>th</sup> February 2011, beginning his series of trips to Cologne in October 2010 in order to participate in the EXACT Initial Conference as a panellist and supervisor for individual meetings with the EXACT fellows.

The specific coursework on EU economics then started with a phase of preparatory studies in the first weeks of January 2011, followed by an intensive seminar during Prof. Tovias' stay in Cologne between January 22<sup>nd</sup> and January 29<sup>th</sup>. Here, Fellows and EXACT Visiting Scientist discussed six main areas of interest:

- (1) The theoretical premises of economic integration and its different levels;
- (2) Trade in services;
- (3) Competition issues;
- (4) The role of imperfect labour markets and migration in the single market and its implication for external relations;
- (5) Trade policies of the EU in the global context; and
- (6) Theory of optimal currency areas and the role of monetary integration both in the European Monetary Union as well as towards the international sphere.

The intensive coursework was followed by a period of examination in line with the provisions of the Cologne Graduate School, allowing for a registration of the seminar as part of the students' regular Ph.D. studies (6 ECTS). Prof. Tovas managed to provide the EXACT Fellows with both a sound understanding of the different levels of economic integration from preferential trade agreements up to monetary unions and the Single Market as well as to illuminate with vivid examples the policy implications of economic integration. Overall, the course has provided the EXACT fellows with a broad conceptual framework to study economic integration and with a theoretical toolkit to analyse its (external) policy implications. Although it was noted that some of the examples given by the EXACT Visiting Scientist relied excessively on the students, it was the lively examples that also allowed the students from the different academic backgrounds to gain a good grasp of the complex matters.

## **Course schedule**

### **Monday, January 24<sup>th</sup>**

#### **I. The theory of preferential liberalisation (Customs Union Theory)**

Trade and integration; the core economic theory of the EC; preferential liberalisation and Customs Unions; the concepts of trade creation and trade diversion Modifying CU theory: the role of scale economies; terms of trade effects; dynamic effects; measuring the effects of a customs union (ex ante and ex post approaches); the determinants of intra-EC trade; the growth of intra-industry trade.

### **Tuesday, January 25<sup>th</sup>**

#### **II. New Trade Theories and Market Integration**

Trade under imperfect competition; the need for competition policy; the growth of non-tariff barriers; problems of competitiveness and the lack of convergence.

#### **III. Competitiveness and Competition in the Single Market**

The Single Market programme - the four freedoms (goods, services, capital and labour), non-tariff barriers, factor mobility; the effects of imperfect competition; the location of industry and the "new economic geography".

### **Wednesday, January 26<sup>th</sup>**

#### **IV. Labour markets in the EU**

The role of labour market and social policies; migration within the Single Market; migration as a macroeconomic stabilisation mechanism; the costs and benefits of internal and external migration; macroeconomic aspects of labour market policy.

#### **V. Trade Policy**

WTO rules, GATT and WTO negotiations, the EEA. the EMP, the ENP. REPAs.

**Thursday, January 27<sup>th</sup>**

**VI. Trade Policy (Continuation)**

**VII. Why EMU? The Classic, the New and the Endogenous Schools of Optimum Currency Area Theory**

**Friday, January 28<sup>th</sup>**

**VIII. The International Role of the Euro**

**Examination**