Facultat de Ciències Polítiques i de Sociologia
Grau de Ciència Política i de Gestió Pública

Economia i comerç internacional (International Economics)

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Problem Set 2

(Due on April 11th 2016)

1. Select which of the following investments can be considered a FDI and which not:

- A private Spanish investor by Microsoft shares for a value of 10.000 $,
- The same man buys a building in Hong Kong,
- A French enterprise merges with a British one: the British shareholders exchange their shares against shares of the French enterprise,
- An Italian enterprise builds a factory in Romania and manages it on the behalf of the Romanian government.

2. A country is currently closed to FDI, but its government is thinking of adopting a more liberal policy. You have been selected as a consultant by a group of foreign entreprises that are eager to penetrate into this country. You are required to write a report supporting the transition of the potential host country to this new policy: which are the most salient point you would emphasize in your report?

3. In free trade equilibrium, country A exports foods and beverages and imports machineries. The engineers of this country suddenly discover a new technique to produce machineries (in country A) at a very low cost. This technique is unique and it cannot be adopted elsewhere.

- In which way does the production possibility frontier of country A changes?
- After this discovery, imagine that country A turns out to be a big exporter of machinery: how do the terms of trade vary?

4. Discuss the article from '*The New York Times*'.
Guideline for the discussion:

- What is the article about and which is/are the principal conclusion(s) ?
- From and economic viewpoint, argue the content of the article?

The New York Times | http://nyti.ms/1OE4J5R

EUROPE

Europe Banks on Incentives and Persuasion to Keep Migrants Home

By **SOMINI SENGUPTA** NOV. 11, 2015

Along the Sahara trail that tens of thousands of Africans take each year to reach the shores of Italy, Europe is paying for a pit stop, of sorts — one that it hopes will give these young people on the move a reason to go back home.

The center sits in Niger — in a city bustling with thousands of migrants risking everything to reach Europe — with a tough mission. It gambles that by giving the migrants heart-to-heart talks about the dangers ahead, then teaching them job skills that they can use at home, like how to make bricks out of sand and plastic, it can help stanch the exodus of Africans seeking a better life in Europe.

"Of course, we cannot match their dream of being in Italy," said Giuseppe Loprete, Niger mission chief for the International Organization for Migration, which runs the center. "But we can give them a local development project."

That gamble was at the heart of a summit meeting that began Wednesday in Valletta, the Maltese capital, with European and African leaders trying to forge a consensus on an urgent issue that confronts them both, though in sharply different ways: What to do about the tens of thousands of young Africans who try to cross a treacherous desert and sea in the hope of brighter prospects in Europe.

Europe is legally obliged to take in refugees escaping war, but not migrants who cannot make a compelling case that they are fleeing conflict or persecution. So European leaders are dangling the promise of development aid and scholarships for college students, hoping to get African countries to keep their would-be migrants at home — and to take back others who have already made it to Europe.

On Wednesday, African and European leaders neared agreement on a plan that includes the promise of "a tailor-made package of support" for countries that cooperate with the European Union and take their failed asylum seekers back.

Yet for the migrants and the countries they come from, the incentives may not be enough to compete with the billions of dollars that workers send back to their families — and thus the economies of their home nations. The World Bank expects the nations of sub-Saharan Africa to receive about $33 billion in remittances this year alone, compared with nearly $47 billion in aid from nations around the world.

The deal includes a 1.8 billion euro fund (roughly $2 billion) for African countries from which migrants originate. In an effort to make it more palatable to Africans themselves, it also promises to double the number of university scholarships for African students and to offer new training opportunities for African entrepreneurs.

The European Union's top diplomat at the United Nations, João Vale de Almeida, said that the deal being proposed was one that African leaders should embrace.

"It is in their interest that we organize a joint response to the challenge," he said in an interview. "The alternative, if they don't engage themselves as well, is we find ourselves in a situation where you would find very little, very little support for any kind of migration."

"It's asking them to help us make that flow a politically sustainable operation," he added.

The sweeteners come on top of more punitive measures that Europe has already put into motion in an effort to stop the flow. There are fences along the border of Morocco and the Spanish city of Melilla, and joint maritime patrols along the Atlantic. More recently, European militaries have been authorized to patrol the international waters of the Mediterranean to inspect and seize boats suspected of human smuggling that depart from Libya.

Critics liken those efforts to draining sand out of the Sahara.

For one thing, Europe makes it virtually impossible for Africans to live and work in Europe legally, giving them few options other than the illegal, often dangerous, route.

Amnesty International on Tuesday issued a scathing critique of the Valletta plan, saying that “concrete proposals on safe and legal routes are glaringly absent” and worrying that asylum seekers might also be sent back without due process.

Senegal’s president, Macky Sall, made it clear that accepting returned migrants “is a difficult subject” for his continent. “We have people who have often taken chances with their lives in terrible conditions, who have crossed deserts and the Mediterranean,” and there have been “thousands of deaths,” Mr. Sall told reporters Wednesday in Valletta.

“We have to have a frank discussion,” said Mr. Sall, who emphasized that there also needed to be a focus on allowing Africans to stay in Europe.

Charity, said Gita Honwana Welch, an associate fellow at Chatham House, a London-based policy research group, is not going to be enough. Many African economies, including those from which the migrants come, are growing fast, she pointed out, but doing little to create decent jobs for young citizens who aspire to a better life.

“Africa boasts incredible growth rates, but what it really needs is inclusive growth,” she wrote in a blog post on the Chatham House website. “In its absence, European authorities cannot hope to control illegal migration.”

The summit meeting itself hints at the vast gulf between the two continents on how to tackle migration. For Europe, keeping out economic migrants is an urgent political priority. For Africa, the exodus of young, ambitious men is potentially a political relief valve and an economic lift. It not only brings in cash, but also provides an exit route for frustrated young men who, as a recent report by the International Crisis Group notes, have no decent job prospects nor “real loyalty to the state.”

“Many youths see migration — illegal if necessary — as their only future,” the report says.

European capitals have historically had little success in sending home failed asylum seekers. A small share of them agree to return voluntarily, usually with a package of cash incentives facilitated by the International Organization for Migration. Most remain in Europe in the shadows.

Now, with the surge of Syrian and other refugees from war, whom Europe is obliged to take, the continent's leaders are under intense pressure to draw a clear line against those who have no such legal protections — and to send them back home.

Drawing such a clear line may not be easy. According to figures from the migration organization, of the 141,000 people estimated to have crossed the Mediterranean from Libya to Italy so far this year, the largest single group is from Eritrea, one of the most repressive countries in the world. Others come from Nigeria, Mali and Sudan, countries torn by conflict as well.

The aid money that the European Union is expected to announce in Valletta this week — some of the €1.8 billion over the next several years is repackaged aid that Europe had already promised — is intended to spur economic opportunities in the migrants' home countries, including vocational training. But the money is also meant to be used for what the draft action plan calls "migration management, including containing and preventing irregular migration."

Mr. Loprete, the migration organization's director in Niger, took pains to point out that his center, which is financed by European donors, does not force anyone to return. It seeks instead, he said, to inform the migrants of the real risks that lie ahead — including getting stuck in Libya for months, which is what often happens — and to give them reasons to stay in the region. In the past, migrants returning home were sometimes offered a sewing machine to start a new business, or aid workers would help build water wells in their arid villages.

His agency is now hoping to arm migrants with skills to make a better living closer to home — hence the school to teach them how to make bricks with sand and plastic.

"They have sand everywhere," he said. "Unfortunately they have plastic everywhere," too.

Mr. Loprete is keenly aware that it is not easy to talk someone out of following a dream. Not long ago, he said, he met a young man who was trying to get on a boat to Italy. It was his sixth try.

James Kanter contributed reporting from Valletta, Malta.

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