

## Regionalization and globalization

English is as important as knowledge for the exam.

What is globalization ?

Globalization is an economic idea : it is a trade policy.

It's come from wars of few years ago.

The building of free trade with fewer and fewer regulation and tariffs. It is different from international trade because in international trade there is the word nation = in term of economy it's limited by borders. Globalization the aim is no borders so no tariffs. International trade can be between 2 countries or a group of countries but globalization *it is at the global level*.

The need of globalization is a political move made by the americans they decided to open borders more and more and to oblige the UE to open their borders. IT means one country ... makes the products and sell it to a foreign countries that decide if he put tariffs or not to protect his own market. Adam Smith was not for free trade but for a little free trade, he was not against duties / tariffs he wanted a little more free trade. He wanted to open a little his borders. In the same époque : mercantilism in England, Mercantilism in France.

Book : « the origins of the wealth of nation » published in 1996, one of the major books in economics, main issue of economy : why do we have poverty or prosperity in a nation or another ? Many people tried to explain that.

François Quesnay « laissez faire laissez passer », words used by Adam Smith.

I. Globalization is based on the idea of open borders. No countries open completely his borders except UE.

A. Westernization of the world. It is possible thanks to discover of the rest of the world (Britains, French..). 19th Century

It is not an international trade but trade in the british empire.

After there is international trade more and more. In France and British it was strictly limited. It was smugglers that sell French product in England. Smith or Ricardo wanted to promote ...

19th century : time of the empire, international trade were essentially with the empire. Wine and port (draps de laines) : famous example of Smith and Ricardo. Both of them wanted to be England more and more powerful. They thought that english economy must be promoted. The key production in England were : wool. They targeted countries as Portugal : Portugal cannot compete on the wool market so we can go there. But Portugal produces good wine and especially port. Trade is based on mass production of wool to make draps de laine from England to serve a country that he don't produce good wool in exchange of a good that they cannot produce. It's not a question of cheaper but a question

of cannot they were not able to.

Adam Smith was a supporter of the supposed invisible hand theory. We was against slavery but for the paid labor. He wanted that workers earn more and more : optimistic. // Ricardo was a sinister economist.

It was to promote England.

The British develop massively mechanical products in England. To make trade, to export you have to use your own aspects : infrastructure, products, transports, road, good banking system you should be in opposition with the winner of the international trade. You have to create a banking system. American want to reorganize the world after the WWII.

The big problem of globalization is .. It could be cheaper.

Reciprocity : 90' : american government wanted to rebuilt very fast the japanese economy and to develop very fast the Japan. Heavy dumping with the support of America. So the french government say : if we have to accept that they have to accept our goods. Big move against the japanese dumping in 90' 10 % on their goods too.

Regionalization : regional entities, we have a lot of free trade zones.

The situation of America, trade war with China.

Deglobalization move : big cities archipelago of big cities in the world.

Ex : London

Economy concentrated in big cities.

Commonwealth :

We are 2 super powers : France and England. But after the 2WW → a new superpower : the America which want a free world (not free trade but free against the communism). Free world, communism world or third world (= les non alignés). Even before the end of the 2WW, America begun the foundation of a new world and he started to set up first of all a new money system : Bretton Wood 1944. Was a system with two currencies the pound and the dollar convertible in gold. It was very important for america because it was promoted the supremacy of the dollar. This regulation has a big problem : the dollar is still the dominant currency of the world. Consequences of supremacy of dollars, We have to use american banks, we have to use dollars to buy oil. Exteriority you have to use the dollar and they control the use of the dollars and bank : ex of Iran. This power of the dollar is one to impose the power of america in the world.

BNP the first french Bank

The embargo of Iran that means that not only american companies cannot trade with Iran but all countries because we have to use the dollar.

## Introduction:

### What is globalization?

It's the building of a free trade world, with fewer regulations and tariffs, globalization can be opposed to international trade with abide by the laws and respect borders. Global companies don't pay attention to borders and expend all over the world looking for shipper labour or shipper investment coast. They use research and development in one country. They want to sell their products to buyers which often come from other countries. Francois Quesnay —> Major figure. 2. big groups: EU and the USA.

#### 1. A) Europeanization of the World

In 19th century, Industrialization allowed goods to travel from one country to another. The more we produce food the more people wants it = problem with time. Food is essential to the development of the population = we develop the transport of food. Today, if you don't have food, you die = a lot of countries are dependent on others. (Selffood sufficiency). To maintain peace, money. Geography is essential for countries. The world has been changing = end of empires. The Dragons have been given by America investments.... all of that has created the end of self-food sufficiency.

#### 1. B) The expansion of markets.

Means you have to transport things, transport things have been booming = you have to do cargo-ships, they have developed, invented, made (Asia essentially), they can transport any product, they have a cost also for the buyers. We moved from a world that doesn't sold out (commerce exterior) to a trade which has exploded.

#### 1. C) Money

In the 19's circulation of money was more important than circulation of goods Global

financial world, but also global crisis. Globalization means transfer of technology. globalization doesn't mean complete development; most economies are opted for capitalism. dumping = you can't sell outside of your country under the cost of production of their country. And it's not respected.

#### 1. D. The danger of globalization

Intellectual property: give blueprints and each how to do things that will kill their home company → counterfeiting made by local competitors

Adam Smith → you should fight with our own assets (techno, infrastructure, distribution, banking & financial market). We shouldn't be surprised by counterfeiting but it's a crime. It destroys the market (imitate the name..., take the jobs away, doesn't pay taxes and contribute to local business). Often the consumer doesn't know (pay the right price). Because it isn't made the right way it can be dangerous (ex: boing). In many countries there are no controls and the imitation can be really dangerous (vaccines, medicines...) → major prob

#### 1. E. Globalization doesn't mean that a complete globalism

In the world today, most of the eco are at least part of capitalism which is very different from the world 20 years ago (communist regime until 1991, Yugoslavia). 80% of the economy in China belong to the State (subsidies the companies) ! prob of competition in WTO because of the dumping (they agree in not doing it). Competition means fair trade, it can't sell under the cost.

## Part 1

### Reshaping the world to build globalisation, an American vision

#### A) A historical background:

##### A) 1) International Trades

The international trade was boomed in the 17th century, the big countries were France, GB and Spain. François QUESNAY was the first one to talk about "don't stop goods at the border: laissez faire, laissez passer". Then Adam SMITH followed this idea by talking about "the Wooden Cloth" in GB, was one of the best example of trades in that periods. Adam SMITH said that If you cannot produce a product, then you can buy it outside (ex: wine from Portugal). England produced loads of wooden cloth and wanted to export them and exchange thing that they couldn't produce (they couldn't produce wine due to climate). Clavate/ clavage? Globalization is not what you couldn't buy but what you can buy thing that is you cannot produce with low cost. Free trade means fair trade, which means competition (lots of buyers and suppliers and you fight with your own asset/skills), the banking system, the infrastructure (roads), technics. Globalization also means the transfer of technologies, foreign investment, exchange of goods and services. The globalization is a westernized concept, everybody wants to be more or less westernized

(ex: Coca-Cola, McDonald's...)

We had 3 eco policies that explain the fight of Quesnay and Smith:

- Mercantilism (in GB)
- Bulionismo (in Spain)
- Colbertism (in France)

The concept of these 3 policies: No trade btw countries because if you buy outside then you have to pay with the gold (the wealth of the King). GB became really powerful and rich thanks to mercantilism (especially Holland). Soon wooden boats were replaced by steam boats ! more people and goods transported. The english started to make changes in American and India and France in China

Many centuries ago, the ruling countries didn't want their colonies to develop, whereas the globalization was the exact opposite, it helped the colonies to develop.

GB has become rich only because during the IR period because they sold all their products all over the empire to the english people only ! that was the key of their wealth. They after they sold to America. And the French empire was the second richest country due to IR, they made goods that they sold outside (opposite of globalization: we invent goods, we make it outside and then we buy it)

If Catalonia become independent = has to create another currency (which will be weak). Catalonia rich but bad points as well = a lot of debt.

## 1. 2. The case of the Common wealth:

It was established in 1926. In 1857 British government has decided to impose the Raj. 1947 = independence of India, it was the biggest colony of Britain. During the WW1 British government wanted indian soldiers for their independence. During WW2 they had pledge the same thing if they agree to fight with Japanese, they have their indolence. 51 countries belong to the Common Wealth today, they accept the Queen to be the head of State. Stealing accounts: London cut all the money and gave then back. CW includes many rich countries but also poorest countries in the world (Antilles, African countries...) and most of these countries produce raw materials, such as rubber, cocoa, bauxite, sugar...

The CW free trade of agreement acts the removal of trade barriers, it led to preferential regimes. Today it is composed of 1,5 billion people, but it's very heterogenic = poor and rich economies, small and huge countries... so it's a large group of any kind of countries, economies... The link btw them = part of British Empire.

But the CW is still allowing the UK to have special trade terms with territories, and of course, Britain wanted to maintain these links even if they are part of the EU. Bit problem of France, worry facing the CW.

To reach globalization, it required decades and decades of legal work = deregulations to change everything that has been put in place. (also, Regulations and treaties)

The volume of trade btw 1950 and 1997 was multiplied by 20 and foreign investments has doubled btw 1997 and 1999, going from 4billion to 8 billion.

If we look at the world, globalization allowed with deregulation, companies to settle where they couldn't before = allowed only if they make global or regional trading/marketing.

Industrialization of many countries (China essentially but also Japan Korea...), and a lot of countries have benefited of financial plan. Production and invention is principally in emerging countries and consumption in developed countries. One of the goals of globalization is to promote a different type of organization.

A) B) Since 1945: deregulation

1) 1) the GATT, the World Bank, the IMF

- **GATT** : General Agreement on Tariffs and Trade . It was signed on the 13th of October 1947.

Signed between 23 countries to promote International trade by reducing or suppressing trade barriers such as tariffs and quotas. Its official languages were English and French. It affected 45 000 tariffs and 10 billions \$ of trade. It eliminated preference on reciprocal or mutual basis. It took effect on the 1st of January 1948. It started with 23 countries and more and more countries applied to the GATT which ended with 123 members. It remains until the 13 of April 1994. It ended with the agreement of Marrakesh then the world trade organisation (WTO) to cover at the end of the Uruguay round in 1994. It is composed today of 164 countries. Meetings are called rounds and there have a goal to improve the free market rules (fewer tariffs not the suppression of tariffs). Each round manage to cut massively tariffs on more and more goods. Dealing with tariffs and anti-dumping measures (dumping is not legal). The GATT started rules on intellectual property. It tried to limit tariffs on textile, agriculture, labour standards, environment, competition, investments, transparency of funding and patents, actually everything which involve trade. The first goal was to cut 50 % the tariffs with a few exception. Some countries such as Australia, Canada, New Zealand and South Africa argued that exporting mainly raw materials they had to negotiate their own tariffs item per item.

The result was an average cut of 35 % except for textile, chemicals and steel in particular. The US congress refused to deal about agriculture and maintained the policy of American selling price. Until the Tokyo round in 1973, the economy European community (EEC) stated that such a situation in America help them to define their own agricultural policy. The two big competitive in the world were France and US in Agriculture.

In the 3rd world, benefited of big tariffs cuts on non agricultural goods. They were exempted from general reciprocal terms to develop nations. For instance there was the long term arrangement regarding international trade in cotton (textile). The Kennedy round from 1962 to 1967 led to the anti-dumping code. You cannot sell in another country under the cost of production of an equivalent product made in France or in America (f.e) to support competition. The Kennedy round ended up to the suppression of 40 billions \$

worth in tariffs. The GATT provided a forum for future negotiation and a peaceful resolution of dispute between countries giving more stability to a changing world.

- The World Bank – 1944

Created just after or even before the real end of the 2<sup>nd</sup> world war. America decided to take over of us and established a new world. Founded on the 4<sup>th</sup> of July 1944. In 1944, the WW2 was not completely over. It was ratified on the 27<sup>th</sup> on December of 1945 (= voted on parliament). The Bretton Woods agreement set up the gold exchanged standard (in dollar and pound). One of the result of Bretton Woods was the convertibility. Today, world bank is composed by 163 united members. President of WB = American citizen appointed by the president of the USA. The mandate is 5 years.

It is international Organization which is actually a part of what other five bodies / organizations that grant loans to developing countries.

It is based on Washington DC and provided 61 billions \$ in loans and grants in 2016 to developing nations. It aims at ending poverty and created shared prosperity.

Others bodies :

International Development Association (IDA)

International Bank for Reconstruction and Development (IBRD) → BIRD

International Finance Cooperation (IFC)

Multilateral Investment Guarantee Agency (MIGA)

The IBRD and IDA are working on project on education and health, agriculture, rural development such as irrigation, rural services, environmental protection, infrastructure. The World Bank is also a major contributor in the fight against AIDS and in medical programs.

The aim of the world bank is to provide loans to the third world.

Despite of accusation of corruption : big campaign against corruption. The world bank were accused of big bribe from leaders to countries to WB in exchange of big loans to their country. Especially during the time of Paul Wolfowitz in 1997 (but it doesn't mean that there is no corruption before and after). He was accused and obliged to leave the world bank. The world bank makes report to assess the impact of their policy (loans) on the poor nations. So on the first report we can see a lot of successes but many failures especially in Latin America. Stiglitz : Nobel prize of economy, famous book on globalization, has worked his whole life for the world bank but when the report in Latin America showed that it was not so good, he wrote another book named « globalization and its discontent ». He became neo Keynesian. He was accused of having a unique vision of development based on Rostow (economist). He's no longer fashionable. The book is the 5 steps of Growth. In that book, Rostow describes 5 steps based on Western plans : 1) poverty, 5) take off (= New York) : the book promises to third world to become New York (goal : to implement this model in Africa and Latin America). He based his history on the example of Japan, context of westernisation of Japan before the WWII with trade methods from America, they imported (infantry model) military from Germany, from France naval engineers to build the navy and the translated : Code Napoléon (basic Laws). After the WWII it was not too difficult for the Japan to accept the American

rules. And in the 70's, the result of USA support makes a great economy in Japan. But he didn't take into account the culture, the history. He considered that you just have to put enough money in an economy and to use American economic model to create a developed country.

The World Bank used the theory to grant millions of \$ as loans to poor nations and to send US economists to make Latin America or African countries developed.

The solvency of loans was based on the future development, since the economists of World Bank were sure

The consequence of bad results of plans : the loans cannot be paid back. The WB continues to give money to poor countries. The loans were granted on very low interest : each country has a ranking and according to the economic situation of the country, you have to pay more or less.

- The IMF : 1944

All these plans have been put in place before the end of the WWII. On the 7 of July 1944, International Monetary Fund : want to promote world trade, economic growth, make resources (money) available to the members of IMF. 29 countries at the beginning and today : 189 countries. It is based in Washington DC, the current Major is Christine Lagarde : French and American citizen. Rich countries contribute to a fund which allows poor nations to borrow. In 2014, it has lent 668 billion dollars. As the World Bank, it does a lot of reports on statistics and analysis of each economy of the member nations and they watch over the exchange rates of currencies. C. Lagarde has a say in the rate between dollars and euro. Their ultimate goal is a building of global financial market. IMF is part of globalization. They have already favoured the connection between stock exchanges (London, NY, Paris, Tokyo). Since 1987 you have many connections between each market and stock exchanges. It's part of development policy, they negotiate to grant loans similar to the World Bank. Before Christine Lagarde there was Strauss Kahn. For some years, the borrowers can benefit of a rate of 0% but they have to follow their strict indications. The plan of IMF includes privatisations, less tariffs could involve the devaluation of currencies, the opening of the domestic (national) market to foreign investors. They have to agree about a balance budget, they have to remove price controls and state subsidies. They have to privatise state own companies, they have to increase the rights of foreign investor vis à vis national laws. They want the governments to improve their ?, and to fight against corruption. To implement austerity and the governments have to focus essentially on exports of resources / raw materials (Greece, Ukraine, Portugal, Ireland..).

- 2. The OECD

Is based in Paris. It was created in 1961. In 1948, the European cooperation led by France was created to administer American and Canadian aid to Europe = Marshall Plan. It was rejected from Soviet Union and it created to rebuild France and countries which suffered by the WWII. It was loan and it was granted to western countries. The USA wanted to implement a free trade. To help rebuilding European partner : one of reasons



is that US companies have to export in Europe → rebuild European consumers (same for Japan). Paid in local currencies not in dollar.

The Marshall plan was a little bit money but in major part : credit loans for nations to buy American goods. The amount of the Marshall Plan as 13 billion dollars. Out on which you have 3.4 billion \$ to buy raw materials, semi manufactured goods from America and 3.2 billion \$ in food, feed and fertilizers (French agriculture has changed after the WWII because of chemical products from America). Then 1.96 billion \$ in machines, equipments, vehicles and 1.6 billion \$ on fuel.

BUT we have to pay back. To put pressure on French government to pay back → American basis on France and the official statement was to keep American army until you pay back. You don't have American basis any more if you pay back. France pay with CDG.

The OEEC (only on European nation) in 1941 is extended to non european countries through OCDE including latin America, Asia and more recently Eastern Europe. The admission criteria is based on mutual benefits, same mindedness (même façon de penser = no communism) and global consideration. Today the OECD is composed of 35 countries and based in Paris. Focused on financial laws and they try to police money laundering (blanchiement d'argent) operation, corruption. Their mandate is economic, environmental and more recently social issues. To achieve a highest sustainable economic growth possible, employment and rising standards of living. On October 2014, there was an agreement for tax transparency under the leadership of America.

- 3. The WTO

World trade organization was created in 1994 and took effect on 1<sup>st</sup> January 1995. The 3 official languages are English, French and Spanish. The head of WTO is Roberto Azevêdo. Until 1994, the world trade was ruled by the GATT (members = non communist regime = the free world). The aim of WTO is to rule over international trade. It's started with 123 nations and now it is composed of 164. It is a place where you can settle dispute, they try to set rules and regulations which have to be approved by national parliaments = powerful but limit. It has rounds and they are still working about freer trade and to establish better and better circulation of goods and services.

But the developed nations want to keep some protectionist measures especially on farm subsidies, officially it is between USA and EU. Until last year and for decades and decades we are the farm battle between USA and EU but it is especially between France and USA. In America we have different level of subsidies : federal ones and state subsidies. And the US government says : federal subsidies are lower than the subsidies that the French farmer receive so its not fair, they wanted an equality on subsidies. The pbm is the calculation is not the same because USA has two level of subsidies and French Farmer receive subsidies from France and Europe. It' depends of the definition of subsidies. Others nations in Europe don't produce a lot a food so the battle is essentially between the France and USA. The European commission doesn't defend so much the French farmer because they don't see the point. France is the only self sufficient country

in terms of food, even England which export a lot, is not self sufficient.

You have developing nations who try to survive in terms of food. They have difficulties : they have to fight against American firms in terms of exportation of foods. The government subsidizes their production.

Ex of Japan: big battle about rice against America. Japan subsidizes heavily the rice production, the American gov says you cannot do that because it's illegal. Protest from farmers: if they cannot produce rice, they are not going to survive.

American multinational are very powerful and use GMO (genetically modified organisms) → big pbm, and discussions : countries are against GMOs, but today American firms (ex: Monsanto giant multinational specialised in GMO's and pesticide) won the battle. Monsanto was blocked from entrance in Eu, it was a big battle against it in Asia, Africa, Latin America. But Monsanto manages to win.

Ex: it accepted to be bought by Bayer, the German company, they wanted to have the right to sell their products in Europe. It's more difficult than ever to fight against it because it became a German company. GMO's pbm is it's dangerous for our health but as well there are sterile seeds → it is a political weapon to the company that use it because you have to buy seeds every year so they control your food production = no food independence of countries. They can increase the price as oil → black mail. The price of food is going up and up.

To by pass over dispute, big nations (especially America) try to have bilateral treaties. Ex: Donald trump try to get rid of (= se débarrasser) big unions because it's easier to a giant nation to have a bilateral agreements with over nations (smaller). Power of USA in bilateral agreement : US importation represents 30% of the Chinese economy.

China is an export-led economy (économie qui vit des exportations) so they are very very weak. China lives only if we accept to buy their goods. China imports 60% of its food to survive. Most of the countries in the world are not self sufficient, China included, even if they export some of there food production. Today the population of China is 1.3 billion. There is too many people and they are afraid of starvation. The Chinese have to buy food even if they produce more and more food : it's not enough to feed population. So 2 solutions : to import food or to produce massively food out of the country (ex: in Black Africa with the help of Africans governments they bought African lands and they hunt the Africans who lived on it.).

Rules of WTO:

- 1) Non discrimination against each member of WTO
- 2) Reciprocity = economic equality
- 3) Binding (liens forts) and enforceable commitments
- 4) Compensating partners for loss of trade in case of infringement (infraction)
- 5) transparency = nations have to publish their trade figures (many nations are not telling the truth about their situation)
- 6) Safety values about environment, public health, animal health, plant health.

Developing nations benefit from preferential terms (reciprocity) but as well emerging nations.

WTO tries to implement those rules but here is many opt-outs (dérogations)

- [3.1. China](#)

China became a member of WTO in 1997 thanks to Bill Clinton. The leader of the Free World decided to put china (communist regime) in the WTO → end of the GATT (only members against communist regimes). The first US president who visited China was Nixon and America decided to open his border to China.

- 3.1.1. The silk road

Was a very ancient road which enable a few traders to trade the commodities since the 3<sup>rd</sup> century. It had been abandoned 7 centuries later because of wars and conflicts in Asia.

There is the pick of activities in the time of Marco Paulo (13<sup>th</sup> century). Very few producers came from Genova to go in China, it was exceptional to make trade with China. Marco Paulo went in China 3 times. People travelled by walking.

Once, China try to make trade directly by boat trough Africa to Europe but it was stopped in Nairobi : one exceptional attempt to international trade. But the boat was not strong enough, the leader of experience was put in jail, the building of boat was completely forbidden because it was a failure.

The actual president of China want to build the New Silk Road. To use the romantic idea of silk road, the President use the same words. Two roads, one using boats from China, Singapour, Kenya and goes back using the Suez Canal, goes through Athens and Venice. China has bought European ports in EU for this road (ex: Athens). And the other road using train lines crossing Asia and reaching Hamburg.