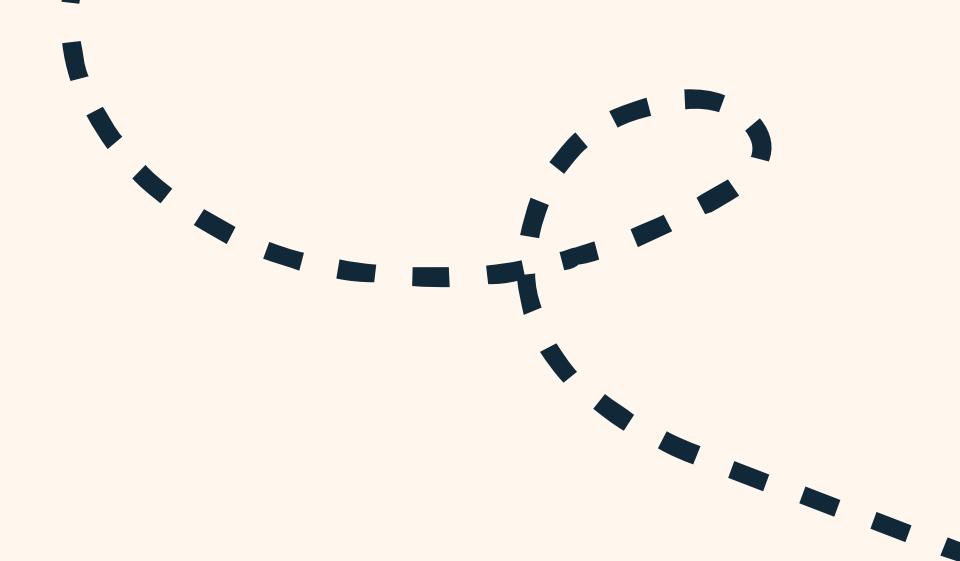


GLOBAL ECONOMY





GLOBAL ECONOMY



- Can also referred to as World Economy.
- Refers to the international exchange of goods and services.
- The free movement of goods, capital, services, technology, and information.

WORLD ECONOMY

- Exclusive limited to human economic activity and is typically judged in monetary term.
- Illegal drugs and other black market goods are part world economy.



ECONOMIC GLOBALIZATION

- Concerned on the globalization of production, finance, markets, technology, organizational regimes, institutions, corporations, and labor.
- Has grown at an increased rate due to communication and technological advances under the framework of GATT and WTO.

MARKET INTEGRATION



MARKET INTEGRATION

- Prices among different location or related goods follow the same patterns over a long period of time.
- Indicator that explains how much different markets are related to each other.

ROLE OF IFIS IN THE CREATION OF GLOBAL ECONOMY

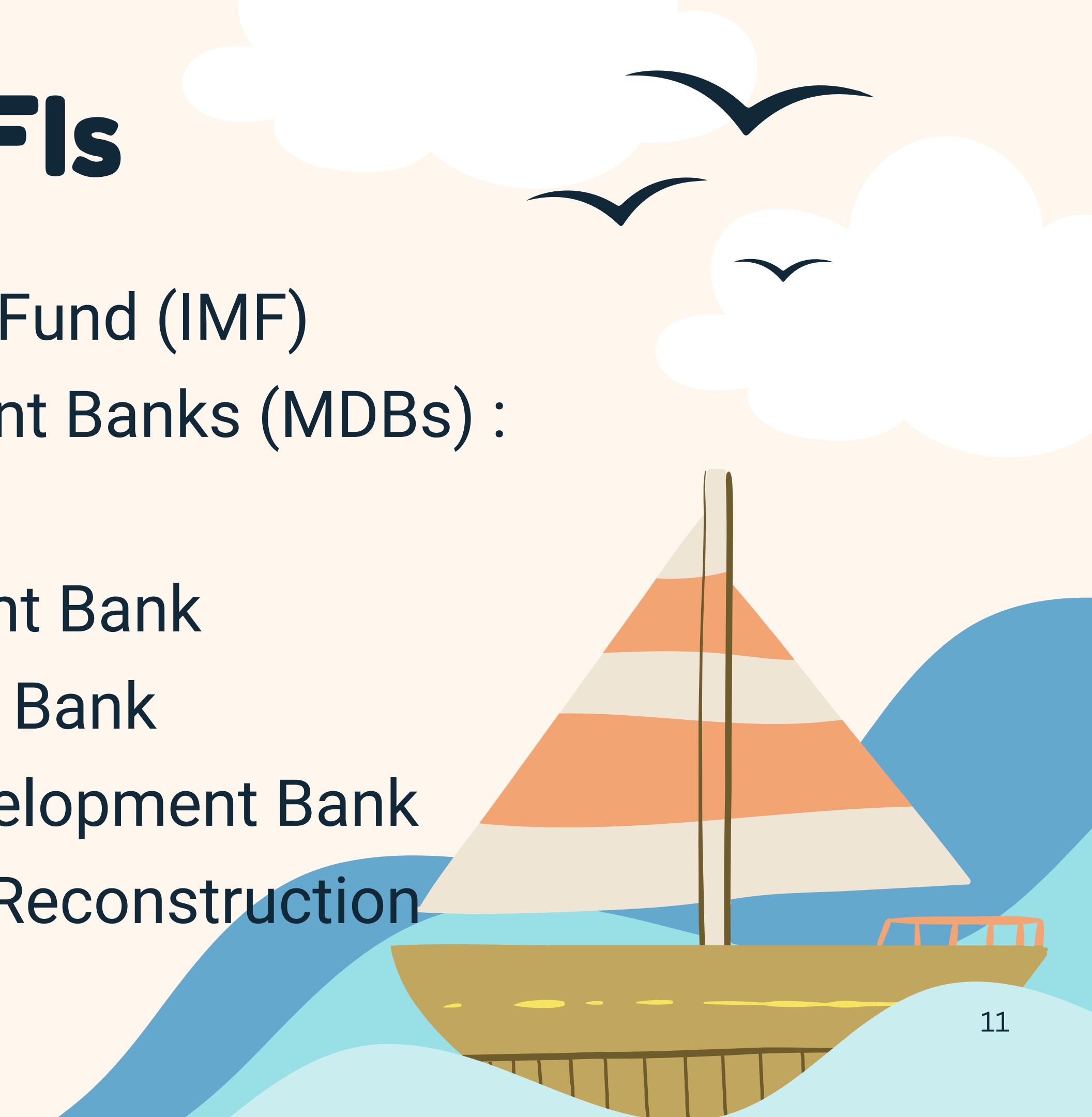


International Financial Institution

- Chartered by more than one country and therefore subject to international law.
- Owners or shareholders are generally national governments.



Examples of IFIs

- 
1. International Monetary Fund (IMF)
 2. Multilateral Development Banks (MDBs) :
 - a. World Bank Group
 - b. African Development Bank
 - c. Asian Development Bank
 - d. Inter-American Development Bank
 - e. European Bank for Reconstruction and Development

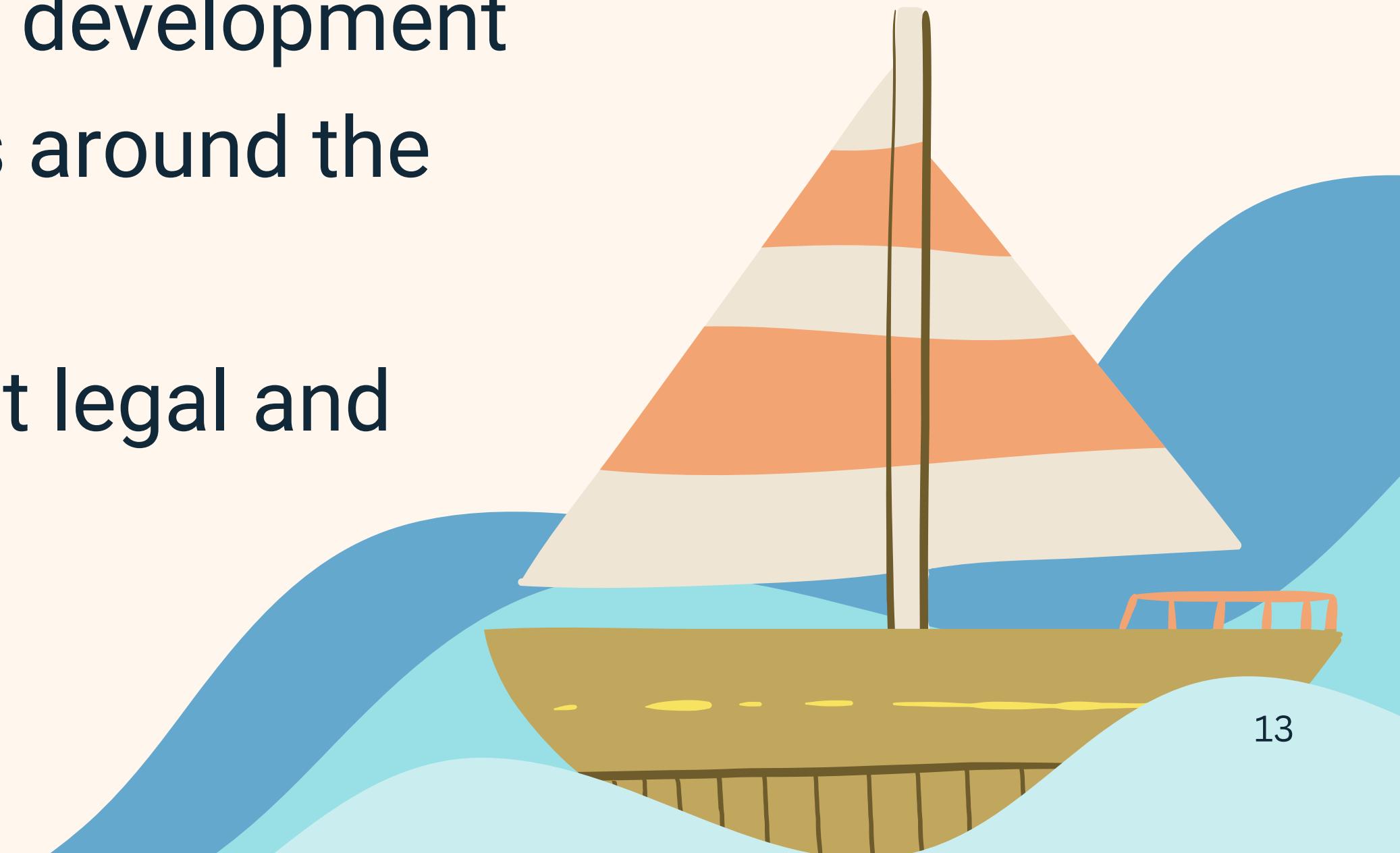
Membership Composition of IFIs

- only sovereign countries are admitted as member-owner
- broad country membership to include borrowing developing countries and developed donor countries



Membership Composition of IFIs

- membership in regional development banks include countries around the world as members
- has its own independent legal and operational states



Main Objectives:

- IMF provides temporary financial assistance to member countries to help ease balance of payments adjustments.
- MDBs provide financing for developing countries



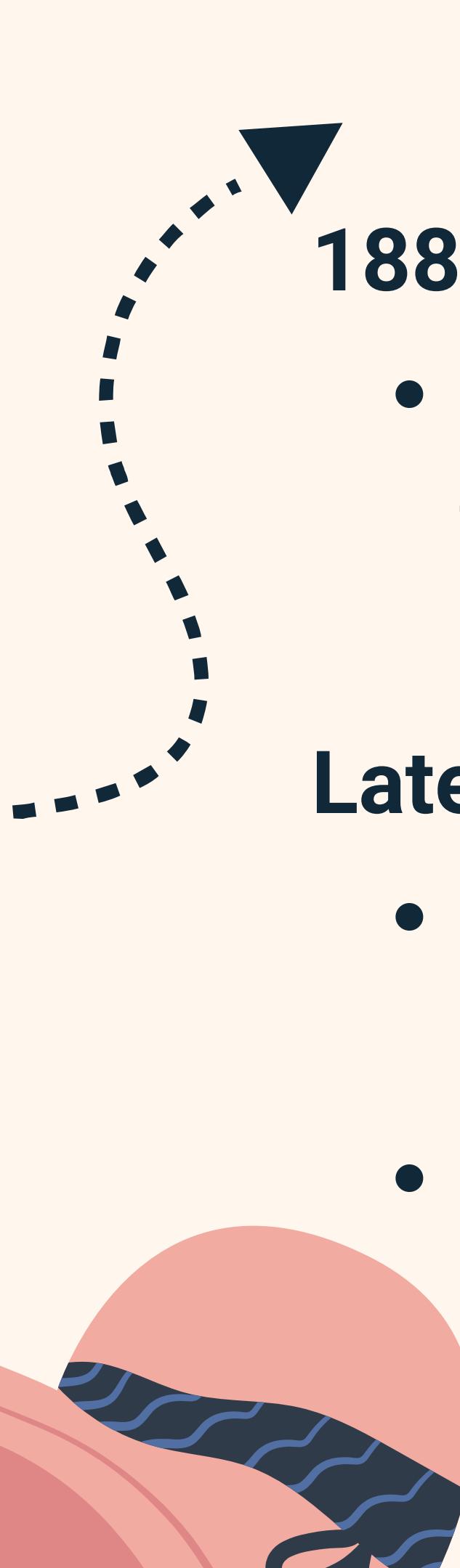
MDB provide financing through:

- ▶ ***long term loans***
 - up to 20 years of maturities
- ▶ ***very long term loans (credits)***
 - 30 to 40 years of maturities
- ▶ ***grant financing***



HISTORY OF GLOBAL MARKET INTEGRATION IN THE 20TH CENTURY





1882-1936

- Labor market integration occurred from South India to Southern China, and extended to Burma, Malaya, and Thailand.

Late 19th Century

- Mass migration of Indians and Chinese to Southeast Asia.
- Integrated Asian labor market and a period of real wage convergence.

1880



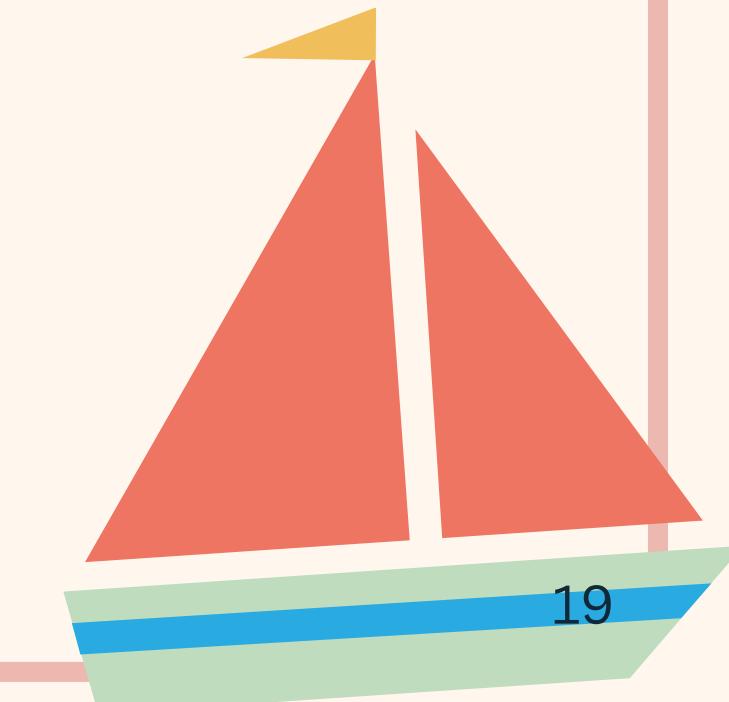
- steamships largely replaced sailing vessels for transport within Asia and to Western markets
- shipping fares begun to fall sharply
- mass migration of Indian and Chinese workers from labor-abundant areas:
 - Madras in India
 - provinces of Kwangtung (Guangdong) and Fukien (Fujian) in Southern China



- Land-abundant but labor-scarce immigrant-receiving countries were Burma, Malaya, and Thailand (Siam) in Southeast Asia.

Late 19th Century and Early 20th Century

- three major global migration movement:
 - Indian
 - Chinese
 - European immigration to the New World

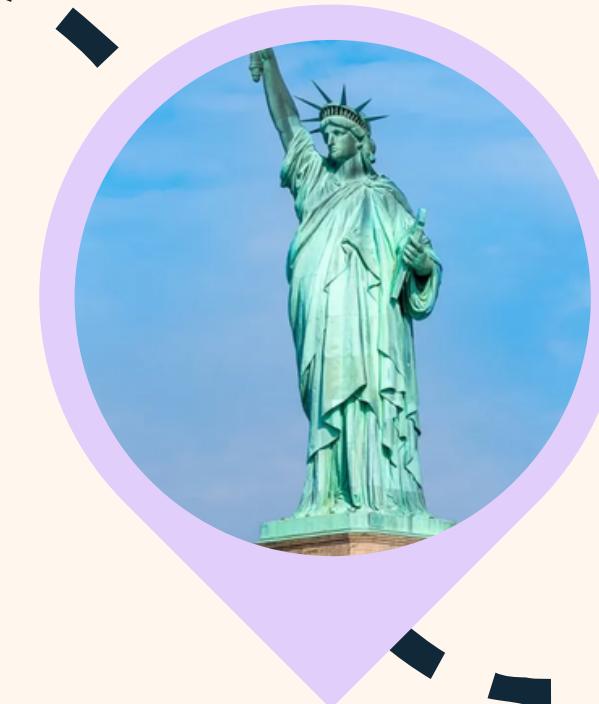
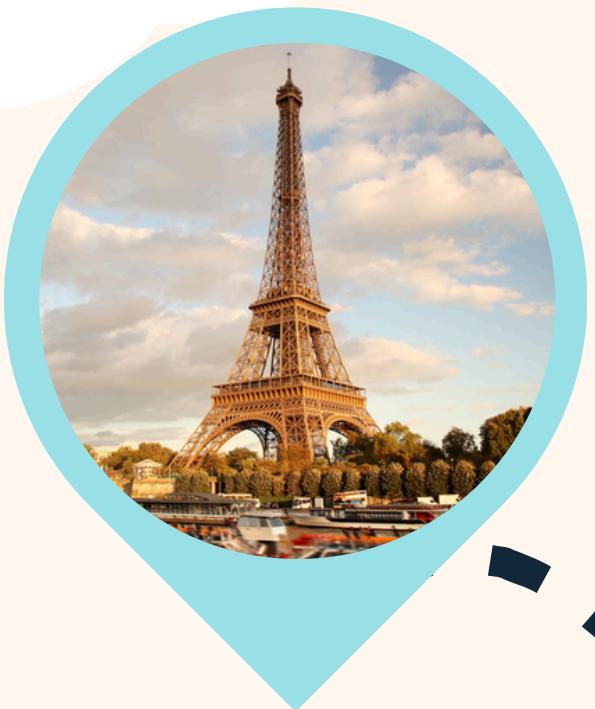


- Immigration to Southeast Asia was driven by:
 - Growing demand for workers.
 - Rapidly expanding demand in core industrial countries for Southeast Asian exports.

Latham and Neal (1983) and Brandt (1985, 1989)

- documented the development of an integrated Asian rice market in the late 19th century.

GLOBAL CORPORATION



Global Corporation

- one that operates in more than one country.

Michael Porter (Harvard University)

- ***Global business*** as one that maintains a strong headquarters in one country but has investment in multiple foreign locations.

Global Corporation

- headquarters is usually in the home country but may relocate for favorable regulatory or taxation reasons.
- create economies of scale by selling same products in multiple locations and limiting local customization

Global Corporation

In finance and investment world,

- has significant investments and facilities in multiple countries
- lacks a dominant headquarters
- governed by the laws of the country where incorporated
- connects talents, resources, and opportunities across political boundaries
- more vulnerable to threats due to deep investments in overseas locations

Global Corporation

International Company

- has a headquarters but does business overseas
- may have a large presence in multiple areas
- Governed by the regulations of its headquarters
- may have foreign subsidiaries, which are governed by local laws

GLOBAL INTERSTATE SYSTEM



GLOBAL INTERSTATE SYSTEM

- The world is divided into **core, semi-periphery, and periphery**, based on labor and production.
- Core countries are industrialized, while periphery countries supply raw materials and labor.
- Resources flow from underdeveloped periphery nations to developed core nations, creating global interdependence.
- Temporal features include **cyclic rhythms, secular trends, contradictions and crises**.
- **Crises** occur when systemic issues threaten the global order.



GLOBAL GOVERNANCE



GLOBAL GOVERNANCE

- Global governance addresses transnational issues through institutions like the United Nations, International Criminal Court, World Bank, etc.
- It operates politically, economically, and culturally to manage global interdependence.
- Lacks direct enforcement power but uses negotiated policies and regulations to drive cooperation.
- Bureaucratic rationalization dominates governance, transitioning from traditional sovereignty to liberal international sovereignty.



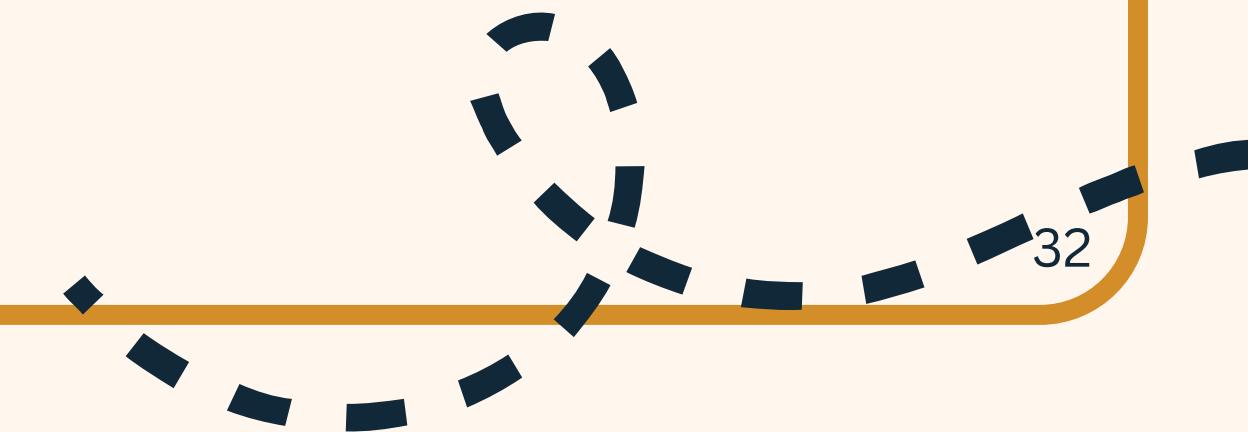
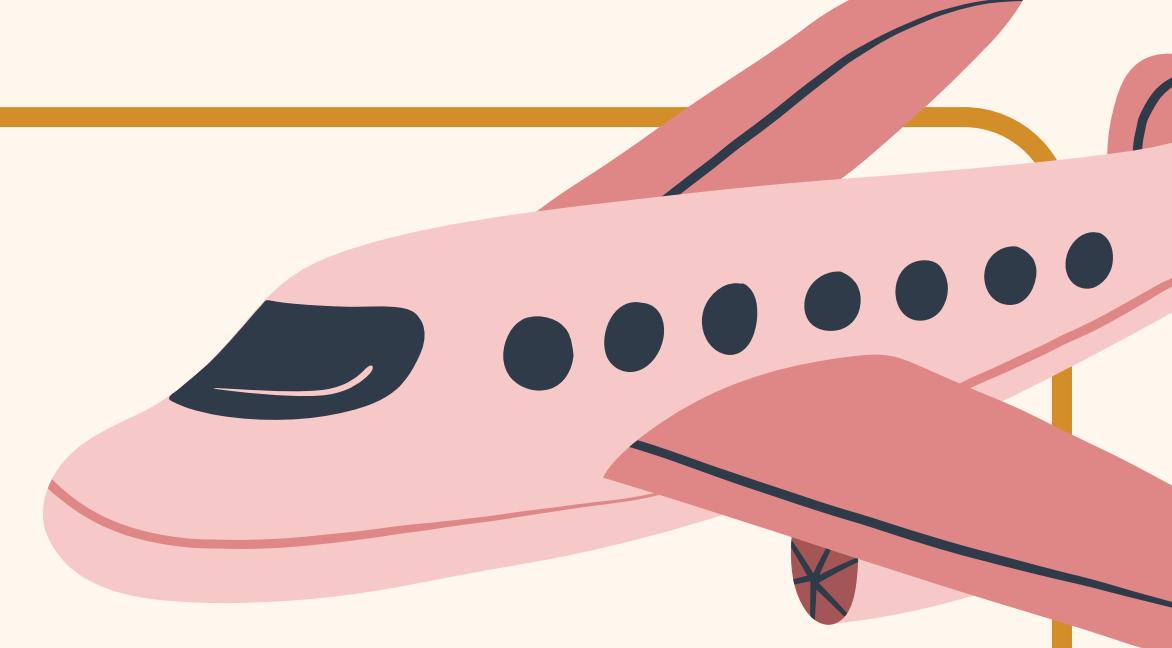
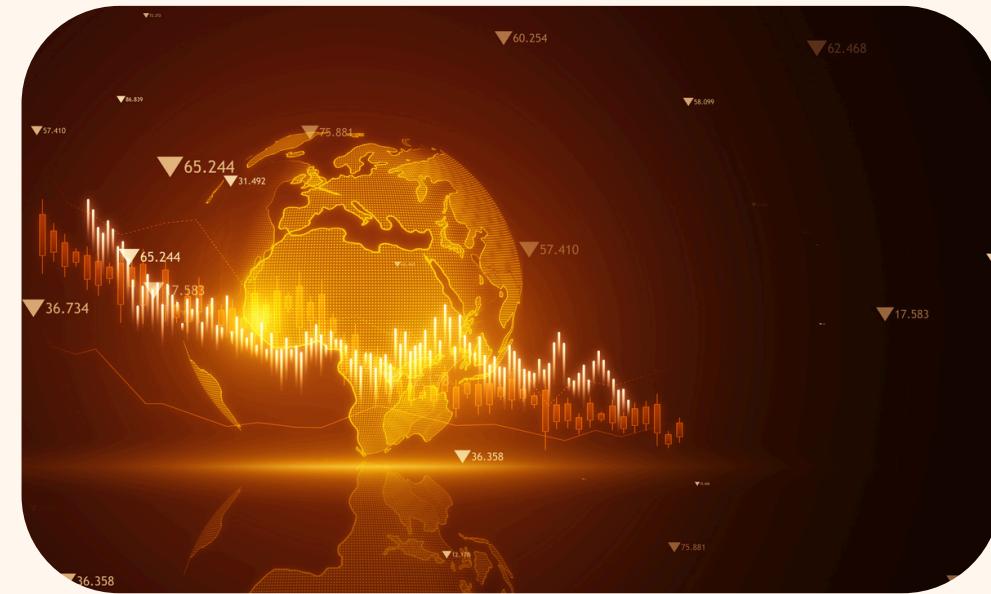
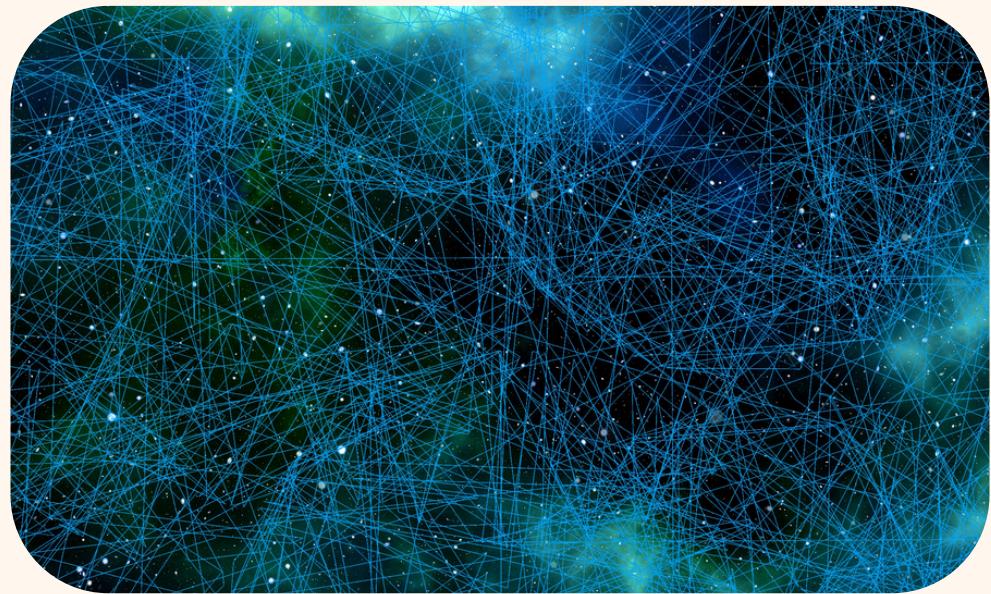
EFFECTS OF GLOBALIZATION GOVERNANCE

EFFECTS OF GLOBALIZATION GOVERNANCE

- Globalization increases **budget pressure**, leading to cuts in welfare spending and subsidies.
- Governments prioritize international competitiveness but risk state retrenchment.
- This globalization-induced welfare state retrenchment is potentially mitigated by citizens preferences to be compensated for the risks of globalization ("compensation hypothesis").
- It Balances globalization's pressures with efforts to maintain social stability.



WORLD SYSTEM

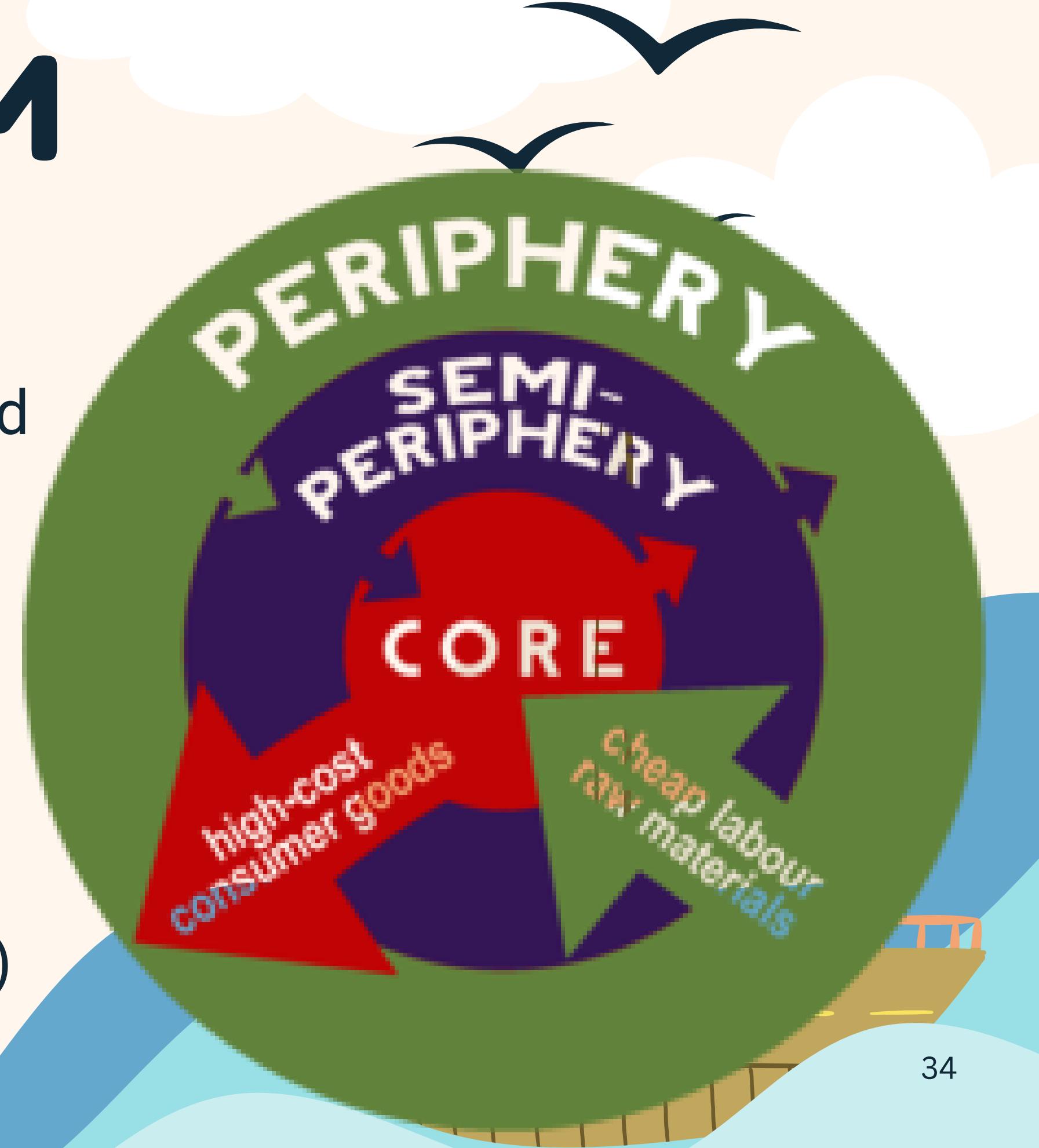


WORLD SYSTEM

- The **world system** divides nations into core, semi-periphery, and periphery based on labor and production.
- **Core countries** focus on high-skill, capital-intensive industries, while **periphery nations** rely on labor-intensive, raw material extraction.
- **Semi-periphery** countries act as intermediaries, balancing features of both.
- The **system** evolves dynamically due to technological and transport revolutions, allowing nations to change their status.
- Historically, world **hegemons** have shifted: from the **Netherlands** to the **UK**, and now to the **USA**.
- The structure remains rooted in a capitalist economy, emphasizing the division of labor.

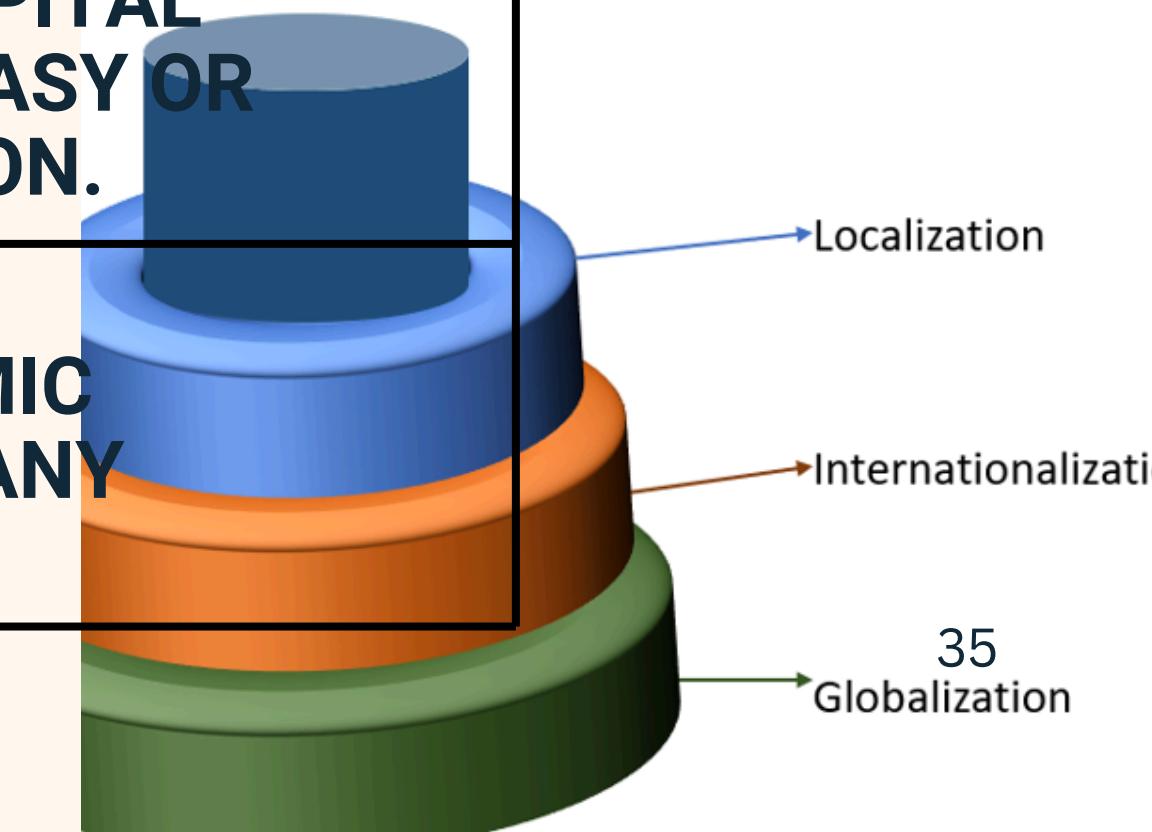
WORLD SYSTEM THEORY

- -world systems perspectives or world system analysis
 - -is multi disciplinary, macro scale approach to
- world history and social change which emphasizes the world system (and not nation states) as the primary unit of social analysis.



GLOBALIZATION VERSUS INTERNATIONALISM

INTERNATIONALISM	GLOBALIZATION
REFERS TO THE INCREASING IMPORTANCE OF INTERNATIONAL TRADE ,INTERNATIONAL RELATIONS, TREATIES OR ALLIANCES	REFERS TO GLOBAL ECONOMIC INTEGRATION OF MANY FORMERLY NATIONAL ECONOMIES INTO ONE GLOBAL ECONOMY , MAINLY BY FREE TRADE AND FREE CAPITAL MOBILITY, BUT ALSO BY EASY OR UNCONTROLLED MIGRATION.
BASIC UNIT REMAINS THE NATION	ERASURE OF NATIONAL BOUNDARIES FOR ECONOMIC PURPOSES. WHAT WAS MANY BECOMES ONE



GLOBALIZATION VERSUS INTERNATIONALISM

INTERNATIONALISM	GLOBALIZATION
FOCUSES ON THE COOPERATION AND INTERACTION BETWEEN NATIONS WHILE RETAINING DISTINCT NATIONAL IDENTITIES AND BOUNDARIES.	INTERNATIONAL TRADE(GOVERNED BY COMPARATIVE ADVANTAGE) BECOMES INTERREGIONAL TRADE(GOVERNED BY ABSOLUTE CHANGE)



GLOBALIZATION VERSUS- INTERNATIONALISM

- Integration (one, complete, or whole) -
Act of combining into one whole
- Global economic integration logically
implies national economic
disintegration.



GLOBALIZATION VERSUS- INTERNATIONALISM

- By disintegration it does not mean that the productive plant of each country is annihilated , but rather its parts are torn out of their national context, in order to be re integrated into a new whole , the globalized economy
- “To make an omelette you have to break some eggs”.



GLOBALIZATION VERSUS- INTERNATIONALISM

- Shift in the Global Economy:
 - In the 19th century, national economies were based on labor, capital, and national resources.
 - Goods were produced and traded internationally using national labor and resources.



GLOBALIZATION VERSUS- INTERNATIONALISM

- Late 20th-Century Global Integration:
 - Global capitalism allowed free movement of capital and goods across borders.
 - Ricardo's argument for comparative advantage in free trade becomes less valid as capital mobility is prioritized over national borders.
 - Modern global capitalism involves both laborers and resources from all countries competing in integrated markets.



CONTEMPORARY GLÓBAL GOVERNANCE:

- Refers to cooperation among transnational actors to address global issues.
 - Institutions like the UN, World Bank, and International Criminal Court have limited enforcement powers.
 - Focus is on creating rules and frameworks addressing worldwide interdependence.



CONTEMPORARY GLÓBAL GOVERNANCE:

- Key Characteristics of Global Governance:
- It is not a singular system; there is no "world government."
- Comprises various regimes with shared commonalities aimed at regulating global issues.



THE UNITED NATIONS FUNCTIONS AND ROLES



Main Functions

A. Peacekeeping and Security:

1. Deployment of peacekeeping forces.
2. Preventing conflict resumption.

B. Humanitarian Aid:

1. Assistance during disasters and crises.
2. Upholding human rights.



Additional Roles

A. Conflict Resolution:

1. Investigating disputes.
2. Recommending actions to resolve conflicts.

B. Economic and Social Development:

1. Collaborations with WHO, UNAIDS, and World Bank.
2. Publishing the Human Development Index.



Membership in the UN

A. Criteria for Membership

1. Recognized independent states.
2. Acceptance of UN Charter obligations.

B. Responsibilities of Member States

1. Commitment to fulfilling UN obligations.
2. Cooperation with UN organs and initiatives.



Roles of UN Today and the Future

- Reduce poverty, child mortality, and diseases.
- Create a global partnership for development.
- The progress varies among member states.

