**DOMINICAN COLLEGE OF TARLAC**

Mac Arthur Highway, Poblacion (Sto.Cristo), Capas. 2315 Tarlac, Philippines

Tel.No. (045) 491-7579/Telefax (045) 925-0519

E-mail: domct \_2315@yahoo.com

**COLLEGE DEPARTMENT**

A.Y. 2020-2021, First Semester

**OBE FACULTY - DESIGNED MODULE**



**THE CONTEMPORARY WORLD**

1. **Subject: GE3 - The Contemporary World**
2. **Learning Outcomes:**
3. Define and understand market integration.
4. Identify the governing bodies that are significant to market integration.
5. Appreciate the effects of market integration.
6. **Topic/Lesson:** Market Integration
7. **Days of Learning Sessions:**

**Online/Modular**

BSCRIM 1A - Friday/Wednesday

BSCRIM 1B - Wednesday/Friday

BSCRIM 1C - Thursday/Saturday

1. **Expected Outcome:**

Distinguish the purpose of market integration.

**VI.Delivery:**

1. **Thought Processing**
   1. **Pre-assessment Activity (Collaboration)**

**Activity 1.**

What do you see in the image below? What interpretation/s can be drawn from the image, explain your answers briefly.



***We must be united because we are both from God.***

1. **Presentation Phase:**

**The 3-A Approach**

* 1. **ANALYSIS (Communication)**

**Activity 2**

**In the context of international relationship among countries, do you believe in the saying that “NO MAN IS AN ISLAND”? Why or why not? Expound your answer.**

*'No man is an island' sounds like, and is, an old proverbial expression. Oddly, although it was coined in the 17th century, it only began to be used widely in the second half of the 20th century. This usage started around 1940 but was probably accelerated by the release of a film of the same name in 1962.*

*The film is a fictionalized version of a true story set on the island of Guam. The American seaman George Tweed was the only member of the U.S. military who evaded capture after the surrender of the island to the Japanese in 1941.*

* 1. **ABSTRACTION (Critical Thinking)**

**To aid your understanding, read the article published by REX Bookstore, written by Prince Kennex Reguyal Aldama.**

**MARKET INTEGRATION**

**Introduction**

The social institution that has one of the biggest impacts on society is the economy. You might think of the economy in terms of the number—number of unemployed, gross domestic product (GDP), or whatever the stock market is doing today. While we often talk about it in numerical terms, the economy is composed of people. It is the social institution that organizes all production, consumption, and trade of goods in the society. There are many ways in which products can be made, exchanged, and used. Think about capitalism or socialism. These economic systems and the economic revolutions that created them- shape the way people live their lives.  
  
 Economic systems vary from one society to another. But in any given economy, production typically splits into three sectors. The primary sector extracts raw materials from natural environments. Workers like farmers or miners fit well in the primary sector. The secondary sector gains the raw materials and transforms them into manufactured goods. This means, for example, that someone from the primary sector extracts oil from the earth then someone from the secondary sector refines the petroleum to gasoline. Whereas, the tertiary sector involves services rather than goods. It offers services by doing things rather than making things. Thus, economic System is more complicated or at least, more sophisticated than the way things used to be for much of human history.  
  
 This chapter will show the contributions of the different financial and economic institutions that facilitated the growth of the global economy. The history of the global market will be discussed by looking at the different economic revolutions. The growth and dynamics of multinational corporations that are emerging in today's world economy will also be examined.

**International Financial Institutions**  
 World economies have been brought closer together by globalization. It is reflected in the phrase "When the American economy sneezes, the rest of the world catches a cold." But it is important to remember that it is not only the economy of the United State but also other economies in the world that have a significant impact on the global market and finance. For instance, the financial crises experienced by Russia and Asia affected the world economy. The strength of a more powerful economy brings greater effect on other countries. In the same manner, crises on weaker economies have less effect on other countries. For example, Argentina's serious financial crisis at 1990s and early 2000s had a comparatively small impact on the economy.  
  
 Although countries are heavily affected by the gains and crises in the world economy, the organizations that they consist also contribute to these events. The following are the financial institutions and economic organizations that made countries even closer together, at least, when it comes to trade.

**The Bretton Woods System**  
  
 The major economies in the world had suffered because of World War I, the Great Depression in the 1930s, and World War ll. Because of the fear of the recurrence of lack of cooperation among nation-states, political instability, and economic turmoil (especially after the Second World War), reduction of barriers to trade and free flow of money among nations became the focus to restructure the world economy and ensure global financial stability (Ritzer, 2015). These consist the background for the establishment of the Bretton Woods system.  
  
 In general, the Bretton Woods system has five key elements. First element  
is the expression or currency in terms of gold or gold value to establish a par value (Boughton, 2007). For instance, a 35 U.S. dollar pegged by the United States per ounce of gold is the same as 175 Nicaraguan cordobas per ounce of gold. The exchange rate therefore would be 5 cordobas for 1 dollar. Another element is that "the official monetary authority in each country (a central bank or its equivalent) would agree to exchange its own currency for those of other countries at the established exchange rates, plus or minus a one-percent margin" (Boughton, 2007, Pp. 106-107). The third element of the Bretton Woods system is the establishment of an overseer for these exchange rates; thus, the International Monetary Fund (IMF) was founded. Eliminating restrictions on the currencies OT member states in the international trade is the fourth key element. The final element is that the U.S. dollar became the global currency.  
  
**The General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO)**  
 According to Peet (2003), global trade and finance was greatly affected by the Bretton Woods system. One of the systems born out of Bretton Woods was the General Agreement on Tariffs and Trade (GATT) that was established in 1947 (Goldstein et al., 2007). GATT was a forum for the meeting of representatives 23 member countries. It focused on trade goods through multinational.

Trade-agreements conducted in many "rounds" of negotiation. However, it was out of the Uruguay Round (1986-1993) that an agreement was reach to create the world Trade Organization (WTO)" (Ritzer, 2015, P. 60).  
  
 The WTO headquarters is located in Geneva, Switzerland with 152 member states as of 2008 (Trachtman, 2007). Unlike GATT, WTO is an independent multilateral organization that became responsible for trade in services, non-tarriff-related barriers to trade, and other broader areas of trade liberalization. An example cited by Ritzer (2015) was that of the "differences between nations in relation to regulations on items as manufactured goods or food. A given nation can De taken to task for such regulations if they are deemed to be an unfair restraint on the trade in such items" (p. 61). The general idea where the WTO is based was that of neoliberalism. This means that by reducing or eliminating barriers, all nations will benefit.  
  
 There are, however, significant criticisms to WTO. One is that trade barriers created by developed countries cannot be countered enough by WTO, especially in agriculture. A concrete case was that the emerging markets in the Global South made the majority in the WTO, but they suffered under the industrial nations which supported the agriculture with subsidies. Grain prices increased and food riots occurred in many member states of WTO, like Mexico, Egypt, and Indonesia in 2008. Aside from issues in agricultural sector, the decision-making processes were heavily influenced by larger trading powers, in the so-called Green Room, while excluding smaller powers in meetings. Lastly, Ritzer (2015) also pointed out that International Non-Government Organizations (INGOs) are not involved, leading to the staging of "regular protests and demonstrations against the WTO" (P. 61).

**The International Monetary Fund (IMF) and the World Bank**  
  
 IMF and the World Bank were founded after the World War 1. Their establishment was mainly because of peace advocacy after the war. These institutions aimed to help the economic stability of the world. Both of them are basically banks, but instead of being started by individuals like regular banks, they were started by countries. Most of the world's countries were members of the two institutions. But, of course, the richest countries were those who handled most of the financing and ultimately, those who had the greatest influence.

IMF and the World Bank were designed to complement each other. The IMF's main goal was to help countries which were in trouble at that time and who could not obtain money by any means. Perhaps, their economy collapsed or their currency was threatened. IME, in this case, served as a lender or a last resort

For countries which needed financial assistance. For instance, Yemen loaned 93 million dollars from IMF on April 5, 2012 to address its struggle with terrorism.The world, bank, in comparison had a more long-term approach. Its main goals revolved around the eradication of poverty and it funded specific projects that helped them reach their goals, especially in poor countries. An example of such is their investment in education since 1962 in developing nations like Bangladesh, Chad and Afghanistan.  
  
 Unfortunately, the reputation of these institutions has been dwindling, mainly due to practices such as lending the corrupt governments or even dictators and imposing ineffective austerity measures to get their money back.  
  
**The Organization for Economic Cooperation and Development (OECD), the Organization of petroleum exporting countries (OPEC) and the European Union (EU)**  
 The most encompassing club of the richest countries in the world is the Organization for Economic Cooperation and Development (OECD) with 35 member states as of 2016, with Latvia as its latest member. It is highly influential, despite the group having little formal power. This emanates from the member countries' resources and economic power.  
  
 In 1960, the Organization of Petroleum Exporting Countries (OPEC) was originally comprised of Saudi Arabia, Iraq, Kuwait, Iran and Venezuela. They are still part of the major exporters of oil in the world today. OPEC was formed because member countries wanted to increase the price of oil, which in the in the past had a relatively low price and had failed in keeping up with inflation. Today, the United Arab Emirates, Algeria, Lib­ya, Qatar, Nigeria and Indonesia are also included as members.  
  
 The European Union (EU) is made up of 28 member states. Most members in Eurozone adopted the euro as basic currency but some Western European nation's like the Great Britain, Sweden and Denmark did not. Critics argue that the euro increased the prices in Eurozone’s and resulted in depressed economic growth rates, like in Greece, Spain and Portugal. The policies of the European Central Bank are considered to be a significant contributor in these situations.  
  
**NORTH AMERICA FREE TRADE AGREEMENT (NAFTA)**  
  
 The North America Free Trade Agreement (NAFTA) is a trade pact between the United States, Mexico and Canada created on January 1,1994 when Mexico joined the two other nations. It was first created in 1989 with only Canada and the United States as trading partners. NAFTA helps in developing and expanding world trade by broadening international cooperation. It also aims to increase cooperation for improving working conditions In North America by reducing barriers to trade as it expands the markets of the three countries.  
  
 The creation of NAFTA has caused manufacturing jobs from developed nations (Canada or the United States) to transfer to less developed nations  
 Order to reduce the cost of their products. In Mexico, producer prices dropped and some two million farmers were forced to leave their farms. During is time, Consumer food prices rose, causing 20 million Mexicans, about 25% of their population, to live in "food poverty."  
  
 The tree trade, however, gave a modest impact on US GDP. It has become $127 billion richer each year due to trade growth. One can argue that NAFIA was to blame tor job losses and wage stagnation in the United States because competition from Mexican firms had forced many U.S. firms to relocate to Mexico. This is because developing nations have less government regulations and cheaper labor. This is called outsourcing. As an example, the United States outsourced approximately 791,000 jobs to Mexico in 2010.  
  
 As for Canada, 76% of Canadian exports go to the United States and about a quarter of the jobs in Canada are dependent in some way on the trade with the United States. This means that if NAFTA changes or is eradicated, it would be devastating for Canada's economy.  
  
 Generally, NAFTA has its positive and negative consequences. It lowered prices by removing tariffs, opened up new opportunities for small- and medium- sized businesses to establish a name for itself, quadrupled trade between the three countries, and created five million U.S. jobs, Some of the negative effects, however, include excessive pollution, loss of more than 682,000 manufacturing jobs, exploitation of workers in Mexico, and moving Mexican farmers out of business

**Activity 3: Process Question**

**Given the situation where different countries around the world do not have good relationship to each other, what do you think will happen to the contemporary world? In your own words, explain the significance of the word “integration”. Answers should be short and concise.**

**Activity 3: (Application)**

**We have discussed market integration and the significant organizations responsible for it. In this modern and global age that we live in, we were able to experience the effects of market integration among countries. Hence, it is fun and sensible to look back for its practical scenarios in our daily living. Narrate at least one scenario in your life where you think “market integration” has been part of it, explain its perceived advantages/disadvantages briefly.**

*Tensions between China and the United States have reached the most acute levels since the countries normalized diplomatic relations more than four decades ago, with the American government’s ordering that China.*

*In defense, trade, technology, human rights and other categories, actions and reprisals by one side or the other have escalated sharply under President Trump’s administration, despite his repeated expressions of admiration for President Xi Jinping of China.*

*I think we’re in a dangerous and precipitous spiral downward, not without cause, but without the proper diplomatic skills to arrest it,” said Orville Schell, director of the Center on U.S.-China Relations at the Asia Society. The severity of the confrontation, he said, “has jumped the wall from specific and solvable challenges to a clash of systems and values.”*

1. **Assessment Phase:** 
   1. **Quiz: Answer the following questions, put a check mark on the space (√ ) provided.**
2. Which of the following best describes market integration?

( ) Agreements between countries regarding tariffs.

( ) Agreements between countries to create common markets.

( ) Agreements between two or more countries to reduce barriers to trade and economic activities between the countries.

( ) Effort to create a one world government with a completely integrated economy.

1. Which of the following is the general argument in support of economic integration?

( ) It helps poor countries.

( ) It helps rich countries.

( ) It helps international organizations such as the United Nations and World Bank.

( ) It will eventually lead to an equalization of wealth among nations.

* 1. **Take Home Tasks/ Suggestive Readings:**

Read articles about the global economy

**VII. Reference/s:**

The Contemporary World by **Prince Kennex Reguyal Aldama,** published by REX Book Store, 2018