

# Global Economy and Governance Study Guide

## Map

Be able to label the continents and oceans.



## Concepts

What drives global conflict in the 21st Century? (Look at Six Perspectives Reading)

- Huntington: The Clash of Civilizations
  - cultural differences will be the biggest source of conflict
- Friedman: The Lexus and the Olive Tree (globalization, the post-cold-war-system [when a country was on the U.S. side for democracy or on the Soviet side for communism and dictatorship])
  - globalization - the spreading of ideas and markets, interdependence of countries for trade, and a general speeding up of economic growth globally - is the main factor for global change
  - people need to have a balance of the “Lexus and the Olive Tree”
    - lexus symbolizes development and innovation - you have to have enough of this to survive
    - olive tree symbolizes the “old ways” - you should cling onto your culture/heritage as well, so that you don’t lose your identity
- Nye: The paradox of American Power
  - we are the number one power, but it may not last
  - we have hard power (“wealth, military might, the ability to command”) and soft power (“inspiration, influence, the ability to attract”)
  - we have to help others, or they will hurt us - we have to work multilaterally (losing some hard power) to gain (soft) power
- Hoffman: The Clash of Globalizations
  - globalization does not spread peace but causes resentment (opposer to Friedman)

- if a country wants to stay closed to the world, it will go into decline
  - else the country will have to grow dependent on others, and therefore vulnerable
  - deprived people will be unhappy, seeing the rich life - this may cause terrorism
- Ferguson: A New War of the World
  - we must learn from the mistakes of the 20th century, or else those mistakes will be driving global changes (again)
    - economic volatility
    - empires in decline
    - ethnic disintegration
- Moisi: The Clash of Emotions (fear, humiliation, hope, and the new world order)
  - emotions in cultures are the largest playing factor in global changes
  - fear in developed countries (the west) of terrorism and others catching up (divides us)
  - the Middle East feels humiliated from years of suppression (led to a culture of hatred)
  - Asia feels hope with a growing economy and rapid improvement (a virtuous cycle)

Explain Huntington's Clash of Civilizations and support or refute his thesis.

- some examples of cultures (mostly religious):
  - western culture (Christian, rich, innovative, powerful)
  - eastern cultures (buddhism, hindu, japanese)
  - middle eastern
  - African
- conflicts between Muslims and non-Muslims
- conflict to convert others
- conflict in globalization, when some cultures may overwhelm others (Western culture)
- differences between the fundamental parts of different cultures will not change, and with globalization and more interactions between cultures, we will be more aware of them

Describe the structure and functions of the United Nations.

- created after WWII in 1945 to promote international peace and prevent another world war
- 193 member states (besides Taiwan, Vatican City, and Kosovo)
- some main concerns are:
  - peace, security, climate change, sustainable development, human rights, disarmament, terrorism, humanitarianism, health emergencies, gender equality, governance, food production
- divided into "organs" (see below)

What are the different organs of the UN and what do they do?

- general assembly
  - all UN member states
  - main organization
  - for matters of peace and security requires supermajority ( $\frac{2}{3}$ )
  - for others requires simple majority ( $\frac{1}{2} + 1$ )
- security council
  - maintains international peace and security
  - 15 members
    - have to be a certain number from each region of the world
    - five permanent are the main victors of WWII: US, UK, France, China, Russia, and they have veto power
  - imposes sanctions and authorizes force
- economics and social council
  - economics = how money is allocated through trade, currency
  - building economic developing states (development goals)

- 54 members, with 3 year terms
  - also environmental issues
- international court of justice
  - settles legal disputes between nations and deals with international war criminals
  - located in the Netherlands
- secretariat
  - UN staff
  - bureaucratic council
- trusteeship council
  - for WWII territories
  - not in service anymore

How does the UN deal with a global crisis?

- a resolution is drafted by countries
- countries vote in general assembly
- if a major issue in peace and security, security council also votes, and their ruling is what matters

What are the positives and negatives of economic globalization?

- economic globalization = the rapid trade and spreading of goods and movement of money (i.e., international trade)
- positives:
  - protectionism is what leads to Depressions and Recessions
  - pushes countries closer together, making us more interdependent on one another
  - trade benefits everyone
    - profit from people with a comparative advantage
    - can boost allies or relationships
  - makes industries more competitive on the global market
  - usually involves free trade
  - trading can be done strategically with allies or those who promote the same values (e.g. anti-communism, environmental sustainability, and human rights)
  - gives access to new, cheaper markets
  - introduces new technologies and practices to the world
  - creates new industries
  - helps some countries grow very quickly
  - values from countries get passed over (e.g. human rights), improving everyone
  - stronger allies and less conflict
- negatives:
  - make it hard for local businesses to compete (protectionism plays its part here) - causes outsourcing
  - industries without a comparative advantage may not be funded by the government, while the ones that do may be subsidized
  - some people benefit more from trade than others, especially richer and more advanced
  - usually is not fair trade
    - depends on the type of goods, diversity of goods, and the amount an industry is funded
  - if a country is not fit to compete, then it will be left behind
  - this may cause resentment like Hoffman said
  - there are always losers and winners
  - countries become vulnerable

What should the trade policy of the U.S. be in this new global economy?

- we should support (economic) globalization to the fullest

- we are a developed nation, and are able to keep up --- even if we lose some jobs to outsourcing, we are making it up with insourcing
- with free trade, we will have the chance to benefit financially, as well as promote our values to those who support our values

## **Vocabulary Terms**

### Globalization

- “the umbrella term that refers to the economic, political, cultural, and social transformations occurring throughout the world. It reflects the increased interdependence of various countries and people today.”
- spreading of ideas, people, money
- production of goods is now on a global scale
- traders move billions of dollars a day

### Multilateral

- multiple countries working together

### unilateral

- single country working by itself

### United Nations

- international organization to promote peace and security
- almost all of the nations
- democratic voting system (although five countries are more powerful than the rest)
- created after WWII, based on then-world-powers

### United Nations Security Council

- 15 member states, 5 permanent, a certain number from each region of the world
- most powerful organ of the UN
- some say it is unfair because of the power of the top five nations

### veto power

- the right to reject a decision (without having to be a majority)
- five nations in the Security Council have it
- many people think it's unfair --- we're still living in the world of 1945
  - sometimes if two countries are against each other (Cold War), then they will veto anything the other wants

### sovereignty

- “the authority of a state to govern itself or other states”
- “a self-governing state”

### self-determination

- the determining of a state's own government by its people
- (or the right to make your own choices)

### non-governmental organizations (NGOs)

- a non-governmental and non-corporate group, usually non-profit and run by volunteers
- can be charitable, religious, political (state their ideas, or protest)

### World Trade Organization (WTO)

- over 153 countries with 95% of world trade
- successor of GATT
- created to settle trade disputes

### North American Free Trade Agreement (NAFTA)

- Mexico, Canada, and USA
- created to allow easy and freer trade between the three close countries

### protectionism

- the idea of protecting the local economy by putting up barriers
- subsidies
- tariffs
- import quotas
- opposite of globalization
- will prevent outsourcing and will strengthen industries
- may make industries lax when introduced to the global market
- may be a crucial first step before introducing to the global economy

subsidies

- government funding for local companies

free trade

- “liberalized” trade
- trade without any barrier (ideally), so that countries can benefit as much as they want from trade
- opposite of protectionism

fair trade

- trade without unfair advantages to one country (e.g. dumping, or excessive subsidies)
- includes human rights in poorer countries, because they get paid so low there
- WTO promotes this

outsourcing

- moving a country away to where it is cheaper to produce
- causes a loss of jobs in higher-pay countries