Contemporary World — Lesson 1: Global Economy Reviewer

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1. MODERN GLOBAL ECONOMY

What is the Modern Global Economy?

The **modern global economy** is an **interconnected system of linked national economies**, driven by:

- Digital technology
- Instant communication
- Fast shipping

Easy to remember:
Global Economy = Countries connected through technology, communication, and trade.

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2. IMF DEFINITION

According to the **IMF**, globalization is:

A historical process driven by **human innovation and technological progress**, characterized by the increasing integration of economies through the cross-border movement of:

1. Goods
2. Services
3. Capital
4. Labor
5. Knowledge

Memory Tip:

G-S-C-L-K

Goods – Services – Capital – Labor – Knowledge

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3. PROFESSOR EMERITUS TAMÁS SZENTES

Tamás Szentes describes globalization as a process that makes the world economy an **“organic system”** by:

- Extending transnational economic processes and relations to more countries
- Deepening economic interdependencies among countries

Key idea:

Globalization = More countries + More economic connections + More interdependence

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4. FOUR FUNCTIONS OF THE GLOBAL ECONOMY

There are **4 functions**:

1. Globalization of Trade

- Goods and services move across countries.

2. Globalization of Financial and Capital Markets

- Financial resources and capital move internationally.

3. Globalization of Technology and Communication

- Technology and information spread around the world.

4. Globalization of Production

- Production takes place across different countries.

Memory Tip:

T-F-T-P

Trade
Finance
Technology
Production

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5. IMPORTANCE OF GLOBALIZATION

Globalization:

1. Makes the movement of **goods, services, people, and capital** easier across countries.
2. Promotes **free trade** and stronger international economic relations.
3. Speeds up the flow of **information and technology** worldwide.
4. Reduces **cultural barriers** and encourages cooperation among nations.
5. Creates **jobs**, attracts **investments**, and supports **economic growth**.

Easy Memory:

Movement → Trade → Technology → Culture → Growth

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6. INTERGOVERNMENTAL ORGANIZATIONS (IGOs)

Definition

Intergovernmental Organizations (IGOs) are organizations whose members are **national governments**.

They are:

- Created through treaties
- Designed to promote peace, security, and economic cooperation
- Helpful in solving global issues through cooperation among countries

Key phrase:

IGO = Governments working with governments.

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7. INTERNATIONAL NON-GOVERNMENTAL ORGANIZATIONS (INGOs)

Definition

International Non-Governmental Organizations (INGOs) are:

- Independent
- Non-profit
- Internationally operating organizations
- Not controlled by any government

Main areas of focus:

- Human rights
- Disaster relief
- Poverty reduction
- Environmental protection
- Community development

They also:

- Help governments by providing humanitarian aid
- Advocate for social issues

Key phrase:

INGO = Independent, international, non-profit.

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8. IGO vs. INGO

IGO	INGO
Members are national governments	Independent organizations
Created through treaties	Not controlled by governments
Promotes peace, security, economic cooperation	Focuses on humanitarian and social issues
Governments work together	Non-profit organizations work internationally

Easy way to remember:

IGO = Government

INGO = Non-Government

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9. MULTINATIONAL CORPORATIONS (MNCs)

Definition

Multinational Corporations (MNCs):

- Operate in at least one country outside their home base
- Have offices or factories worldwide
- Are managed from a central headquarters
- Earn at least **one-fourth of their revenue abroad**

Key idea:

MNC = A company operating in multiple countries while having a home base.

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10. FOUR CATEGORIES OF MULTINATIONALS

A. Decentralized Corporation

- Maintains a strong presence in the home country
- Gives foreign subsidiaries **high autonomy**
- Allows them to adapt to local markets

Remember:

Decentralized = Local branches have freedom.

B. Global Centralized Corporation

- Keeps strict management control in the home country
- Focuses on:
    - Cost efficiency
    - Economies of scale

Remember:

Centralized = Home country controls.

C. International Company

- Uses the parent corporation's:
    - Core technologies
    - Products
    - Research
- Adapts slightly to foreign markets

Remember:

International = Parent company ideas + slight local adaptation.

D. Transnational Enterprise

- Highly integrated structure
- Balances:
    - Global efficiency
    - Local responsiveness
- Shares resources worldwide
- Does not have a single national headquarters

Remember:

Transnational = Global sharing + local response.

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11. TRANSNATIONAL CORPORATIONS (TNCs)

Definition

Transnational Corporations (TNCs) are businesses made up of:

- A main company
- Branches in other countries

The main company controls foreign operations, usually by owning part of their shares.

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12. TNCs vs. MNCs

Similarity

Both:

- Operate in multiple host countries

- Keep headquarters in one home country

Difference

TNCs:

- Are borderless
- Give more decision-making power to local branches
- Are a subset of MNCs

MNCs:

- Are tied to a specific home country
- Adapt products to local markets

Memory Tip:

TNC = More local decision-making

MNC = Stronger home-country connection

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13. TNCs AND THE GLOBAL ECONOMY

According to **Istán Benczes**:

- TNCs are major players in today's global economy.
- They are widely seen as the primary driving force behind economic globalization for the past **100 years**.
- They make up about **two-thirds of world exports**.

Important numbers:

100 years → primary driving force

⅔ → world exports

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14. THE MODERN WORLD-SYSTEM

A **world-system** is a socioeconomic system that:

- Covers part or all of the globe
- Is formed by interactions between political entities
- Is larger than a single state
- Does not necessarily need to be worldwide

Easy definition:

World-system = A socioeconomic system created by interactions between political entities.

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15. THE WESTPHALIAN SYSTEM

The **Westphalian System** was established in **1648**.

It centers on **state sovereignty**.

State sovereignty means:

Every country has:

- Full authority over its territory
- No outside interference

The system is recognized in the **UN Charter** and upholds that:

All nations, large or small, have equal sovereign rights.

Remember:

1648 = Westphalian System

Main idea = State sovereignty

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16. WALLERSTEIN’S WORLD-SYSTEM THEORY

Immanuel Wallerstein developed **World-Systems Theory** to explain the modern capitalist world.

He divided countries into **4 groups**:

1. Core
2. Periphery
3. Semi-Periphery
4. External Areas

Memory Tip:

C-P-S-E

Core → Periphery → Semi-Periphery → External Areas

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17. THE FOUR CATEGORIES

1. THE CORE

Core countries:

- Control and exploit peripheral countries
- Obtain labor and raw materials from peripheral countries

Remember:

CORE = Control

---

2. THE PERIPHERY

Peripheral nations:

- Are dependent on core countries
- Depend on core countries for capital

Remember:

PERIPHERY = Dependent

---

3. THE SEMI-PERIPHERY

Semi-peripheries:

- Lie between the **core** and **peripheries**

Remember:

SEMI = Middle

---

4. EXTERNAL AREAS

External areas:

- Maintain their own economic systems
- Remain outside the modern world-system
- This may happen through:
    - Choice
    - Neglect

Remember:

EXTERNAL = Outside

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18. GLOBAL ECONOMIC INTEGRATION

Definition

Global Economic Integration is an agreement among different regions that usually includes:

- Lessening or abolition of trade barriers
- Coordination of monetary policies
- Coordination of fiscal policies

Easy definition:

Economic integration = Countries reducing trade barriers and coordinating economic policies.

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19. MAIN GOALS OF GLOBAL ECONOMIC INTEGRATION

There are **4 main goals**:

1. **Reduce production costs**
2. **Increase trade among countries**
3. **Improve economic growth**
4. **Strengthen international cooperation**

Memory Tip:

R-I-I-S

Reduce costs
Increase trade
Improve growth
Strengthen cooperation

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20. FACTORS AFFECTING GLOBAL ECONOMIC INTEGRATION

There are **3 factors**:

1. Improvement in Transportation and Communication

Better transportation and communication make international connections easier.

2. People’s Demand for Global Products and Services

People want products and services from different parts of the world.

3. Government Policies and International Agreements

Government policies and international agreements help countries cooperate economically.

Memory Tip:

T-D-G

Transportation & communication
Demand
Government policies & agreements

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21. ADVANTAGES OF GLOBAL ECONOMIC INTEGRATION

Global economic integration provides:

1. **Lower cost of trade**
2. **More jobs and employment opportunities**
3. **Better political cooperation**
4. **Economic growth and investment**
5. **Cultural exchange and information sharing**
6. **Faster communication through technology and the Internet**

Easy Memory:

Cost → Jobs → Politics → Growth → Culture → Communication

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22. DISADVANTAGES OF GLOBAL ECONOMIC INTEGRATION

Global economic integration may cause:

1. **Loss of some national sovereignty**
2. **Exploitation by multinational corporations**
3. **Environmental damage**
4. **Spread of diseases and human trafficking**
5. **Wider gap between rich and poor**
6. **Job outsourcing and unemployment in developed countries**

Easy Memory:

Sovereignty → Exploitation → Environment → Diseases/Trafficking → Inequality → Outsourcing

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QUICK MEMORIZATION SHEET

Global Economy

Interconnected national economies

IMF Globalization

Goods + Services + Capital + Labor + Knowledge

4 Functions

Trade – Finance – Technology – Production

IGO

Government organizations

INGO

Independent, non-profit organizations

MNC

Multinational corporation with a home base

TNC

Borderless corporation with more local decision-making

World-System

Socioeconomic system larger than one state

Westphalian System

1648 + State sovereignty

Wallerstein

C-P-S-E

- **Core** = Control
- **Periphery** = Dependent
- **Semi-Periphery** = Middle
- **External Areas** = Outside

Global Economic Integration

Reduce trade barriers + coordinate economic policies

Main Goals

Reduce costs + Increase trade + Improve growth + Strengthen cooperation

Factors

Transportation/Communication + Demand + Government

Advantages

Lower costs + Jobs + Political cooperation + Growth + Culture + Communication

Disadvantages

Sovereignty loss + MNC exploitation + Environment + Diseases/Trafficking + Rich-poor gap + Outsourcing

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MOST IMPORTANT NUMBERS TO MEMORIZE

1648 → Westphalian System

4 → Functions of Global Economy

4 → Categories of Multinationals

4 → Wallerstein's categories

3 → Factors affecting Global Economic Integration

6 → Advantages

6 → Disadvantages

⅔ → Approximate share of world exports attributed to TNCs in the material

100 years → TNCs described as a primary driving force behind economic globalization

CONTEMPORARY WORLD

GROUP 2 — MARKET INTEGRATION

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1. MARKET INTEGRATION

What is Market Integration?

Market integration is a condition in which separate markets for the same product become **one single market**.

It occurs when prices in different markets follow **similar patterns over time**.

Main Characteristics

- Different markets become closely connected.
- Prices move in similar patterns.
- Influenced by government policies.
- Changes in supply and demand affect related markets.
- Events in one market can influence other markets.
- Prices and production adjust according to market changes.

Easy Definition

Market Integration = Separate markets becoming closely connected and behaving like one market.

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2. INTERNATIONAL FINANCIAL INSTITUTION (IFI)

Definition

An **International Financial Institution (IFI)** is a financial institution:

- Founded or chartered by more than one nation

- Subject to international law
- Supports globalization and economic development
- Provides financial assistance to member countries

It includes the:

- **IMF**
- **Multilateral Development Banks (MDBs)**

IFIs help developing countries through:

- Loans
- Credits
- Grants

Easy Definition

IFI = International institutions that provide financial support for economic development.

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3. TYPES OF FINANCIAL ASSISTANCE

There are **3 types**:

1. Long-Term Loans

- Maturities of **30–40 years**
- Interest rates are **below market rates**

2. Very Long-Term Loans

- Maturities of **up to 20 years**
- Based on **market interest rates**

3. Grant Financing

Financial assistance for:

- Technical assistance
- Advisory services
- Project preparation

Memory Tip

Long-Term → 30–40 years

Very Long-Term → up to 20 years

Grant → Technical/Advisory/Projects

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4. THE INTERNATIONAL MONETARY FUND (IMF)

Important Facts

- Established in **1945**
- Central institution of the international monetary system
- Promotes international monetary cooperation
- Promotes stable exchange rates
- Provides temporary financial assistance to countries with balance of payments problems
- Helps maintain balanced expansion of world trade
- Prevents competitive currency devaluations
- Supports orderly correction of balance of payments problems
- Headquarters: **Washington, D.C.**
- Governed by its member countries

Easy Memory

IMF = Money + Monetary Cooperation + Exchange Rates + Balance of Payments

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5. MAIN ACTIVITIES OF THE IMF

According to Bhargava (2006), the IMF has **3 main activities**:

1. Monitoring

Monitors:

- Economic developments
- Financial developments
- Policies of member countries
- Global economy

2. Lending

- Provides temporary financial assistance
- Supports economic adjustment
- Supports reforms

3. Technical Assistance

- Provides governments and central banks with:
  - Technical training
  - Assistance

Memory Tip:

M-L-T

Monitoring → Lending → Technical Assistance

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6. THE WORLD BANK GROUP

Important Facts

- Established in **1945**
- Headquarters: **Washington, D.C.**
- Originally rebuilt countries after World War II
- Now focuses on:
  - Reducing poverty
  - Supporting development of nonindustrialized countries
- Owned and governed by member countries
- Governed through a **Board of Governors**

GROUP-2.pdf

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7. FIVE INSTITUTIONS OF THE WORLD BANK

1. International Bank for Reconstruction and Development (IBRD)

Provides loans to:

- Low-income countries
- Middle-income countries

Uses funds from:

- Global bonds
- Its own capital

Remember:

IBRD = Loans for low- and middle-income countries

---

2. International Development Association (IDA)

Provides:

- Grants
- Interest-free loans

For the world’s **poorest countries**.

Funding comes from:

- Donor countries
- Loan repayments

Remember:

IDA = Poorest countries + grants/interest-free loans

---

3. International Finance Corporation (IFC)

Focuses on:

- Financing private sector projects

It may:

- Take an equity stake
- Provide lending

Remember:

IFC = Private sector

---

4. Multilateral Investment Guarantee Agency (MIGA)

Encourages foreign investment in developing countries by protecting investors from:

- Political risks
- Other noncommercial risks

Remember:

MIGA = Protects investors

---

5. International Centre for Settlement of Investment Disputes (ICSID)

Helps:

- Settle disputes between investors and governments
- Provide advice to governments on attracting investment

Remember:

ICSID = Investment disputes

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8. WORLD BANK INSTITUTIONS — QUICK MEMORY

IBRD

Loans → Low & middle income

IDA

Grants + interest-free loans → Poorest countries

IFC

Private sector financing

MIGA

Protects foreign investors

ICSID

Settles investment disputes

Memory Trick:

I-I-I-M-I

Think:

Loans → Poor → Private → Protection → Disputes

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9. INTER-AMERICAN DEVELOPMENT BANK (IDB)

Important Facts

- Founded in **1959**
- Oldest regional development bank
- Has **48 member countries**
- Headquarters: **Washington, D.C.**
- Finances development projects
- Supports regional integration and trade in:
    - Latin America
    - Caribbean

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10. FOUR PRIORITY AREAS OF THE IDB

According to Bhargava (2006):

A. Promotes Competitiveness

Supports programs and policies that help countries:

- Grow
- Succeed in the global economy

B. Reforming the State

Strengthens:

- Efficiency
- Transparency
- Public institutions

C. Investing in Social Programs

Invests in social programs that:

- Magnify opportunities for the poor

D. Promotes Regional Economic Integration

Helps countries:

- Work together
- Create larger markets for goods and services

Memory Tip:

C-S-S-I

Competitiveness
State reform
Social programs
Integration

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11. IDB AND REGIONAL INTEGRATION

The IDB supports regional integration through:

- Technical cooperation
- Policy information
- Government assistance
- Trade and integration issues

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12. ASIAN DEVELOPMENT BANK (ADB)

Important Facts

- Founded in **1966**
- Headquarters: **Manila**
- Owned by its member countries
- Helps reduce poverty
- Improves living standards
- Focuses on developing countries in:
    - Asia
    - Pacific

Provides:

- Loans
- Grants
- Technical support

Easy Memory:

ADB = Asia + Pacific + Development

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13. AFRICAN DEVELOPMENT BANK (AfDB)

Important Facts

- Founded in **1964**
- Headquarters: **Abidjan**
- Owned by **80 member countries**
- Includes:
  - More than 50 African countries
  - More than 20 countries from America, Europe, and Asia
- Promotes:
  - Social progress
  - Economic development
- Especially focuses on **Africa**

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14. CHIEF FUNCTIONS OF AfDB

A.

Creating:

- Loans
- Equity investments

For the social and economic advancement of regional member countries.

B.

Offering technical assistance for:

- Preparation of development projects
- Execution of development projects and programs

C.

Endorsing investment of:

- Public capital
- Private capital

For development purposes.

D.

Answering requests for assistance in:

- Coordinating development
- Policies
- Plans of regional member countries

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15. EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

Important Facts

- Established in **1991**
- Established in Central and Eastern Europe
- Owned by:
    - 67 countries
    - European Union
    - European Investment Bank
- Supports:
    - Private sector development
    - Economic growth
- Focuses on democratic countries
- Raises funds through:
    - Bonds
    - Debt instruments

- Invests mainly in private businesses

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16. ROLE OF IFIs IN THE CREATION OF A GLOBAL ECONOMY

IFIs were established after **World War II** to:

- Help rebuild countries
- Promote global financial cooperation

They provide:

- Financial support
- Loans
- Expert advice

Especially for economic and social development in developing countries.

IFIs also:

- Promote international economic stability
- Help manage the global financial system
- Provide research, funding, and guidance
- Help address global challenges

However, their work may face issues involving:

- Effectiveness
- Legitimacy
- Funding

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17. TWO WAYS THE IMF HELPS CREATE A GLOBAL ECONOMY

1. Promotes International Economic Cooperation

The IMF:

- Serves as a forum where countries discuss economic policies
- Develops international standards for:
  - Finance
  - Trade
  - Exchange rates
- Helps keep the global financial system stable

2. Provides Economic Monitoring and Financial Support

The IMF:

- Monitors economies of member countries
- Helps prevent financial crises
- Gives loans to countries facing:
  - Balance of payments problems
  - Economic problems
- Helps maintain global financial stability
- Supports economic growth

Memory Tip:

IMF = Cooperation + Monitoring/Support

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18. SHORT HISTORY OF GLOBAL MARKET INTEGRATION

20TH CENTURY

The **20th century** covered:

January 1, 1901 – December 31, 2000

The 10th and final century of the second millennium saw the **fastest rate of integration in human history**.

19. 19TH CENTURY: A PRELUDE

Important developments:

Marine Steam Engine & Railroads

→ Faster transportation network

Electric Telegraph

→ Installed along rail networks

Transatlantic Cable — 1866

→ Lower transaction costs

Suez Canal — 1869

→ Cut travel by **4,000 miles**

Free Trade — 1846

→ Removed UK wheat tariffs

Product Specialization

→ Countries exported specific surpluses

Easy Memory:

Steam → Telegraph → Cable → Suez → Free Trade → Specialization

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20. START OF THE 20TH CENTURY

Freest Flow of Goods & Capital

- Unprecedented growth in:
    - World trade
    - Living standards

Lower Barriers

- Reduced:
    - Tariffs
    - Transportation costs

United Kingdom as “World’s Banker”

- Owned **80% of foreign assets globally**

Capital Market

According to Krueger (2006):

- Assets equaled **20% of world GDP**

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21. FIRST AND SECOND WORLD WAR

World War I

- Disrupted trade
- Caused inflation

Great Depression — 1929

- Triggered **“beggar-thy-neighbor policies”**

World War II

- Shifted to wartime production

Memory:

WWI = Trade disruption

1929 = Great Depression

WWII = Wartime production

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22. POSTWAR SITUATION

Postwar Economic Cooperation

1. International Monetary Cooperation

- Drafted Articles for the **IMF — 1946**

2. Reconstruction and Development

- Instituted the **World Bank**
- Helped war-damaged nations

3. International Trade in Goods and Services

- Signed **GATT — 1947**
- Promoted open trade

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23. POSTWAR GLOBAL INSTITUTIONS & TRADE

IMF — 1946

- Ensured currency convertibility
- Ensured currency stability

World Bank — 1946

- Funded postwar infrastructure rebuilding

GATT / WTO — 1947

- Granted **“Most Favored Nation”** status

Preferential Trade Area (PTA)

- Reduced tariffs on selected products through trade pacts

Important Dates:

1946 → IMF + World Bank

1947 → GATT

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24. US RECONSTRUCTION & GROWTH

Point Four Program — 1949

- US technical aid for underdeveloped nations

Marshall Plan

- **$12 billion** US aid for Western Europe

Golden Age

- **25 years** of rapid global economic growth

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25. POSTWAR ECONOMIC GROWTH

1950s – Early 1970s

U.S. Economic Dominance

→ World’s leading economy

Rise of Europe & Japan

→ New economic powers

Golden Quarter Century

→ Period of rapid economic growth

Trade Liberalization

→ Reduced trade barriers

IMF Financial Assistance

→ Supported countries in economic crisis

Easy Memory:

US → Europe/Japan → Growth → Trade → IMF

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26. GLOBAL ECONOMIC CRISIS — 1970s

Inflation & Commodity Price Boom

→ Rising prices

Vietnam War Spending

→ Increased U.S. government spending

Bretton Woods Collapse — 1971

→ End of fixed exchange rate system

First Oil Crisis — 1973–1974

→ Sharp increase in oil prices

Important Dates:

1971 → Bretton Woods Collapse

1973–74 → First Oil Crisis

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27. THE LOST DECADE — 1980s

Second Oil Price Increase

→ Triggered another recession

The Lost Decade

→ Slow economic growth

Latin American Debt Crisis

→ Debt repayment crisis

Brady Plan — 1989

→ Debt relief and economic reforms

Memory:

Oil → Recession → Debt Crisis → Brady Plan

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28. RECOVERY OF THE GLOBAL ECONOMY & MAJOR GLOBAL CHANGES

Economic Recovery

→ Global economy improved

Collapse of the Soviet Union — 1991

→ End of the USSR

European Integration

→ Formation and expansion of the European Union

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29. TURN OF THE CENTURY

Internet Expansion

→ Faster global communication

E-Business & E-Commerce

→ Growth of online trade

Rise of Emerging Asia

Includes:

- China
- India
- Japan
- South Korea
- ASEAN

Global Financial Integration

→ Greater economic integration

Easy Memory:

Internet → E-Commerce → Emerging Asia → Financial Integration

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30. ATTRIBUTES OF GLOBAL CORPORATIONS

A **global corporation** is a business that operates in **two or more countries**.

It may also be called:

- Multinational Corporation (MNC)
- Transnational Corporation (TNC)
- International Company
- Global Company

1. International Companies

- Export and import products
- Usually do not invest in other countries

2. Multinational Companies (MNCs)

- Invest in other countries
- Adapt products and services to each local market

3. Global Companies

- Operate in many countries
- Market products and services worldwide

4. Transnational Companies (TNCs)

- Have foreign operations
- Allow local branches to make decisions regarding:
    - Research
    - Development
    - Marketing

Memory Tip:

International = Import/Export

MNC = Invest + Adapt

Global = Worldwide

TNC = Local branches decide

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31. ATTRIBUTES OF MNCs

Global corporations share common characteristics, especially U.S.-based MNCs.

8 Characteristics

1. Similar structure, different operations
2. Different in size and performance
3. Among the world's largest companies
4. Operate through global branches
5. Grow through mergers and acquisitions
6. Transfer resources globally
7. Research before expanding
8. Well-organized management

Memory Tip:

S-D-L-G-M-T-R-M

Similar structure
Different size/performance
Largest companies
Global branches
Mergers/acquisitions
Transfer resources
Research
Management

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32. FOUR DIMENSIONS OF CORPORATE GLOBALITY

1. Globalization of Market Presence

Refers to the degree the corporation has globalized:

- Market presence
- Customer base

Remember:

Market = Customers

---

2. Globalization of the Supply Base

Deals with:

- Extent to which a company sources from various locations
- Locating major parts of the supply chain in optimal locations around the globe

Remember:

Supply = Where resources come from

---

3. Globalization of the Capital Base

Measures the degree to which a corporation has globalized its:

- Financial structure

Remember:

Capital = Finance

---

4. Globalization of the Corporate Mindset

Measures the degree to which a corporation has globalized its:

- Financial structure

Remember:

Mindset = Global way of thinking

33. BUSINESS COMBINATION

Definition

A **business combination** happens when one company:

- Buys
- Gains control of

another company.

Two Important Terms

Acquirer
→ Company that takes control

Acquiree
→ Company being taken over

Why do companies combine?

They believe they will become **stronger together** than if they operate separately.

The acquirer may want:

- Assets
- Employees
- Technology
- Ideas

Business combinations can also help a company:

- Enter new markets
- Expand to new locations
- Stay ahead of competitors
- Prevent smaller companies from becoming future rivals

34. OBJECTIVES OF BUSINESS COMBINATION

There are **5 objectives**:

1. Increase Profits

- Improve efficiency
- Reduce costs

2. Expand the Market

- Reach more customers
- Enter new locations

3. Gain Valuable Assets

Such as:

- Technology
- Equipment
- Intellectual property

4. Reduce Competition

- Acquire competitors
- Merge with competitors

5. Achieve Economies of Scale

- Lower production costs
- Lower operating costs

Memory Tip:

Profit → Market → Assets → Competition → Scale

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35. FIVE TYPES OF BUSINESS COMBINATION

1. Horizontal Combination

Union of two or more companies that:

- Operate in the **same industry**
- Operate at the **same stage of production**

Remember:

Horizontal = Same level

---

2. Vertical Combination

Combines companies that:

- Operate at different stages
- Are part of the same supply chain

Remember:

Vertical = Different stages, same supply chain

---

3. Conglomerate Combination

Occurs when companies in:

- Completely unrelated
- Distinct industries

merge.

Remember:

Conglomerate = Unrelated industries

4. Lateral Combination

Combines businesses that deal in:

- Related
- But distinct

lines of business.

Remember:

Lateral = Related but different

5. Circular / Mixed Combination

Unites:

- Completely unrelated businesses
- Under common management

Remember:

Circular/Mixed = Unrelated businesses + common management

GROUP-2.pdf

QUICK MEMORIZATION SHEET

Market Integration

Separate markets → One connected market

IFI

International financial institution

Provides:
Loans + Credits + Grants

IMF

1945 → Monetary cooperation → Exchange rates → Balance of payments

IMF Activities:

M-L-T

- Monitoring
- Lending
- Technical Assistance

World Bank

1945 → Development + Poverty Reduction

5 Institutions:

- **IBRD** → Loans
- **IDA** → Poorest countries
- **IFC** → Private sector
- **MIGA** → Investor protection
- **ICSID** → Investment disputes

Development Banks

IDB → Latin America & Caribbean

ADB → Asia & Pacific

AfDB → Africa

European Bank → Central & Eastern Europe

IMPORTANT HISTORY DATES

1846 → Free Trade / UK wheat tariffs

1866 → Transatlantic Cable

1869 → Suez Canal

1901–2000 → 20th Century

1929 → Great Depression

1945 → IMF + World Bank established

1946 → IMF / World Bank postwar activities

1947 → GATT

1949 → Point Four Program

1959 → IDB

1964 → AfDB

1966 → ADB

1971 → Bretton Woods Collapse

1973–1974 → First Oil Crisis

1989 → Brady Plan

1991 → Collapse of Soviet Union

BUSINESS COMBINATION — SUPER EASY

Acquirer

Takes control

Acquiree

Gets taken over

Objectives

Profit → Market → Assets → Competition → Scale

Types

Horizontal → Same industry + same stage

Vertical → Same supply chain + different stages

Conglomerate → Completely unrelated industries

Lateral → Related but distinct businesses

Circular/Mixed → Completely unrelated businesses under common management

CONTEMPORARY WORLD

LESSON 4 — GLOBAL GOVERNANCE

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1. GLOBAL GOVERNANCE: A DEFINITION

According to the **Commission on Global Governance (1995)**:

Governance is:

“The sum of many ways individuals and institutions, public and private, manage their common affairs.”

Global Governance

Also called **world governance**.

It involves different actors, including:

- States
- Regional organizations
- International organizations
- Civil society
- NGOs
- Private sectors

Institutions of Global Governance include:

- **United Nations (UN)**
- **International Criminal Court (ICC)**
- **International Monetary Fund (IMF)**
- **World Bank**

Easy Definition

Global governance = Different countries, organizations, and groups cooperating to manage problems that affect the world.

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2. CONTEMPORARY GLOBAL GOVERNANCE

Global governance refers to the:

Management and regulation of relationships and issues that go beyond national borders.

IMPORTANT:

Global governance **does NOT mean there is one world government controlling all countries.**

Instead, it involves cooperation among:

- States
- International organizations
- Civil society
- NGOs
- Private sectors

It uses:

- Laws
- Policies
- Regulations
- Norms
- Institutions
- Partnerships

These help:

- Create order
- Solve common problems

Easy Memory:

Global Governance = Cooperation, NOT one world government.

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3. MAIN FEATURES OF GLOBAL GOVERNANCE

According to **Biermann and Pattberg (2008)**:

1. Emergence of New Actors and Agencies

There are new actors and agencies in addition to:

- National governments

2. New Mechanisms and Institutions

There are new mechanisms and institutions beyond traditional:

- State-led treaties

3. Segmentation and Fragmentation

Governance is increasingly divided across:

- Different levels
- Different areas

Memory Tip:

A-M-S

Actors
Mechanisms
Segmentation

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4. UNITED NATIONS (UN)

UN Roles and Functions

The **United Nations (UN)** is an:

International organization.

Important Dates

October 24, 1945
→ UN was founded

The UN is:

- The second multipurpose international organization
- Has global membership and scope

Predecessor:

League of Nations

- Established in **1919**
- Disbanded in **1946**

Easy Memory:

League of Nations → UN

1919 → League established

1945 → UN founded

1946 → League disbanded

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---

5. UN OFFICIAL LANGUAGES

The UN has **6 official languages**:

1. Arabic
2. Chinese
3. English
4. French
5. Russian
6. Spanish

Memory Tip:

A-C-E-F-R-S

Arabic
Chinese
English
French
Russian
Spanish

---

6. UN HEADQUARTERS

Main Headquarters:

New York City

Regional Offices:

- Vienna
- Geneva
- Nairobi

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7. THE UN’S FUNCTIONS

There are **5 main functions**.

1. Maintaining Peace and Security

The UN helps maintain:

- Peace
- Security

Especially at the:

- International level

---

2. Developing Friendly Relations

The UN promotes friendly relations among nations.

It is based on:

- Equal rights
- Self-determination of peoples

---

3. Achieving Global Cooperation

The UN helps solve international problems involving:

- Economic issues
- Social issues
- Cultural issues
- Humanitarian issues

---

4. Respecting and Promoting Human Rights

The UN:

- Supports human rights
- Promotes respect for human rights worldwide

---

5. Serving as a Center for Coordination

The UN:

- Serves as a center for nations
- Coordinates actions and activities
- Helps nations work toward common goals

Memory Tip:

P-F-C-H-C

Peace
Friendly relations
Cooperation
Human rights
Coordination

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---

8. THE UN’S ROLE IN GLOBAL GOVERNANCE

The United Nations plays **4 vital roles as an intellectual actor**:

1. Managing Knowledge
2. Developing Norms
3. Promulgating Recommendations
4. Institutionalizing Ideas

Memory Tip:

K-N-R-I

Knowledge
Norms
Recommendations
Ideas

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---

9. MANAGING KNOWLEDGE

The UN:

- Gathers and shares important information
- Organizes experts
- Organizes study groups
- Organizes conferences
- Helps countries understand issues
- Helps countries make decisions

- Monitors progress
- Recommends adjustments

Easy Definition:

Managing Knowledge = Collecting, sharing, and using information to help countries make decisions.

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10. DEVELOPING NORMS

The UN:

- Creates international norms
- Promotes international standards
- Gathers information about an issue before developing norms
- Encourages countries to share:
    - Views
    - Perspectives
- Includes different:
    - Cultures
    - Languages
    - Nationalities

Easy Definition:

Developing Norms = Creating and promoting international standards.

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---

11. PROMULGATING RECOMMENDATIONS

The UN:

- Provides recommendations
- Provides possible actions
- Guides:

    - States
    - Citizens
    - IGOs
- Helps address:
    - Problems
    - Policy gaps
- Consults:
    - NGOs
    - Experts
    - Other organizations

Easy Definition:

Promulgating Recommendations = Giving advice and possible actions to address global problems.

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12. INSTITUTIONALIZING IDEAS

The UN:

- Implements policies
- Monitors policies
- Turns ideas, norms, and recommendations into action
- Develops new approaches to problem-solving
- Supports long-term implementation of policies

Easy Definition:

Institutionalizing Ideas = Turning ideas and recommendations into actual policies and action.

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13. CHOOSING GOVERNANCE: IMPACT ON SOCIETY AND FUTURE

The type of government affects:

- Economic development
- Human rights
- Global relations

Understanding government systems helps citizens:

- Make informed decisions

Important Areas:

Influence on economy and policy

Citizen participation

Stability vs. freedom

Importance of civic awareness

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14. CHALLENGES OF GLOBAL GOVERNANCE IN THE 21ST CENTURY

The global environment has changed significantly.

---

15. THE CHANGING GLOBAL REALITY

1. 4x More Players

The number of independent nations has **quadrupled since 1945**.

There has also been a rise in **non-state actors**, including:

- Multinational corporations
- NGOs
- Terror groups

---

2. “Problems Without Passports”

Some problems cross borders instantly.

Examples:

- Climate change
- Financial panics
- Pandemics

These threaten:

- National security
- Individual human lives

---

3. The Needed Upgrade

Global bodies must be:

Vigorous

→ Able to absorb shocks

Tough

→ Able to bounce back when overwhelmed

Flexible

→ Able to adapt quickly to new types of threats

Easy Memory:

Vigorous = Absorb

Tough = Recover

Flexible = Adapt

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16. RAMESH THAKUR’S 6 STRUCTURAL CHALLENGES

There are **6 structural challenges**.

1. Pace Gap

Problems evolve:

Much faster than international rules can adapt.

---

2. Resource Trap

Problems are global, but:

- Legal power
- Money

to enforce solutions remain within individual countries.

---

3. Power Mismatch

Voting power in global organizations reflects the:

1945 geopolitical winners

rather than today’s actual:

- Economic leaders
- Military leaders

---

4. Influence Disconnect

Governments hold formal voting seats.

However, non-state actors can shape real outcomes, such as:

- Financial markets

- Technology giants

---

5. Trade-Off Paradox

Small groups: G7/G8

Advantage:

- Decide quickly

Problem:

- Lack global representation
- Criticized as elite, secret clubs

Large groups: UN

Advantage:

- Represent everyone

Problem:

- Slow
- Bureaucratic
- Prone to gridlock

Easy Comparison:

G7/G8 = Fast but less representative

UN = Representative but slow

---

6. North-South Divide

Geopolitical conflict has shifted from:

East vs. West

during the Cold War to:

North vs. South

North

→ Rich nations

South

→ Developing nations

This can stall progress on:

- Climate
- Trade

Memory Tip:

P-R-P-I-T-N

Pace Gap
Resource Trap
Power Mismatch
Influence Disconnect
Trade-Off Paradox
North-South Divide

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17. 1945 VS. 21ST CENTURY

1945

- Fewer countries
- Traditional state-on-state threats
- Isolated regional issues

21st Century

- **4x more nations**
- Rise of non-state actors
- Complex, networked global threats

Easy Comparison:

1945 = Fewer + State threats + Regional

Today = More + Non-state actors + Global/networked threats

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18. RELEVANCE OF THE STATE AMID GLOBALIZATION

A **state** is:

A community formed by people that exercises permanent power within a definite territory.

Modern Nation-State

The modern nation-state has long been the:

Leading form of political organization.

A state may be:

- Sovereign
- Subject to another state’s sovereignty
- Part of a federal union

Why is the state still important?

The state:

- Exercises authority
- Maintains laws and order
- Governs people within its territory

Easy Definition:

State = People + Territory + Permanent authority/government

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19. CHARACTERISTICS OF A TERRITORIAL STATE

According to the **1933 Montevideo Convention**, a state must have **4 characteristics**:

1. Permanent Population

A permanent group of people.

2. Defined Territory

A specific territory with clear boundaries.

3. Government

An authority that governs:

- The territory
- Its people

4. Capacity to Enter into Relations with Other States

Ability to establish relationships with other countries.

Important:

The political existence of a state is **independent of recognition by other states.**

Memory Tip:

P-T-G-R

Permanent population
Territory
Government
Relations with other states

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---

20. TERRITORIAL STATE ACCORDING TO ERIC HOBSBAWM (1999)

According to **Eric Hobsbawm (1999)**:

1. Defined Territory

- Separated from other states by clear borders

2. Sovereignty

- No outside authority is recognized within its territory without its agreement

3. Monopoly of Law and Coercion

- State has authority over:
  - Laws
  - Enforcement

4. Direct Government

- Central government directly rules its citizens

5. Standardization

- Laws and government policies are applied to inhabitants

6. Citizen Participation

- State represents the people
- People are the source of sovereignty and legitimacy
- Commonly through elections

Memory Tip:

T-S-L-D-S-C

Territory
Sovereignty
Law & coercion
Direct government
Standardization
Citizen participation

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21. THE WEAKENING OF THE STATE IN GLOBALIZATION

Globalization weakens state control because:

1. Global Economy and Institutions

They influence:

- National decisions

2. Technology

Technology makes:

- Borders less restrictive

3. Global Issues

Global issues require:

- International cooperation

Easy Memory:

Economy + Technology + Global Issues = Weaker State Control

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22. THE REMAINING FUNCTIONS OF THE STATE

Despite globalization, the state remains essential.

1. Redistributing Income and Wealth

Redistribution is achieved through:

- Taxation
- Public services
- Welfare programs
- Land reform
- Monetary policies

---

2. Providing Social Services

The state continues to provide:

- Education
- Health care
- Income maintenance

---

3. Reducing Inequality

According to **Hobsbawm (1999)**:

Nation-states remain more effective than global institutions in reducing:

- Regional inequalities
- Group inequalities

---

4. Supporting Social Development

Although global challenges may require:

- International cooperation

The territorial state still plays a major role in:

- Social development

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SUPER QUICK REVIEW

GLOBAL GOVERNANCE

Global governance
→ Managing relationships and issues beyond national borders.

NOT
→ One world government.

Involves
→ States + International organizations + Civil society + NGOs + Private sector

---

UNITED NATIONS

Founded: October 24, 1945

Predecessor: League of Nations

League: 1919–1946

Headquarters: New York City

Regional offices: Vienna, Geneva, Nairobi

Official languages: 6

- Arabic
- Chinese
- English
- French
- Russian
- Spanish

UN'S 5 FUNCTIONS

P-F-C-H-C

1. **P**eace and Security

2. **F**riendly Relations
3. **C**ooperation
4. **H**uman Rights
5. **C**oordination

UN’S 4 INTELLECTUAL ROLES

K-N-R-I

1. **K**nowledge
2. **N**orms
3. **R**ecommendations
4. **I**deas

21ST CENTURY GLOBAL CHALLENGES

Changing Global Reality

4x more nations

More non-state actors

Problems without passports

Examples:

- Climate change
- Financial panics
- Pandemics

Needed Global Bodies:

Vigorous → Absorb

Tough → Recover

Flexible → Adapt

RAMESH THAKUR'S 6 CHALLENGES

P-R-P-I-T-N

1. Pace Gap
2. Resource Trap
3. Power Mismatch
4. Influence Disconnect
5. Trade-Off Paradox
6. North-South Divide

STATE

Definition

Community + People + Permanent Power + Definite Territory

Montevideo Convention

P-T-G-R

1. Permanent Population
2. Defined Territory
3. Government
4. Relations with Other States

HOBSBAWM'S TERRITORIAL STATE

T-S-L-D-S-C

1. Territory
2. Sovereignty
3. Law & Coercion
4. Direct Government
5. Standardization
6. Citizen Participation

GLOBALIZATION AND THE STATE

Globalization weakens state control through:

Economy + Technology + Global Issues

But the state still:

Redistributes → Provides → Reduces → Develops

- Redistributes income and wealth
- Provides social services
- Reduces inequalities
- Supports social development

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GROUP 3 — GLOBAL INTERSTATE SYSTEM

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1. GLOBAL INTERSTATE SYSTEM

Definition

The **Global Interstate System** is an:

Institutional arrangement for governance that addresses regional or globalized issues that go beyond the scope of a nation-state.

Easy Definition

Global Interstate System = A system for managing issues that are too big for one country to handle alone.

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2. EFFECTS OF GLOBALIZATION ON GOVERNMENTS

As the world becomes more interconnected through:

- Politics
- Trade
- Communications

The role of **nation-state governments** also changes.

Therefore, national and local policies are influenced not only by:

- Local circumstances

but also by:

- International realities
- Global realities

Example:

Montreal Protocol on Substances that Deplete the Ozone Layer

This is an example of a **global treaty**.

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3. INSTITUTIONS THAT GOVERN INTERNATIONAL RELATIONS AND AFFAIRS

United Nations (UN)

- Has **192 member states** according to the material
- Seen as a facilitator of **global governance**

World Bank (WB)

- An international financial institution
- Provides loans to countries
- Loans are used for **capital projects**
- Established during the **Bretton Woods Conference**

Easy Memory:

UN = Global governance

World Bank = Loans for capital projects

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4. INTERNATIONAL RELATIONS SYSTEM

A **system of international relations** is:

A global network made up of sovereign states, international organizations, and non-state actors that interact with one another.

Main Actors:

- Sovereign states
- International organizations
- Non-state actors

Easy Definition:

International Relations System = States + Organizations + Non-state actors interacting globally.

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5. JEAN-JACQUES ROUSSEAU

Jean-Jacques Rousseau (1712–1778)

He was a **Genevan philosopher** who explained that the powers of Europe formed a kind of **“system”** that connected them through:

- Same religion
- Law of nations
- Customs
- Letters
- Commerce
- Balance

This balance was considered a necessary effect of these connections.

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6. INTERSTATE SYSTEM

The **Interstate System** is:

A system of international relations involving governments or states and their authorities.

It focuses on:

Interactions between sovereign states.

Easy Definition:

Interstate System = How sovereign states interact with one another.

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7. THREE TYPES OF INTERNATIONAL RELATIONS

International relations are divided into:

1. **Interstate Relations**
2. **Intersocietal Relations**
3. **Interpersonal Relations**

Memory Tip:

State → Society → Person

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8. INTERSTATE RELATIONS

Definition

Official actions, agreements, or commitments between governments of different states.

Examples:

- State visits
- Treaties
- International conferences
- Military aid
- Tariffs on foreign goods
- Expelling foreign journalists
- Arresting foreign nationals

Easy Definition:

Interstate = Government-to-government relations.

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9. INTERSOCIETAL RELATIONS

Definition

Relations between:

- Organizations
- Businesses
- Groups

from different countries.

Examples:

- International business transactions
- Contracts between foreign companies
- Multinational corporations
- International professional associations
- Catholic Church
- Iglesia ni Cristo

Easy Definition:

Intersocietal = Organization/group-to-organization/group relations across countries.

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10. INTERPERSONAL RELATIONS

Definition

Relations between **citizens of different countries** acting in their personal interests.

Examples:

- Migrants
- Tourists
- Foreign students
- International travelers
- International mail
- Phone calls
- Cross-border transportation

Easy Definition:

Interpersonal = Person-to-person relations across countries.

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11. THREE TYPES — QUICK COMPARISON

Type	Who interacts?	Examples
Interstate	Governments / states	Treaties, state visits
Intersocietal	Organizations / businesses / groups	MNCs, business contracts
Interpersonal	Individuals	Tourists, migrants, students

Super Easy:

InterSTATE = States

INTERsocietal = Societies/Groups

INTERpersonal = People

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12. IMPORTANCE OF THE INTERSTATE SYSTEM

The Interstate System:

1. Maintains diplomatic relations between countries.
2. Promotes international cooperation.
3. Helps resolve conflicts peacefully.
4. Supports global trade and security.
5. Strengthens cooperation through international organizations.

Memory Tip:

Diplomacy → Cooperation → Peace → Trade/Security → Organizations

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13. STATE AND GOVERNMENT

State

A **state** is a country with:

- Its own territory
- Its own people

Government

The **government** is the group that:

- Manages the country
- Creates laws

Easy Difference:

STATE = Country

GOVERNMENT = Group that manages the country

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14. GLOBALIZATION AND ECONOMIC SOVEREIGNTY

Definition

Economic sovereignty is:

The ability of a government to control its country's economy.

However, this ability can be affected by:

- Global trade
- Foreign investments

Easy Definition:

Economic sovereignty = Government's control over its economy.

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15. JOYCE S. OSLAND

According to **Joyce S. Osland (2003)**:

The key question regarding globalization and governments is:

Whether or not globalization threatens national sovereignty.

Osland also argues that:

Government matters less and less in a global economy.

Nation-states become:

Other actors on the global stage rather than its directors.

Key Idea:

Globalization may reduce the power and control of governments.

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16. YERGIN AND STANISLAW

According to **Yergin and Stanislaw (2000)**:

Global production systems and capital markets occupy the:

“Commanding heights” of global development.

This can:

- Put governments on the defensive
- Pressure governments to deregulate
- Pressure governments to downsize
- Pressure governments to privatize social management functions

Easy Memory:

Global production + Capital markets → Pressure governments

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17. POSITIVE EFFECTS OF GLOBALIZATION ON GOVERNMENT

There are **5 positive effects**:

1. Increased Economic Development

Economic development benefits some governments.

2. Increased Jobs and Infrastructure

- More jobs
- Expanded infrastructure

These benefit some countries.

3. Modern Management Techniques

Modern management techniques are transferred into the:

- Business sector

4. Greater Interdependence

Greater interdependence among:

- Trading partners
- Investment partners

may deter war.

5. Growth of NGOs

The proliferation of:

Non-Governmental Organizations (NGOs)

can counter-balance decreased governmental power.

Memory Tip:

Economy → Jobs → Management → Interdependence → NGOs

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18. NEGATIVE EFFECTS OF GLOBALIZATION ON GOVERNMENTS

There are **6 negative effects**.

1. Increased Power of MNEs

The power of **Multinational Enterprises (MNEs)** increases at the expense of:

- Government power
- Sovereignty
- Ability to regulate businesses

2. MNEs Externalize Costs

MNEs may externalize some of their costs to countries.

3. Competition for Factories and FDI

Competition for:

- Factories
- Foreign Direct Investment (FDI)

may result in governments giving too many concessions to MNEs.

4. MNEs Influence Government Policies

Some MNEs:

- Influence local government policy
- Threaten to leave if their demands are not met

5. Lower Tax Payments

MNEs may:

- Pay fewer taxes

- Incorporate where tax rates are lowest

This can deprive their own country of revenue.

6. Pressure to Reduce Taxes and Social Benefits

Governments may be pressured to:

- Reduce tax rates
- Decrease social benefits

This may affect stability.

Memory Tip:

Power → Costs → Competition → Influence → Taxes → Social Benefits

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19. GLOBALIZATION AND POLITICAL SOVEREIGNTY

Definition

Political sovereignty is:

The power of a government to govern its country.

This power may be limited by:

- International laws
- International organizations

Easy Definition:

Political sovereignty = Government's power to govern.

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20. TREATY OF WESTPHALIA

Important Date:

1648

Definition

The **Treaty of Westphalia** established the idea that:

- Every country has sovereignty
- Countries should not be interfered with by other countries

Easy Memory:

1648 = Westphalia = Sovereignty + Non-interference

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21. HUMAN RIGHTS

Definition

Human rights are:

The basic rights and freedoms that every person deserves.

These rights apply regardless of:

- Nationality
- Race
- Religion
- Gender

Easy Definition:

Human Rights = Basic rights and freedoms everyone deserves.

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22. INTERNATIONAL TREATIES

Definition

International treaties are:

Formal agreements between countries that they promise to follow.

Easy Definition:

Treaty = Formal agreement between countries.

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23. INTERNATIONAL CRIMINAL COURT (ICC)

Definition

The **International Criminal Court (ICC)** is an international court that:

- Investigates
- Prosecutes

serious crimes such as:

- Genocide
- War crimes
- Crimes against humanity

Easy Memory:

ICC = Serious international crimes

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24. INTERNATIONAL AGREEMENTS AND ECONOMIC POLICIES

These are:

Global agreements that influence or limit how governments create economic laws and trade policies.

Easy Definition:

International agreements can affect a country's economic and trade policies.

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25. CAPITAL MARKET LIBERALIZATION

Definition

Capital market liberalization is:

The free movement of money and investments between countries.

Purpose:

- Encourage economic growth

Risk:

- Carries financial risks

Easy Definition:

Capital Market Liberalization = Money and investments can move more freely between countries.

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26. WHAT IS INTERNATIONAL RELATIONS?

International Relations (IR), also called **international affairs**, is:

The study of how countries interact and work with one another.

Easy Definition:

IR = Study of how countries interact and cooperate.

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27. MAIN GOALS OF INTERNATIONAL RELATIONS

International Relations helps us understand:

1. Wars and Peace

- How wars begin
- How peace can be maintained

2. Power

- How power is used among countries

3. International Decisions

- How governments and other organizations make international decisions

These organizations are called:

- **State actors**
- **Non-state actors**

Memory Tip:

War → Power → Decisions

28. WHY IS INTERNATIONAL RELATIONS IMPORTANT?

International Relations is important because:

It helps countries work together instead of competing all the time.

4 Main Benefits

1. Promotes Successful Trade Policies

Countries:

- Buy products from one another
- Sell products to one another

2. Encourages Travel

It supports:

- Business travel
- Tourism
- Immigration

People can travel abroad to:

- Work
- Study
- Do business
- Go on vacation

3. Helps Solve Global Problems

Some problems are:

Too big for one country to solve alone.

4. Promotes Cultural Exchange and Diplomacy

Countries learn from each other through:

- Culture
- Education
- Friendly relationships

Memory Tip:

Trade → Travel → Problems → Culture

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29. WHERE IS INTERNATIONAL RELATIONS PRACTICED?

International Relations is used in many organizations.

There are **7 examples**:

1. Humanitarian Organizations

Provide help during:

- Disasters
- Wars
- Hunger

2. Government Agencies

Manage a country's:

- Relationships with other nations

3. International Corporations

Large companies that:

- Operate in different countries

4. Media Organizations

- Report international news

5. Human Rights Organizations

- Protect people's rights around the world

6. Research Centers / Think Tanks

- Study global issues
- Give advice to governments

7. Intergovernmental Organizations (IGOs)

- Organizations made up of different countries

Memory Tip:

H-G-I-M-H-R-I

Humanitarian
Government
International Corporations
Media
Human Rights
Research
IGOs

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30. WHAT ARE INTERNATIONAL INSTITUTIONS?

International institutions are:

Organizations that help manage relationships between countries.

Example:

World Trade Organization (WTO)

The WTO:

- Makes sure countries follow fair international trade rules.

Easy Definition:

International Institutions = Organizations that help manage international relationships.

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31. WHY WERE INTERNATIONAL INSTITUTIONS CREATED?

International organizations were established because many problems affect:

More than one country.

Examples:

- Financial market instability
- Trade conflicts
- Wars
- Humanitarian emergencies
- Refugee problems
- Disease outbreaks
- Climate change
- Poverty

Easy Memory:

Money → Trade → War → Humanitarian → Refugees → Disease → Climate → Poverty

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32. ARE INTERNATIONAL ORGANIZATIONS PERFECT?

Not always.

The material emphasizes that international organizations have limitations and are not perfect.

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33. INTERNATIONAL ORGANIZATIONS

Definition

Organizations that:

- Bring together countries or people
- Solve global problems
- Promote cooperation

Easy Definition:

International Organizations = Bring people/countries together to solve global problems.

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34. INTERNATIONAL NON-GOVERNMENTAL ORGANIZATIONS (INGOs)

Definition

Organizations that:

- Operate internationally
- Are not controlled by governments

Their members are:

- Individuals
- Private organizations

Easy Definition:

INGO = International organization that is not controlled by governments.

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35. INTERGOVERNMENTAL ORGANIZATIONS (IGOs)

Definition

Organizations formed by:

- Different countries

through:

- Agreements
- Treaties

They work together on:

- International issues

Easy Definition:

IGO = Countries forming an organization through agreements or treaties.

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36. INGO VS. IGO

INGO	IGO
Not controlled by governments	Formed by governments/countries
Members are individuals or private organizations	Countries are members
Operates internationally	Works through agreements/treaties
Example category: NGOs	Example category: UN

Super Easy:

INGO = Independent from government

IGO = Governments together

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37. FUNCTIONS OF INTERNATIONAL ORGANIZATIONS

International organizations perform different tasks to help countries:

- Work together
- Solve global problems

Main Functions

1. **Gather information and monitor global trends**
2. **Provide services and humanitarian aid**
3. **Hold meetings for discussion and negotiation**
4. **Help resolve conflicts between countries**

Memory Tip:

Gather → Help → Discuss → Resolve

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38. ROLES OF INTERNATIONAL ORGANIZATIONS

They help to:

1. **Set international agendas**
2. **Support political discussions**
3. **Encourage cooperation among countries**
4. **Build partnerships or coalitions**

Memory Tip:

Agenda → Discussion → Cooperation → Partnership

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39. IMPORTANCE OF INTERNATIONAL ORGANIZATIONS

They are important because they:

1. Help governments work together.
2. Promote peace and cooperation.
3. Solve global problems.
4. Support economic and social development.

Memory Tip:

Work Together → Peace → Problems → Development

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40. INTERNATIONALISM

Definition

Internationalism means:

- Cooperation among countries
- Involves political, economic, and cultural relationships
- Respects each country's sovereignty or independence

Examples:

- United Nations (UN)
- ASEAN
- International peace agreements

Easy Definition:

Internationalism = Countries cooperate while respecting each country's sovereignty.

41. GLOBALISM

Definition

Globalism is an ideology that supports:

- Free movement of people
- Free movement of goods
- Free movement of services
- Free movement of information

across borders.

It:

- Encourages greater global interconnectedness
- May require countries to give up some control over national policies

Examples:

- International trade
- Global businesses
- Internet and social media

Easy Definition:

Globalism = Greater global integration and fewer barriers across borders.

42. INTERNATIONALISM VS. GLOBALISM

INTERNATIONALISM	GLOBALISM
Cooperation among countries	Global integration
Respects sovereignty	May reduce national control
Political, economic, cultural relationships	Free movement across borders
Countries negotiate together	Encourages international trade
Example: UN, ASEAN	Example: Global businesses, Internet

SUPER EASY:

Internationalism = Countries negotiate together.

Globalism = International trade with fewer barriers.

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43. HOW ARE INTERNATIONALISM AND GLOBALISM CONNECTED?

Although they are different, they often **work together**.

Both aim to:

1. Promote cooperation
2. Solve global problems
3. Encourage economic development
4. Maintain peace and stability

Many international organizations combine both ideas.

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44. EXAMPLES OF COMBINED APPROACHES

1. World Trade Organization (WTO)

- Countries cooperate through international agreements.
- Promotes global trade.
- Balances cooperation and free exchange.

WTO =

Cooperation + Free Trade

---

2. United Nations (UN)

- Promotes peace
- Promotes international cooperation
- Helps solve global issues
- Encourages countries to work together

UN =

Peace + Cooperation

---

3. 2015 Paris Climate Agreement

- Countries agreed to reduce climate change.
- Some national interests were adjusted for global welfare.

Paris Agreement =

National Interests + Global Welfare

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45. GLOBALISM’S CHALLENGES

Globalism also has disadvantages.

4 Main Challenges:

1. **Terrorism spreads more easily**
2. **Cultural conflicts**
3. **Spread of nuclear weapons**
4. **Developing countries may sacrifice national interests**

Memory Tip:

T-C-N-N

Terrorism
Cultural conflicts
Nuclear weapons
National interests

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46. GLOBAL SOUTH

The **Global South** refers to many developing countries in:

- Africa
- Latin America
- Developing countries in Asia

Easy Definition:

Global South = Many developing countries in Africa, Latin America, and Asia.

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47. FINAL COMPARISON

INTERNATIONALISM

Cooperation among countries

- Respects sovereignty
- Countries negotiate together
- Political, economic, and cultural cooperation

GLOBALISM

Global integration

- Encourages free movement across borders
- Promotes interconnectedness
- Sometimes reduces national control

EASIEST WAY TO REMEMBER:

INTERNATIONALISM = COOPERATION

GLOBALISM = INTEGRATION

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SUPER QUICK MEMORIZATION SHEET

GLOBAL INTERSTATE SYSTEM

Global governance for issues beyond one nation-state

INTERSTATE SYSTEM

Sovereign states interacting

3 TYPES OF INTERNATIONAL RELATIONS

State → Society → Person

- Interstate
- Intersocietal
- Interpersonal

STATE VS GOVERNMENT

State = Country

Government = Group managing the country

ECONOMIC SOVEREIGNTY

Government's control over the economy

POLITICAL SOVEREIGNTY

Government's power to govern

WESTPHALIA

1648 → Sovereignty + Non-interference

HUMAN RIGHTS

Basic rights and freedoms everyone deserves

INTERNATIONAL TREATY

Formal agreement between countries

ICC

Genocide + War crimes + Crimes against humanity

CAPITAL MARKET LIBERALIZATION

Free movement of money and investments

INTERNATIONAL ORGANIZATIONS

IGO

Countries + Agreements/Treaties

INGO

International + Not controlled by governments

Functions

Gather → Help → Discuss → Resolve

Roles

Agenda → Discussion → Cooperation → Partnership

Importance

Work Together → Peace → Global Problems → Development

INTERNATIONALISM VS GLOBALISM

INTERNATIONALISM

COOPERATION

Countries work together while respecting sovereignty.

GLOBALISM

INTEGRATION

Encourages free movement and greater global interconnectedness.

BOTH

Cooperation + Global problem-solving + Economic development + Peace/stability

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IMPORTANT PEOPLE & DATES

Jean-Jacques Rousseau
→ 1712–1778
→ Described Europe as a connected "system"

Treaty of Westphalia
→ 1648
→ Sovereignty and non-interference

Joyce S. Osland
→ **2003**
→ Questioned whether globalization threatens national sovereignty

Yergin and Stanislaw
→ **2000**
→ Global production systems and capital markets pressure governments

Paris Climate Agreement
→ **2015**
→ Countries agreed to reduce climate change

ONE-MINUTE REVIEW

If you need to memorize the whole lesson quickly, remember:

GLOBAL INTERSTATE SYSTEM
→ Global issues beyond one country

INTERSTATE
→ States

INTERSOCIETAL
→ Groups/organizations

INTERPERSONAL
→ People

GLOBALIZATION
→ Changes government power

ECONOMIC SOVEREIGNTY
→ Control of economy

POLITICAL SOVEREIGNTY
→ Power to govern

WESTPHALIA 1648
→ Sovereignty

INTERNATIONAL ORGANIZATIONS
→ Countries/people cooperate to solve global problems

IGO
→ Governments

INGO
→ Non-government

INTERNATIONALISM
→ Cooperation

GLOBALISM
→ Integration

BOTH
→ Cooperation + Global solutions + Development + Peace

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