

PSCI 2500 INTERNATIONAL RELATIONS
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Today

- Global trade: states, markets, and other global actors.



Global Trade and Finance

- Key questions:
 - What is the role of the state in the economy?
 - How much should countries be integrated into the global economy?
 - What constitutes global economic governance?

Who opposes free trade?

- Manufacturing workers: job protection.
- Progressives: oppose benefits for powerful corporations.

2016 Election:

Many voted for Donald Trump



Many voted for Bernie Sanders





Revival of Protectionism in the US?

- Second recent example:
 - Increase in tariffs on selected goods by the US.
 - Mostly targeting China.

Trade War?

NOTE: you do not need to memorize all the products!

- US: tariffs on imported solar panels and washing machines.
- US: tariffs on imported steel and aluminum.
- China: tariffs on fruits, nuts, pork, steel pipes.

President Trump signs off on tariffs surrounded by steel and aluminum workers.

Trade War?

- One day later: US tariffs on \$50b of Chinese imports including aerospace products, machinery, medical equipment.
- One day later: Chinese tariffs on \$50 billion of US imports including aircraft, autos, soybeans (about 1/3 of US production) and chemicals.

Trade War?

- One day later: US tariffs on \$100b of Chinese imports.
- China's strategy: target products from states that voted for Trump.

Initial Domestic Impacts

- Some steel jobs added.
- But steel prices increased.
- Jobs that depend on using steel are beginning to suffer.
- Minimal solar panel jobs were added.
- Solar panel prices increased.
- Some solar panel installers lost their jobs.

US Grievances





- Trade imbalance: we import much more from China than we export to them.
- Currency manipulation: Chinese strategy to keep the cost of their imports low.
- Intellectual property theft: \$225-\$600 billion a year.

Economists are split on whether this matters.

Economists are split on whether this is true.

There is consensus on this.

Revival of Protectionism in the US?

- There are many actors for and against.
- The key factor now is that we have a president who is sympathetic to protectionism.
- Expect it to be an issue in 2020.



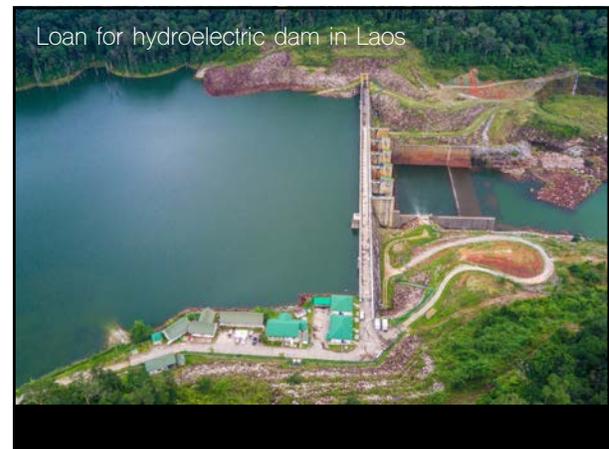
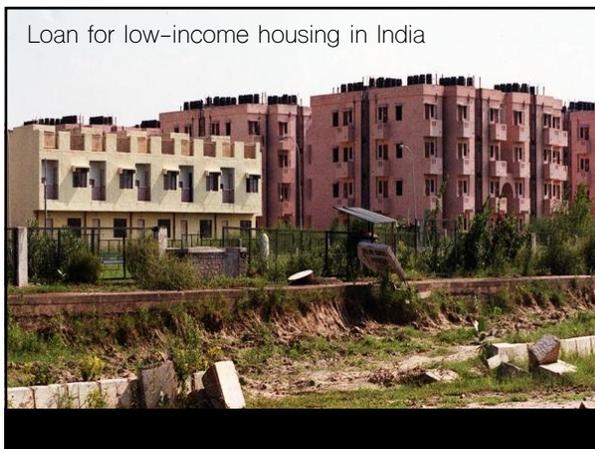
Global Economic Governance

- Recalling: Governance is "the sum of laws, norms, policies, and institutions that define, constitute, and mediate trans-border relations between states, cultures, citizens, intergovernmental and nongovernmental organizations, and the market."

International Economic Institutions

- International financial institutions (IFIs):
 - World Bank (International Bank for Reconstruction and Development)
 - Makes loans to countries to support development projects and poverty alleviation.







International Economic Institutions

- International financial institutions (IFIs):
 - International Monetary Fund (IMF)
 - Emergency assistance to countries in economic crisis.

IMF Controversy

- **** Conditionality**: conditions stipulated by the IMF or World Bank in exchange for loans.
 - Stipulations usually demand neoliberal reforms (reflecting the Washington Consensus).

International Economic Institutions

- Regional financial institutions. Examples:
 - Asian Development Bank
 - Inter-American Development Bank
 - African Development Bank
 - Islamic Development Bank



International Economic Institutions

- International trade organizations:
 - World Trade Organization (WTO)
 - Treaty organization that sets rules governing trade.
 - Dedicated to reducing barriers to free trade.



Note...

- The World Bank, the IMF, and the WTO are often referred to as the **** Bretton Woods institutions**.
- Named after the resort in New Hampshire where the World Bank and IMF were created.



A Key Global Actor

- Multinational corporations.
- Of the 100 wealthiest economic entities in the world...
- ... 69 are corporations. Only 31 are countries.

General Electric is wealthier than New Zealand.



Multinational Corporations

- The largest corporation in the world is...
- ...Walmart. It's wealthier than all but ten countries.



Walmart in Mexico City

Multinational Corporations

- Benefits:
 - Investment.
 - Jobs.
 - Economic development.
 - Transfer of technology.

Two examples from Vietnam:
Intel chip factory in Ho Chi Minh City: \$1 billion investment, 4,000 jobs.



Samsung mobile technology R & D plant, Hanoi.

100 technology students from six universities enjoy a hands-on look at Samsung's cutting-edge devices for SVMC Open Day



Multinational Corporations

- Costs:
 - Low wages.
 - Poor working conditions.
 - Environmental degradation.

Bangladeshi Sweatshop With Child Labor



Freeport MacMoRan's Grasberg Mine, West Papua, Indonesia

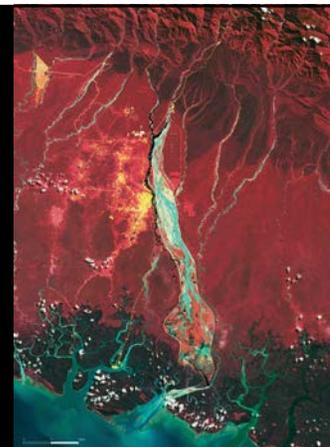


Largest gold mine, second largest copper mine in the world.

Arsenic damage in tailings* (mine runoff) from Grasberg Mine.

*200,000 metric tons daily.

Artificially colorized by satellite technology.





Sum

- We do not have effective global governance over some aspects of MNC activities.
- Such factors are sometimes addressed in free trade agreements; sometimes not.
- A rising ethic: **** corporate social responsibility**, the principle that companies have a duty to practice better business norms and use their resources for the best interests of their societies.
- A voluntary principle.