POL 160 INTERNATIONAL RELATIONS
STUDY GUIDE 4

Terms to know:

International Political Economy (IPE)—interaction between economic and political theory. Globalization—rise in the amount of goods, money, people and ideas across state borders.

Theory of Comparative advantage—David Ricardo---states using free trade and concentrating on industries in which they can make a profit produce an overall more efficient economic global system and increase consumption through efficiency.

Liberalism and comparative advantage doctrine are closely associated through the idea of global cooperation as enlighted state self-interest.

Balance of trade issues: Trade surplus; trade deficit, implications of each. Currency valuation and manipulation---benefits/drawbacks of "weak" currency vs. "strong' currency and its effect on balance of trade. What is mercantilism? What is neomercantilism? Relate international trade theory to more statist concepts of IR: How does realism and Marxism see "free trade?" What is "fair" trade? Feminist theory and global trade—what is microlending? Why is this particularly often a women's issue?

Subsidies, tariffs, quotas, Voluntary export restrains (VER'S), economic and environmental regulation—all forms of protectionism.

The Bretton Woods agreements (1946). Introduction of GATT (General Agreements on Tariffs and Trade). U.S. led agreement to promote rebuilding of world economies, increasing wealth, lowering possibility of future conflicts. Limited economic competition/protectionism to tariff agreements, eliminating or curtailing subsidies/quotas and other forms of protectionist policies. Explicitly replaced "reciprocal" retaliatory tariff schemes employed since WWI and the interwar years. Gradual lowering of tariffs—concession to political reality, allowing European nations and Japan to slowly regain market share and lessen protectionist policies as their economies improved. Application of hegemonic stability principle. U.S. led program with the power of enforcement as inheritor of Great Britain's dominant economic role around the turn of the 20th century.

"Most favored nation" status/principle. No member state could be treated less well than all the others. Problems with GATT—no applicability to agriculture, a particular issue for developing countries vs. advanced democracies such as US, Japan, France.

IMF (International Monetary Fund) to lend money for long term development projects. Financing development efforts---debt crises.

Evolution of GATT to the World Trade Organization (WTO)---more enforcement power through dispute mediation and potential imposition of compensatory tariffs when a particular state's practice was ruled unfair—U.S. most often plaintiff and defendant in fair trade mediation.

Regional FTA (Free Trade Area): NAFTA for example. Exempts signature states from even the most favored nation status tariffs within the free trade area. Criticized in the U.S. as too favorable to Mexico and Canada.

Reasons for a nation state to favor or oppose free trade on principle

Global finance—stability vs. floating flexible exchange rates. History of the use of "gold standards." Vs. floating exchange. Global currency—evolution from precious metals to "hard" currency. US reasons for abandoning the gold standard during the Nixon administration. Value of having a strong currency vs. a weak currency. China and currency manipulation

Defining poverty---absolute measures vs. relative measures.

Per capita GDP; Purchasing power parity (PPP), Human Development Index, Gini Coefficient for inequality,

Main development strategies in the latter half of the 20th century---import substitution, state socialism and perhaps most successful---export led growth.

Import substitution---Examples of countries which have developed raw materials without gaining widespread economic development: Nigeria, Bahrain, the Gulf States

State socialism---USSR five year plans; Chinese development from Mao Zedong Cultural Revolution and planned economy to Deng Xiaoping's economic reforms of the Communist party

Washington consensus---free trade, government non intervention challenged by more "statist" theories—"the developmental state"---Japan, China, examples.

Export led growth--the "four tigers"—Singapore, South Korea, Taiwan, Hong Kong

Direct and indirect foreign investment. Direct foreign aid/bilateral agreements. OECD nation with the lowest percentage of GDP donated to foreign aid? U.S. foreign aid recipients. World Bank evolution. IBRD and IDA—different focuses depending on borrower state's ability to pay.