Meaning of Global Economy

Global economy can be defined as **the sum of activities that take place both within a country and between different countries**. Each country is a separate unit, with its own industrial production, labor market, financial market, resources and environment.

The **world economy** or the **global economy** is the economy of all humans of the world, referring to the global economic system which includes all economic activities which are conducted both within and between nations, including production, consumption, economic management, work in general, exchange of financial values and trade of goods and services.

In some contexts, the two terms are distinct "international" or "global economy" being measured separately and distinguished from national economies while the "world economy" is simply an aggregate of the separate countries' measurements. Beyond the minimum standard concerning value in production, use and exchange, the definitions, representations, models and valuations of the world economy vary widely.

Prof. Nilofar Sayyad

It is inseparable from the geography and ecology of planet Earth.

Components of global economy

The growth in cross-border economic activities takes five principal forms:

(1) international trade;

(2) foreign direct investment;

(3) capital market flows;

(4) migration (movement of labor); and

(5) diffusion of technology

5 Components of Current International Economics

- Microeconomics vs. Macroeconomics.
- International Trade.
- International Finance.
- Multinational Corporations.
- Increasing Globalization of Currency and Economic Systems.

Theory of hegemonic stability-

Hegemonic stability theory (HST) is **a theory of international relations, rooted in research from the fields of political science, economics, and history**. HST indicates that the international system is more likely to remain stable when a single state is the dominant world power, or hegemon.

Thus, the end of hegemony (dominance) diminishes the stability of the international system. As evidence for the stability of hegemony, proponents of HST frequently point to the Pax Britannica and Pax Americana, as well as the instability prior to World War I (when British hegemony was in decline) and the instability of the interwar period (when the American hegemon retrenched itself from world

Hegemonic Stability Theory

Pax Britannica
(1815-1914)

Pax Americana
(1945-1971)

- Liberals: Overcome free rider and supply collective goods
- Mercantilists: Provide security and cooperation

Differences among National Economies- The national economies that make up the global economy are remarkably diverse. The standard of living, **GDP per capita**, to quantify are factors of diversity. The Macroeconomic Perspective, we must consider using **purchasing power parity** or "international dollars" to convert average incomes into comparable units. Purchasing power parity, as formally defined in Exchange Rates and International Capital Flows, takes into account the fact that prices of the same good are different across countries. The Macroeconomic Perspective explained how to measure GDP, the challenges of using GDP to compare standards of living, and the difficulty of confusing economic size with distribution. E. g

Market oriented capitalism-

Capitalism- The economic system in which businesses are owned and run for profit by individuals and not by the state.

A **market economy** is an economic system in which the decisions regarding investment, production and distribution to the consumers are guided by the price signals created by the forces of supply and demand, where all suppliers and consumers are unimpeded by price controls or restrictions on contract freedom.

The major characteristic of a market economy is the existence of factor markets that play a dominant role in the allocation of capital and the factors of production.

Developmental capitalism- Developmental capitalism is not only a question of a shared vision of economic nationalism and a shared strategy of national growth among economic and political elites, and their cooperation. Its success also depends on the degree of mobilization and integration in the population.

Post-war Japan saw little continuity in the social basis of developmental capitalism, which was institutionalized in two steps following the socio-political crisis of 1960. In the first period of 1960–1973, national economic growth was redefined from a project for national greatness depending on individual sacrifice into a path of shared growth towards general well-being.

Then, during the late 1970s and 1980s, the social basis was strengthened through the institutionalization of the Japanese way of life. The social basis of developmental capitalism in Japan is showing symptoms of stress. Provided that the current return to growth is not a short-term interlude, these symptoms may be overcome and an adapted version of developmental capitalism reestablished. However, in the medium term, demographic development and the end of general social upward mobility may well lead to a disintegration of the social basis of developmental capitalism.

Social market capitalism

Social capitalism is any capitalist system that is structured with the ideology of liberty, equality, and justice. Instead of aiming to accumulate only economic forms of capital, it explicitly values all forms of capital, including social capital, human capital, and natural capital. Instead of maximising profit for the 1%, it involves profit maximisation for all of society. This eliminates externalities and stops labour, and therefore humans, from being treated as a commodity. This form of capitalism could be called moral capitalism.

Functions of GATT

General Agreement on Tariffs and Trade (GATT) The General Agreement on Tariffs and Trade (GATT), signed on October 30, 1947, by 23 countries, was a legal agreement minimizing barriers to international trade by eliminating or reducing quotas, tariffs, and subsidies while preserving significant regulations. The GATT was intended to boost economic recovery after World War II through reconstructing and liberalizing global trade.

The GATT went into effect on January 1, 1948. Since that beginning it has been refined, eventually leading to the creation of the World Trade Organization (WTO) on January 1, 1995, which absorbed and extended it. By this time 125 nations were signatories to its agreements, which covered about 90% of global trade.

The Council for Trade in Goods (Goods Council) is responsible for the GATT and consists of representatives from all WTO member countries. As of September 2020, the chair of the Goods Council is Swedish Ambassador Mikael Anzén. The council has 10 committees that address subjects including market access, agriculture, subsidies, and anti-dumping measures.

The General Agreement on Tariffs and Trade (GATT) was signed by 23 countries in October 1947, after World War II, and became law on Jan. 1, 1948.

The purpose of the General Agreement on Tariffs and Trade (GATT) was to make international trade easier.
The General Agreement on Tariffs and Trade (GATT) held eight rounds in total from April 1947 to December 1993, each with significant achievements and outcomes.

In 1995, the General Agreement on Tariffs and Trade (GATT) was absorbed into the World Trade Organization (WTO), which extended it.

Understanding the General Agreement on Tariffs and Trade (GATT)
The GATT was created to form rules to end or restrict the most costly and undesirable features of the prewar protectionist period, namely quantitative trade barriers such as trade controls and quotas. The agreement also provided a system to arbitrate commercial disputes among nations, and the framework enabled a number of multilateral negotiations for the reduction of tariff barriers. The GATT was regarded as a significant success in the postwar years.

Functions of WTO-

1. administering trade agreements.
2. acting as a forum for trade negotiations.
3. settling trade disputes.
4. reviewing national trade policies.
5. building the trade capacity of developing economies.
6. cooperating with other international organizations.

The Uruguay round and world trade organization:

The seeds of the Uruguay Round were sown in November 1982 at a ministerial meeting of GATT members in Geneva. Although the ministers intended to launch a major new negotiation, the conference stalled on agriculture and was widely regarded as a failure.

The round covered to extend the trading system into several new areas, notably trade in services and intellectual property, and to reform trade in the sensitive sectors of agriculture and textiles.

The 15 original Uruguay Round subjects

1. Tariffs
2. Non-tariff barriers
3. Natural resource products
4. Textiles and clothing
5. Agriculture
6. Tropical products
7. GATT articles
8. Tokyo Round codes
9. Anti-dumping
10. Subsidies
11. Intellectual property
12. Investment measures
13. Dispute settlement
14. The GATT system
15. Services

Trade Blocs:

A **trade bloc** is a type of intergovernmental agreement, often part of a regional intergovernmental organization, where barriers to trade (tariffs and others) are reduced or eliminated among the participating states.

Trade blocs can be stand-alone agreements between several states (such as the North American Free Trade Agreement) or part of a regional organization (such as the European Union). Depending on the level of economic integration, trade blocs can be classified as preferential trading areas, free-trade areas, customs unions, common markets, or economic and monetary unions.

European Union

The European Union is a political and economic union of 27 member states that are located primarily in Europe. The union has a total area of 4,233,255.3 km^2 and an estimated total population of about 447 million.

The **European Union** (**EU**) is a political and economic union of 27 member states that are located primarily in Europe. The EU promotes democratic values in its member nations and is one of the world's most powerful trade blocs. Nineteen of the countries share the euro as their official currency.

The EU grew out of a desire to strengthen economic and political cooperation throughout the continent of Europe in the wake of World War II.

The EU's gross domestic product (GDP) totaled $14.45 trillion euros in 2021. That's about $15.49 trillion dollars. The GDP of the U.S. for the same period was about $23 trillion.

The EU traces its roots to the European Coal and Steel Community, which was founded in 1950 and had just six members: Belgium, France, Germany, Italy, Luxembourg, and the Netherlands. It became the European Economic Community in 1957 under the Treaty of Rome and subsequently was renamed the European Community (EC).

Organisation for Economic Co-operation and Development-

The Organisation for Economic Co-operation and Development is an intergovernmental organization with 38 member countries, founded in 1961 to stimulate economic progress and world trade.

The Organisation for Economic Co-operation and Development (OECD) is an international organisation that works to build better policies for better lives.

From improving economic performance and creating jobs to fostering strong education and fighting international tax evasion, we provide a unique forum and knowledge hub for data and analysis, exchange of experiences, best-practice sharing, and advice on public policies and **international standard-setting**.

OECD and India

A wide range of indicators on agriculture, development, economy, education, energy, environment, finance, government, health, innovation and technology, jobs and society.

A wide range of indicators on agriculture, development, economy, education, energy, environment, finance, government, health, innovation and technology, jobs and society.

India is set for a modest recovery after a loss of momentum, as reforms to simplify taxation, lighten business regulations and upgrade infrastructure start to bear fruit.

OECD's periodic surveys of the Indian economy. Each edition surveys the major challenges faced by the country, evaluates the short-term outlook, and makes specific policy recommendations. Special chapters take a more detailed look at specific challenges.

OECD-India Experts Forum on Corporate Governance

Reform efforts to increase quality jobs and incomes

Economic Outlook for Southeast Asia, China and India- It is a regular publication on regional economic growth and development in Emerging Asia. It focuses on the economic conditions of Association of Southeast Asian Nations (ASEAN) members: Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam, as well as China and India.

It comprises two main parts. The first part presents the regional economic monitor, depicting the economic outlook and macroeconomic challenges in the region. The second part consists of special thematic chapters addressing a major issue facing the region. The 2022 edition addresses financing sustainable recovery from the COVID-19 pandemic.

The COVID-19 pandemic is proving to be extremely costly, both economically and socially and sustainable financing solutions are crucial for an equitable and inclusive recovery. The report explores how governments can obtain additional financing by harnessing bond markets, and use green, social and sustainability bonds to achieve policy objectives.

OPEC- The Organization of the Petroleum Exporting Countries is an intergovernmental organization of 13 countries. Founded on 14 September 1960 in Baghdad by the first five members, it has, since 1965, been headquartered in Vienna, Austria, although Austria is not an OPEC member state.

Headquarters: Vienna, Austria
Founded: September 1960, Baghdad, Iraq
Founders: Juan Pablo Pérez Alfonzo, Abdullah Tariki

June 2022
The OPEC MOMR (monthly oil market report) provides a detailed analysis of oil market developments, including oil supply and demand levels, and trends in the world economy.

OPEC is a permanent intergovernmental organization of 13 oil-exporting developing nations that coordinates and unifies the petroleum policies of its Member Countries.

- **Member Countries**
  - Algeria
  - Angola
  - Congo
  - Equatorial Guinea
  - Gabon
  - Iran
  - Iraq
  - Kuwait
  - Libya
  - Nigeria
  - Saudi Arabia
  - United Arab Emirates
  - Venezuela

SAARC- The South Asian Association for Regional Cooperation (SAARC) is **an economic and political organization of eight countries in South Asia**. It was established in 1985 when the Heads of State of Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka formally adopted the charter.

South Asian Association for Regional Cooperation (SAARC)
History

The South Asian Association for Regional Cooperation (SAARC) is an economic and political organization of eight countries in South Asia. It was established in 1985 when the Heads of State of Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka formally adopted the charter. Afghanistan joined as the 8th member of SAARC in 2007. To date, 18th Summits have been held and Nepal's former Foreign Secretary is the current Secretary General of SAARC. The 19th Summit will be hosted by Pakistan in 2016.

Objectives

SAARC aims to promote economic growth, social progress and cultural development within the South Asia region. The objectives of SAARC, as defined in its charter, are as follows:

- Promote the welfare of the peoples of South Asia and improve their quality of life
- Accelerate economic growth, social progress and cultural development in the region by providing all individuals the opportunity to live in dignity and realise their full potential
- Promote and strengthen collective self-reliance among the countries of South Asia
- Contribute to mutual trust, understanding and appreciation of one another's problems
- Promote active collaboration and mutual assistance in the economic, social, cultural, technical and scientific fields
- Strengthen co-operation with other developing countries

Association of Southeast Asian Nations

ASEAN officially the Association of Southeast Asian Nations, is a political and economic union of 10 member states in Southeast Asia, which promotes intergovernmental cooperation and facilitates economic, political, security, military, educational, and sociocultural integration between its members and countries in Asia-Pacific. ASEAN's primary objective was to accelerate economic growth and through that social progress and cultural development. A secondary objective was to promote regional peace and stability based on the rule of law and the principle of United Nations charter. With some of the fastest growing economies in the world, ASEAN has broadened its objective beyond the economic and social spheres.

Headquarters: Jakarta, Indonesia

Founded: 8 August 1967, Bangkok, Thailand

Founders: Narciso Ramos, Abdul Razak Hussein, S. Rajaratnam, Thanat Khoman, Adam Malik

The Association of Southeast Asian Nations (ASEAN) is a regional grouping that aims to promote economic and security cooperation among its ten members: **Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam**.

North American Free Trade Agreement (NAFTA), controversial trade pact signed in 1992 that gradually eliminated most tariffs and other trade barriers on products and services passing between the United States, Canada, and Mexico.

Participants: Canada Mexico United States
Key People: Bill Clinton Carlos Salinas de Gor
Date: 1992

The North American Free Trade Agreement was an agreement signed by Canada, Mexico, and the United States that created a trilateral trade bloc in North America. The agreement came into force on January 1, 1994, and superseded the 1988 Canada–United States Free Trade Agreement between the United States and Canada. Wikipedia

Member states: Canada; Mexico; United States
Languages: English; Spanish; French

Impact of trade wars in liberalized economy- International trade between developed countries and developing countries is to a large degree inter-industry trade, so that, at the macroeconomic level, goods produced in one sector are exchanged for goods produced in another sector. To be able to capture this aspect of international trade, we use a model with two sectors, two factors of production and two countries.

Trade War – e.g US and China
India- make in India

Challenges and opportunities in trade- the multilateral principle of international trade, trade relations are organized around the principle of nondiscrimination, namely the most-favored-nation (MFN) treatment that is embodied originally in the General Agreement of Tariffs and Trade (GATT), the latter of which has since been subsumed by the establishment of the World Trade Organization (WTO) in 1995.

Regional blocs, on the other hand, are thought to be discriminatory since they involve some form of preferential treatment to members of the arrangement. Under GATT, provisions for regional trade agreements (RTAs) that underscore trade blocs are speltled out in Article XXIV.

These provisions enable countries to form free trade agreements (FTAs) under certain conditions such as the facilitation of trade between FTA members such that they do not raise barriers to the trade of other contracting parties.

Developments in international trade theory-

I. Balance-of-Payments Theory- One branch of international-trade theory is usually called international-monetary theory and is concerned with the way in which equilibrium in the balance of payments is maintained or can be maintained.

II. Balance of trade (BoT) is the difference that is obtained from the export and import of goods. Balance of payments (BoP) is the difference between the inflow and outflow of foreign exchange. Transactions related to goods are included in BoT. Transactions related to transfers, goods, and services are included in BoP.

Bilateral trade agreements

- Bilateral trade agreements are between countries to promote trade and commerce. They eliminate trade barriers such as tariffs, import quotas, and export restraints in order to encourage trade and investment.

- The main advantage of bilateral trade agreements is an expansion of the market for a country's goods through concerted negotiation between two countries.

- Bilateral trade agreements can also result in the closing down of smaller companies unable to compete with large multinational corporations.

- In the United States, the Office of Bilateral Trade Affairs minimizes trade deficits through negotiating free trade agreements with new countries, supporting and improving existing trade agreements, promoting economic development abroad, and other actions.

Multi lateral trade agreements

Multilateral trade agreements are commerce agreements among three or more nations. The agreements reduce tariffs and make it easier for businesses to import and export. Since they are among many countries, they are difficult to negotiate.

Multilateral trade agreements strengthen the global economy by making developing countries competitive.

They standardize import and export procedures, giving economic benefits to all member nations.

Their complexity helps those that can take advantage of globalization, while those who cannot often face hardships.

International Trade Laws

International contract of sale of goods transactions- United Nations Convention on Contracts for the International Sale of Goods, sometimes known as the Vienna Convention, is a multilateral agreement that establishes a uniform framework for international commerce. As of 2022, it has been approved by 95 countries, representing two-thirds of world trade.

International Trade Insurance

Export credit insurance (ECI) protects an exporter of products and services against the risk of non-payment by a foreign buyer. ECI significantly reduces the payment risks associated with doing business internationally by giving the exporter conditional assurance that payment will be made if the foreign buyer is unable to pay. Simply put, exporters can protect their foreign receivables against a variety of risks that could result in non-payment by foreign buyers.

ECI generally covers commercial risks (such as insolvency of the buyer, bankruptcy, or protracted defaults/slow payment) and certain political risks (such as war, terrorism, riots, and revolution) that could result in non-payment. ECI also covers currency inconvertibility, expropriation, and changes in import or export regulations. ECI is offered either on a single-buyer basis or on a portfolio multi-buyer basis for short-term (up to one year) and medium-term (one to five years) repayment periods.

Coverage

Short-term ECI, which provides 90 to 95 percent coverage against commercial and political risks that result in buyer payment defaults, typically covers

(a) consumer goods, materials, and services up to 180 days, and

(b) small capital goods, consumer durables, and bulk commodities up to 360 days.

Medium-term ECI, which provides 85 percent coverage of the net contract value, usually covers large capital equipment up to five years. ECI, the cost of which is often incorporated into the selling price by exporters, should be a proactive purchase, in that exporters should obtain coverage before a customer becomes a problem.

ECI policies are offered by many private commercial risk insurance companies as well as the Export-Import Bank of the United States (EXIM), the government agency that assists in financing the export of U.S. goods and services to international markets. U.S. exporters are strongly encouraged to shop for a specialty insurance broker who can help them select the most cost-effective solution for their needs. You may also buy ECI policies directly from EXIM.

International Patents

PCT – The International Patent System

The Patent Cooperation Treaty (PCT) assists applicants in seeking patent protection internationally for their inventions, helps patent offices with their patent granting decisions, and facilitates public access to a wealth of technical information relating to those inventions.

International Trademarks

An International Registration allows trademark owners to register their trademarks in multiple jurisdictions (contracting parties) with a single, uniform application filed through a centralized filing system administered by the WIPO (World Intellectual Property Organization) International Bureau.

The intellectual property office of each designated country has 12 or 18 months (under the Madrid Protocol) to grant or refuse protection under the International Registration and to communicate its decision to the trademark owner.

International Registrations also may be renewed in all designated countries with one electronic filing through the Madrid System.

International Copyright

International Copyright Registration

Copyright of nationals or entities of countries who are members of the Berne Convention for the Protection of Literary and Artistic Works, Universal Copyright Convention and the TRIPS (The Agreement on Trade-Related Aspects of Intellectual Property Rights is between all the member nations of the World Trade Organization.) Agreement are protected in India through the International Copyright Order. Hence, copyright of works of the countries mentioned in the International Copyright Order are protected in India, as if such works are Indian works. Also, India has become a member of many international conventions on copyright to provide copyright protection for Indian works in foreign countries.

- **Berne Convention for the Protection of Literary and Artistic works.**
- **Universal Copyright Convention.**
- **Convention for the Protection of Producers of Phonograms against Unauthorised Duplication of their Phonograms.**
- **Multilateral Convention for the Avoidance of Double Taxation of Copyright Royalties.**
- **Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement.**

International Neighboring Rights:

1. The rights of performers (for example, actors, singers or musicians) to give or withhold consent to the exploitation of their performances.

2. The rights of producers of sound recordings and films to give or withhold consent to the reproduction of their recordings or films.

3. The rights of broadcasters or cable programme makers to authorise or prohibit the use of their programmes.

In most European countries (excluding the UK) the manufacturers of blank recording media, such as tape cassettes and blank recordable CDs and DVDs or devices containing hard drive storage, are required to pay levies which are then distributed to rights owners. These are also neighbouring rights.

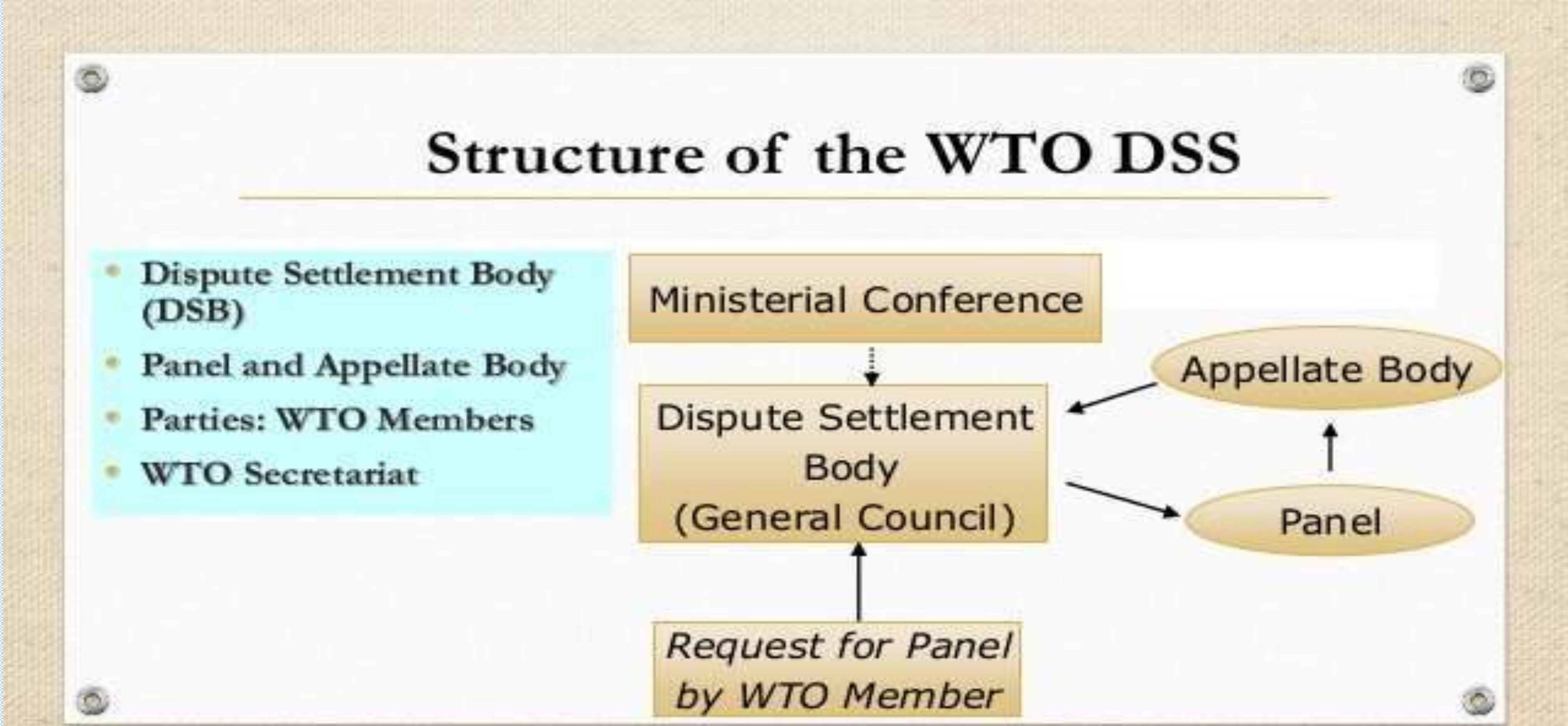
Intellectual Property Rights- International intellectual property law refers to a set of laws that govern the creation, protection, sharing, and use of intellectual property (IP) in the global context. IP is intangible property created through mental work, such as an invention, creative work, design, or idea.

- Intellectual property rights are the rights given to persons over the creations of their minds. They usually give the creator an exclusive right over the use of his/her creation for a certain period of time.

- IPR provide certain exclusive rights to the inventors or creators of that property, in order to enable them to reap commercial benefits from their creative efforts or reputation. There are several types of intellectual property protection like patent, copyright, trademark, etc.

- Intellectual property (IP) pertains to any original creation of the human intellect such as artistic, literary, technical, or scientific creation.

Dispute settlement process under GATT and WTO-



India’s Disputes in WTO

•India has so far been a direct participant in 54 disputes, and has been involved in 158 as a third party.

•In February 2019, the body said it would be unable to staff an appeal in a **dispute between Japan and India** over certain safeguard measures that India had imposed on imports of iron and steel products.

WTO’s Appellate Body:

- The Appellate Body, **set up in 1995,** is a **standing committee of seven members** that presides over appeals against judgments passed in trade-related disputes brought by WTO members.

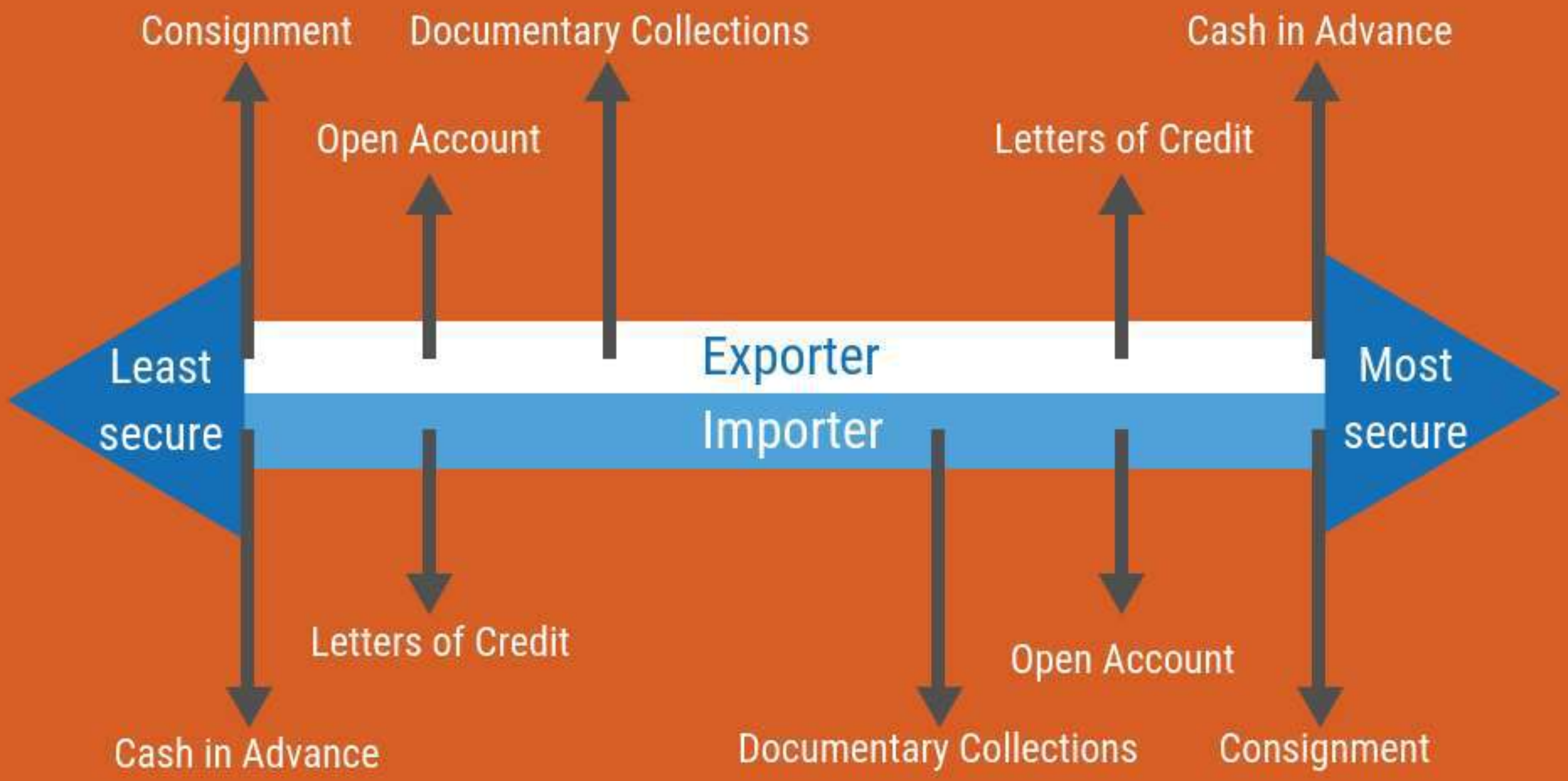
- Countries involved in a dispute over measures purported to break a WTO agreement or obligation can approach the Appellate Body if they feel the report of the panel set up to examine the issue needs to be reviewed on points of law.

- However, existing evidence is not re-examined but legal interpretations are reviewed.

- The Appellate Body can uphold, modify, or reverse the legal findings of the panel that heard the dispute. Countries on either or both sides of the dispute can appeal.

- The Appellate Body has so far issued 152 reports. The reports, once adopted by the WTO’s dispute settlement body, are final and binding on the parties.

Payments system in International Trade



•International trade presents a spectrum of risk, which causes uncertainty over the timing of payments between the exporter (seller) and importer (foreign buyer).

•For exporters, any sale is a gift until payment is received.

•Therefore, exporters want to receive payment as soon as possible, preferably as soon as an order is placed or before the goods are sent to the importer.

•For importers, any payment is a donation until the goods are received.

•Therefore, importers want to receive the goods as soon as possible but to delay payment as long as possible, preferably until after the goods are resold to generate enough income to pay the exporter.

International Labour Organization

The International Labour Organization is a United Nations agency whose mandate is to advance social and economic justice through setting international labour standards. Founded in October 1919 under the League of Nations, it is the first and oldest specialised agency of the UN.

Headquarters: Geneva, Switzerland
Director-general: Guy Ryder
Abbreviation: ILO
Founder: Paris Peace Conference
Founded: 1919
Award(s): Nobel Peace Prize (1969)
Parent organization: United Nations General Assembly; United Nations Economic and Social Council

The only tripartite U.N. agency, since 1919 the ILO brings together governments, employers and workers of 187 member States , to set labour standards, develop policies and devise programmes promoting decent work for all women and men.

The main aims of the ILO are to promote rights at work, encourage decent employment opportunities, enhance social protection and strengthen dialogue on work-related issues.

The International Labour Organization (ILO) is devoted to promoting social justice and internationally recognized human and labour rights, pursuing its founding mission that social justice is essential to universal and lasting peace.

Four strategic objectives at the heart of the Decent Work agenda

1. Set and promote standards and fundamental principles and rights at work
2. Create greater opportunities for women and men to decent employment and income
3. Enhance the coverage and effectiveness of social protection for all
4. Strengthen tripartism and social dialogue

International Labour Law: International labour law is the body of rules spanning public and private international law which concern the rights and duties of employees, employers, trade unions and governments in regulating the workplace.

The International Labour Organization and the World Trade Organization have been the main international bodies involved in reforming labour markets. The International Monetary Fund and the World Bank have indirectly driven changes in labour policy by demanding structural adjustment conditions for receiving loans or grants.

Issues regarding Conflict of laws arise, determined by national courts, when people work in more than one country, and supra-national bodies, particularly in the law of the European Union, has a growing body of rules regarding labour rights.

Associated with the development of successful international labour standards is proper monitoring and enforcement of labour standards. Most monitoring occurs through the ILO, but domestic agencies and other NGOs also play a role in the successful monitoring of international labour standards.

International labour law

- **International labour law (also called "labour standards")** ***<u>is the body of rules spanning public and private international law which concern the rights and duties of employees, employers, trade unions and governments in regulating the workplace.</u>***

International Monetary System

- An international monetary system is a set of internationally agreed rules, conventions and supporting institutions that facilitate international trade, cross border investment and generally the reallocation of capital between states that have different currencies.

- International monetary systems refer to the operating systems of the financial environment that consist of financial institutions, multinational corporations, and investors.

- It consists of four elements: exchange arrangements and exchange rates; international payments and transfers relating to current international transactions; international capital movements; and international reserves. The essential purpose of the IMS is to facilitate the exchange of goods, services and capital among countries.

What is the International Monetary System?

- The international monetary system refers to the institutional arrangements that countries adopt to govern exchange rates
- A floating exchange rate system exists when a country allows the foreign exchange market to determine the relative value of a currency
  - the U.S. dollar, the EU euro, the Japanese yen, and the British pound all float freely against each other
  - their values are determined by market forces and fluctuate day to day

Reform of international monetary affairs

- International Monetary Fund would work as a world Central Bank. Countries which now hold foreign exchange as part of their reserves will be required to hold an increasing proportion of their foreign exchange assets as deposits in the IMF. Thus, IMF will get reserves and the Central Banks will be credited with deposits.

- The historic shift of global activity and finance from advanced economies to emerging and developing economies and their rising financial integration will impact global liquidity.

- In the near term, the prospects and timing of the Federal Reserve's further "lift-off" are immediate factors. Coupled with renewed concerns about retrenchment in global markets already affected by ongoing regulatory reforms, they have increased financial market uncertainties.

- there is no shortage of international liquidity. This is largely because the chronic deficits in the United States' balance of payments have resulted in an outflow of dollars and gold to the rest of the world.

Controversy over regulation of international finance

- The 2008 global financial crisis was exceptionally severe in the magnitude, breadth, and persistence of its effects, but it is one in a long series of financial crises stretching back centuries.

- Not only do crises cause financial losses for professional investors; more importantly, they impose high human costs for those who lose their jobs, homes, and savings.

- To protect their citizens, governments generally adopt an array of financial regulations designed to reduce the risk of a failure that could vibrate across the economy. These include balance-sheet standards, insider trading rules, broader conflict-of-interest laws, and consumer protections.

- The global scope of modern finance creates at least four major complications for national regulators and supervisors.

- First, it is hard to assess the operations of financial institutions that extend beyond their home

Exchange rate policies of developing economies- According to the IMF, in the mid-1970's approximately 85 percent of developing countries had involved in exchange-rate arrangements.

Since then, the situation has changed drastically; today most developing countries have either managed floats or flexible exchange rates. Argentina, Hong-Kong, and a few others may persevere with their currency boards; additional nations may well imitate them.

1. Credibility and Exchange Rates
2. Insulation and Floating
3. Financial Fragility (instability) and Exchange-Rate Policy
4. Exchange Rates and the Strategy for Monetary Policy

countries.

- Second, financial firms may take advantage of regulatory differences among countries to place their riskiest activities in lightly-regulated locations.

- Third, complex institutions with operations spanning several national jurisdictions are harder to wind down if they fail.

- And fourth, countries might actively compete for international financial business while also supporting their national "champions" through lax regulatory standards.

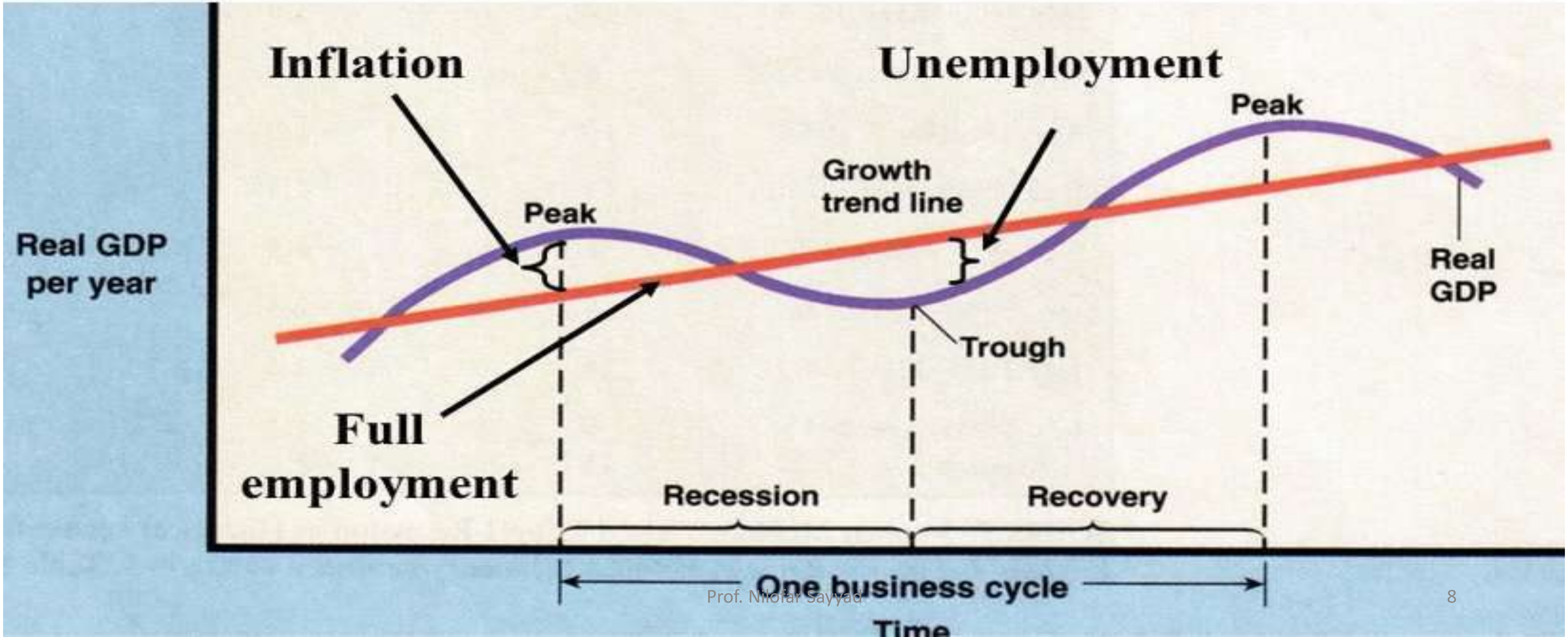
- The last three major economic downturns in the global economy (1990, 2001 and 2008) did not have their roots in rising inflation and a determined central bank response. Rather, they had their origins in rising debt levels and associated disturbances in financial markets.

- Taming the "boom-bust" credit cycle should by now have displaced inflation and the business cycle as the chief concern of central bankers. Rather, excessive reliance has been placed since 2008 on tightened regulation of the financial sector, in large part following internationally agreed guidelines.

These regulations, mostly affecting banks, have already “fallen short” of preventing a further, dangerous increase in global debt ratios and other threats to economic and financial stability.

THE BUSINESS CYCLE

The national economy fluctuates resulting in periods of boom and bust.



Contemporary issues and Challenges on Global Economic Environment

1. ENERGY AND ENVIRONMENTAL SECURITY
2. CONFLICT AND POVERTY
3. COMPETING IN A NEW ERA OF GLOBALIZATION
4. GLOBAL IMBALANCES
5. RISE OF NEW POWERS
6. ECONOMIC EXCLUSION IN THE MIDDLE EAST
7. GLOBAL CORPORATIONS, GLOBAL IMPACT
8. GLOBAL HEALTH CRISES
9. GLOBAL GOVERNANCE STALEMATE
10. GLOBAL POVERTY: NEW ACTORS, NEW APPROACHES

Globalisation and its advocacy (public support for or recommendation of a particular cause or policy):

- The value of trade (goods and services) as a percentage of world GDP increased from 42.1 percent in 1980 to 62.1 percent in 2007.
- Foreign direct investment increased from 6.5 percent of world GDP in 1980 to 31.8 percent in 2006.
- The stock of international claims (primarily bank loans), as a percentage of world GDP, increased from roughly 10 percent in 1980 to 48 percent in 2006.[1]
- The number of minutes spent on cross-border telephone calls, on a per-capita basis, increased from 7.3 in 1991 to 28.8 in 2006.

- The number of foreign workers has increased from 78 million people (2.4 percent of the world population) in 1965 to 191 million people (3.0 percent of the world population) in 2005.

- Global markets offer greater opportunity for people to tap into more diversified and larger markets around the world. It means that they can have access to more capital, technology, cheaper imports, and larger export markets. Countries must be prepared to embrace the policies needed, and, in the case of the poorest countries, may need the support of the international community as they do so.

- The broad reach of globalization easily extends to daily choices of personal, economic, and political life. For example, greater access to modern technologies, in the world of health care, could make the difference between life and death.

- In the world of communications, it would facilitate commerce and education, and allow access to independent media. Globalization can also

- create a framework for cooperation among nations on a range of non-economic issues that have cross-border implications, such as immigration, the environment, and legal issues.

- At the same time, the entry of foreign goods, services, and capital into a country can create incentives and demands for strengthening the education system, as a country's citizens recognize the competitive challenge before them.

- A core element of globalization is the expansion of world trade through the elimination or reduction of trade barriers, such as import tariffs. Greater imports offer consumers a wider variety of goods at lower prices, while providing strong incentives for domestic industries to remain competitive.

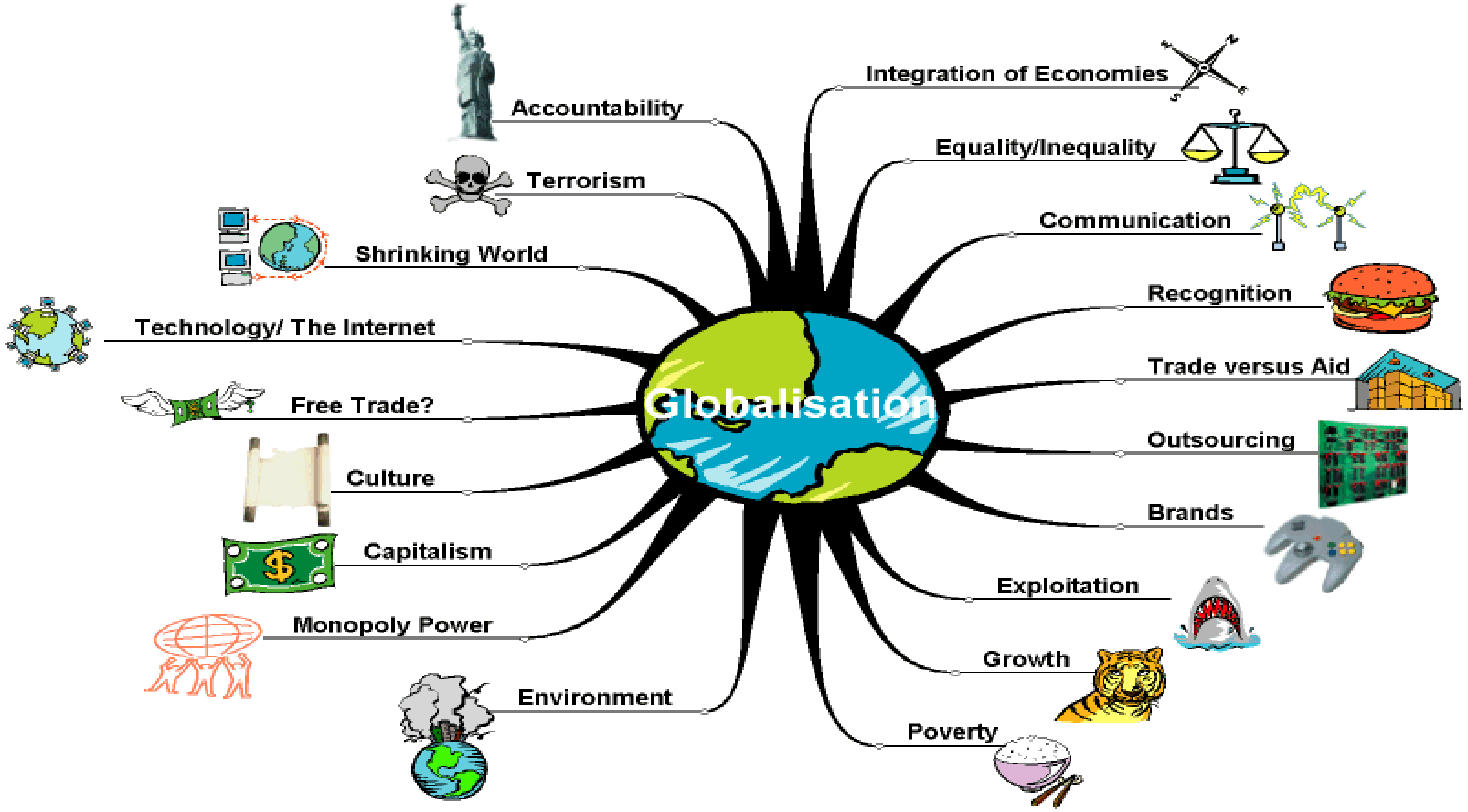
- Exports, often a source of economic growth for developing nations, stimulate job creation as industries sell beyond their borders.

Globalisation and its impact on India

- Globalization has had a significant and nearly instantaneous impact on India as a whole. The reduction of export subsidies and import barriers enabled free trade that made the untapped Indian market incredibly attractive to the international community.

IMPACT OF GLOBALISATION IN INDIA

- In the last twenty years, globalisation of the Indian economy has come a long way.
- It has deeply affected the lives of people.
- Globalisation and greater competition among producers – both local and foreign producers – has been of advantage to consumers, particularly the well – off sections in the urban sections.
- There is greater choice before these consumers who now enjoy improved quality and lower prices for several products.
- As a result, these people today, enjoy much higher standards of living than was possible earlier.
- However, among the producers and workers, the impact of globalisation has not been uniform.



Globalisation
Accountability
Terrorism
Shrinking World
Technology/ The Internet
Free Trade?
Culture
Capitalism
Monopoly Power
Environment
Integration of Economies
Equality/Inequality
Communication
Recognition
Trade versus Aid
Outsourcing
Brands
Exploitation
Growth
Poverty

Fair globalisation and need for policy framework

ILO support to coherent national policies for a fair globalization Several existing ILO initiatives and pilot programmes support the policy coherence agenda at national and regional levels, namely:

i. decent work and employment initiatives;
ii. poverty reduction strategies;
iii. regional level initiatives to integrate decent work and market-opening policies.

In some countries, such as Denmark and the Philippines, this has led to an integrated analysis of decent work across a range of national economic and social policy concerns.
Elsewhere, as in Morocco, a sectoral approach has concentrated on decent work within the reform of the crucial textile and 13 clothing sector.

In Ghana, the areas of focus are the extension of social security to the excluded and assistance to the informal economy and micro and small enterprises.

5 In Bangladesh, the principal theme is the formulation of development policy options for decent work in the context of a globalized economy.

Poverty reduction strategies:
New initiatives suggested by the Commission's report The Commission's report reinforces much of the ILO's current programme, but also suggests four new directions:

- national dialogues to follow up the Commission's work;
- national reviews of the social impact of international economic, financial and trade policies;
- policy development on economic restructuring and labour market reform;
- investment in integrated approaches to local development.

- National policy dialogues on globalization-

The national and regional dialogues held in the course of the Commission's work provided an important forum for the expression of a wide variety of views and perspectives.

They permitted both tripartite dialogue between employers, workers and governments, and an interaction between ILO constituents and other social actors.

National reviews of the social impact of international economic, financial and trade policies-

Economic and enterprise restructuring and labour market policy

Decent work in local development

Decent work in global production systems

Social and labour impacts

Strengthening the knowledge base

Enterprise growth and employment creation

Promoting global social dialogue

Enhancing the effectiveness of business and multi-stakeholder initiatives

Employment policies for a secure income through decent work

Globalisation in reverse gear

Resistance to globalization was arguably the foremost policy theme in Trump's election campaign. His plan for First hundred days in office shows centrality of his theme to renegotiate from NAFTA, abandon Trans pacific partnership, expel more than 2 million migrants and build a wall with Mexico.99 We see its effects on globalization playing out at three levels.

The first is the direct effect of the U.S. turning inward. The U.S. is the world's largest economy, measured in market dollars, and it's the third most populated. A partial withdrawal from the global economy by the U.S. is therefore likely to register in measures of globalized stocks and flows, simply by virtue of the country's size. Indeed, America holds the largest share of global trade, foreign capital stocks, and migrants. Higher energy prices are impacting transport costs at an unprecedented rate.

So much so, that the cost of moving goods, not the cost of tariffs, is the largest barrier to global trade today. In fact, soaring global transport costs have already offset all the trade liberalisation efforts of the past three decades.

If major cuts in tariffs and non-tariff barriers led to explosion of world trade, including the rapid industrialisation of India and China, during the past three decades, it says now "triple-digit oil prices, soaring transport costs, not tariff barriers, pose the greatest challenge to trade".

1. **Increasing global trade tensions have raised concerns about the potential adverse impact on global growth and asset prices.**

2. **Trade tensions have quickly evolved in recent months amid actions and rhetoric by the United States and its main trading partners.**