

COVENANT UNIVERSITY
NIGERIA

TUTORIAL KIT
OMEGA SEMESTER

PROGRAMME:
INTERNATIONAL RELATIONS

COURSE: IRL 322

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IRL 322: INTERNATIONAL ECONOMIC RELATIONS

Lecturers: Dr. M. Duruji and Mrs. O. Babatunde

QUESTIONS

1. "In the 18th century, the process of industrialization hastened the first period of economic interdependence in both trade and capital terms between states". Discuss.
2. Write short notes on any three
 - a) Bretton Woods Institutions
 - b) African Development Bank
 - c) European Union
 - d) NEPAD
 - e) World Trade Organization
 - f) Multinational Corporations (MNCs)
3. Using any case of your choice, examine the role of MNCs in the World economy
4. "The concepts of economic nationalism, economic structuralism and economic internationalism summarize the three main approaches to international economic relations". Elucidate.
5. Critically assess the role of International aid to development of emerging states
6. "Globalisation is the 'widening, deepening and speeding up of worldwide interconnectedness in all aspects of contemporary social life'". Examine the pros and cons of this process.
7. Write short notes on any four:
 - a) Multilateral aid
 - b) Project aid
 - c) Credit
 - d) Technical assistance
 - e) Bilateral aid
 - f) Program aid
8. Discuss the challenges of economic integration in West Africa
9. "Embargoes, exchange controls and quotas are all forms of trade restrictions". Discuss the 'why' and 'how' of trade restrictions among states.
10. Money is the root of all political evil. Do you agree?
11. What are the different perspectives to IER?

12. How does 'foreign aid' aid?
13. The 'who' 'what' and 'how' of foreign aid describes the politics associated with the flow.
Elaborate
14. Do a critique of the Heckscher-Ohlin Model of International trade
15. Identify and discuss various types of economic sanctions?
16. What are RTAs and how do they work?
17. Identify the economic instruments of state interactions
18. What are the major Features of World Trade Organization Agreement
19. Identify the barriers to International trade
20. Write short notes on the following:
 - a) NEPAD
 - b) BRICs
 - c) EU

MODEL ANSWERS IN ALTERNATE SEQUENCE (ODD NUMBERS)

QUESTION 1

“In the 18th century, the process of industrialization hastened the first period of economic interdependence in both trade and capital terms between states”. Discuss.

The industrialization process began in the 15th century with the industrial revolution. Industrialization was tied to Britain's emerging leadership role in world economy. This process thereafter spread to other advanced economies. By 1850, the wooden sailing ships of earlier centuries have been replaced by larger and faster coal powered iron steamships. Coal fueled steam engines also drove factories producing textiles and other commodities. The great age of rail road building also took off at this time. These developments increased the volume of world production and trade. They also tied distant locations more closely together economically. Consequently, Britain dominated world trade, as the most technologically advance in the world. These developments led to the following:

- a. Search for new market to sell manufactured products
- b. Search for more raw materials (which led to exploration and colonialism)
- c. Search for labour (which led to the Transatlantic slave trade)

QUESTION 3

The trio concepts summarize the tenets of the three main approaches to international economic relations.

Economic nationalism refers to the realist approach to International Economic Relations. The realists believe that nation states pursue power and shape the economy for this end. For them, politics determine economics. The key assumptions of realists are the following:

- a) Nation states are the dominant actors in the international political economy and the proper unit of analysis
- b) Nation states are power maximizers
- c) Nation states are rational actors

Economic Structuralism focuses on the Marxist perspective. Marxism was a response to the spread of liberalism in the 1900s. Marxism sees capitalism and the market as creators of extreme wealth for the capitalists and poverty for the workers. They have three basic assumptions:

- a) Classes are the dominant actors in an economy and are the appropriate unit of analysis
- b) Classes act in their material economic interests
- c) The basis of capitalist economy is the exploitation of labour by capital.

Economic Internationalism resonates with the liberal perspective which can be drawn from the writings of Adam Smith and David Richardo. They were reacting to the pervasive economic controls that existed under mercantilism between 16th and 19th centuries. The basic assumptions of the liberal perspective include:

- a) Liberals assume that individual are the principal actors within an economy and they constitute the unit of analysis
- b) They assume that individuals are rational utility maximizing actors.
- c) They assume that individuals maximize utility by making trade-offs between goods.

QUESTION 5

Multinational companies (MNCs) have been engines of global economic development, technological transfer and deepening globalization. They have grown not only within their domestic corporate framework but also by setting up new subsidiaries in host economies and by

purchasing subsidiaries through mergers and acquisitions (M&As). They also help in the transfer of technology.

QUESTION 7

Write short notes on any four:

- a. Multilateral aid-comprises of assistance channeled through international agencies such as the World Bank, UN agencies, EU and NGOs. The advantage of this type of aid is that it is 'free' of politics and likely to be more objective in administration.
- b. Project aid- this consists of assistance/aid that is provided for a precise development. It aims to bring into being, tangible things that stir development e.g the construction of a dam for irrigation or preparation of a university complex.
- c. Credit- is the grant that can only be used to buy certain products from the donor country and used for development purpose in the recipient country.
- d. Bilateral aid-is the direct state to state flow of resources.
- e. Program aid- this consists of more general help for a country's on-going development effort without the aid being tied to a specific project. It is difficult to supervise because the recipient country spends the money with her own discretion.

QUESTION 9

The 'why' of trade restrictions

- a. To help domestic industries, which are only in their development stages. This is called economic nationalism
- b. It can be used as a way of retaliating against countries.
- c. May be used as a way of preventing the establishment of foreign based monopoly in the domestic economy.
- d. is used as a way of reducing a country's overreliance on goods that may have little potential for future market.

The 'how' of trade restrictions

- a. Tariff/ custom duties
- b. Quotas
- c. Embargoes
- d. Subsidies

QUESTION 11

- I. Realist approach to International Economic Relations. The realists believe that nation states pursue power and shape the economy for this end. For them, politics determine economics. The key assumptions of realists are the following:
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 - b) Nation states are power maximizers
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QUESTION 13

Politics of foreign aid is the determination of who gets foreign aid (what), when and how. In summary, the factors that determine the 'who' include:

1. National or security interest
2. Colonial interest

Also, the ‘when’ aspect of the politics of foreign aid is often influenced by events in the international system. For instance, after the 2001 September 11 terrorist attack, Britain proposed a \$50billion increase in foreign aid to tackle poverty that breeds extremism.

And finally, the ‘how’ in the politics refers to donors in exchange for funds scrutinize developing countries’ economic plan and policies; they withhold loans when it is not satisfactory. For example, the SAP, reduced government spending, reduced food subsidies.

QUESTION 15

Economic sanctions are punitive in nature and meant to isolate the target. Economic sanctions may include trade embargoes or boycotts, freezing of assets, bans on cash transfers, bans on technology transfer and restrictions on travel. The US Government has placed sanctions against Cuba, North Korea and Iran among other countries. Examples include:

- embargoes on exporting or supplying arms and associated technical assistance, training and financing
- a ban on exporting equipment that might be used for internal repression
- financial sanctions on individuals in government, government bodies and associated companies, or terrorist groups and individuals associated with those groups
- travel bans on named individuals
- bans on imports of raw materials or goods from the sanctions target

Other measures may be applied according to individual circumstances.

Targeting sanctions

All sanctions and embargo regimes are targeted. A ‘targeted’ restriction is focused on individual people or organisations. In some cases, a comprehensive restriction is put in place against a particular country’s regime. Sanctions can also be targeted at a particular industry, such as banning the supply of petroleum and related products.

QUESTION 17

- a. Trade- exchange of goods and services beyond borders.
- b. Economic sanctions- could be in form of penalty imposed against a nation in order to coerce it into compliance or to compel an alteration to its policies in some other respect.

- c. Foreign aid- the flow of foreign assistance aimed at stimulating development in a needy recipient country from a donor.
- d. Regional and International Organizations including the WTO, World Bank amongst others.

QUESTION 19

- a. Tarrifs- it is a tax on an import that is usually a percentage of the price of that import. It becomes a barrier when it is used to prevent unfair foreign competition for domestic producers of that good.
- b. Quotas- these are limits imposed upon the amount of a particular good that can be imported into a country.
- c. Embargoes- government completely bans certain imports.