„Trickle Down- Structural Underdevelopment across the globe, from the Center to the Periphery"

A Glossary *narrating* the Institutionalized Regime of Underdevelopment: The *uncovering* of Neo-Colonial financial, political, governmental & international institutions and instruments

A Critical reflection of the market-oriented international order, reproducing neo-colonial exploitation patterns.

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Dedication

This page and work is dedicated to thank the numerous people who inspired not only our work but also our hearts and lives. Who sharpened our thinking, who, even in perilous times, pointed so boldly to places where the carrion rots beneath the shimmering surface. Where the toxins of the history of Western prosperity still poison the minds of thousands, shatter the lives of millions and their descendants and harden the hearts of us all. Its history is not the glorious adventure of the heroes who went out and made the world a better place, as we hear again and again. Nor is it the story of well-deserved wealth and peace that comes from our hard work. It is rather one that ruthlessly and unabashedly reveals the Abysses that power and inequality can create, for all who dare to look. Many have been pushed down, way too many, while its cities have been built on their backs. And it is up to us to remember them, not to look away today, but to open our eyes and hearts to this side of the coin. And mourn what has lasted until today, to take the needed steps and counteract the violence that still destroys, in the name of wealth for some, the lives of billions.

To name some of the glorious thinkers and voices that stay inappropriately unheard: Thank you to Arundhati Roy and Walter Rodney, to Samir Amin and Paulo Freire, Eduardo Galeano and Yanis Varoufakis, Mohssen Masserat and Jaques Depelchin, to Isaac O.C. Igwe and James K. Boyce and Léonce Ndikumana and many many more. But first and foremost a big thank you to Sara Dehkordi, our beloved teacher, who always brings her heart to class and dedicates her teachings to her dearest ideas. A warm hearted thank you to her, whose actions and values align and who always inspired and encouraged us to walk the untravelled paths and listen to what has been silenced. In times when true mentors are rare, you have dared and been one to us.

ˈ**trick·le-down ef·fect** [ˈtrikl] [daʊ̯n] [ɪˈfekt]: The trickle-down effect is the theory that benefits given to people at the top of a system will eventually be passed on to the people lower down the system.

Introduction

I. Why another Glossary?

We want to start with a little introduction to our glossary, which sometimes is similar to and other times different from a "classical" glossary. It is similar to classical versions, as it tries to explain certain terms in a narrow and broader context and is different in terms of offering more perspectives to it, than what we call the "northern-hemisphere-bias".

This project was born in the context of a seminar on **underdevelopment and exploitation politics** across the globe. During the course, we had (and we still do have) a hard time trying to understand the complex connections of the economic processes and the different impact certain institutions have on the economy and financial system within various countries. It was difficult to find explanations and sources that did not have the indisputability of the matter as the basis of their definition. Being situated in the northern part of the globe, the ugly side of the capitalist and globalized economy is rarely visible to most of us. For instance, a lot of us had never heard about the “Bretton Woods” before. And if we had heard about it, it would certainly have been a heroic story with the headline: “Global wealth through global trade!” . We chose to write this glossary to offer alternatives to these narratives, to provide access to perspectives and voices which in the face of the ongoing exploitation of their resources have truly made heroic history through their resistance and work. Furthermore, we would like to contribute to the sea of sources, one that depicts more voices than those being influenced by or simply reproducing dominant narratives.

Furthermore, we would like to explain the chosen structure and the selection of terms and sources.

We chose categories instead of a classical alphabetical order to structure the broader content of the glossary. We start with the institutions and organizations in chapters one and two to describe the actors in this system. The third part describes the economic processes and resulting options for global financial governance. Throughout the research process, we noticed that these terms are very interconnected and difficult to cluster in separate categories. Therefore, we chose to add (-> links) to make possible connections clear. While working on the terms we always tried to understand how patterns of underdevelopment are reflected, transmitted and reinforced through different economic and financial institutions and processes. Our research objective is to briefly try to describe how these institutions, organizations and tools work and proceed to explain how they might affect developing regions and further enforce unequal relationships and patterns of inequality across the international capitalist system.
You will find the terms within the categories being structured differently as well, some alphabetically, some in a logical order according to the content. That is due to a collaborative work process and we want to embrace it by creating a non-linear source of knowledge . This is of course also in your favor; to be able to read some of the categories top-down to get a bigger picture of the institutions, for example.
Although we have tried to address what we consider the most relevant terms, more research, embodied knowledge and inclusion of different experiences would be necessary to fully understand the complexity and interconnectedness of the institutionalized regime of exploitation and underdevelopment.

In the academic sphere, many forms of knowledge are labeled as non-scientific and are often not included in academic work. When explaining an economic term, we consider the opinions and descriptions of people affected by capitalist exploitations as relevant sources. We are convinced that in order to describe the consequences of many terms in this glossary, such as “Austerity”, we do not need a strictly academic explanation. Yet, we have decided to not actively include these voices in the definitions of our glossary. This is for mainly two reasons, even though we bemoan this fact.

We wanted to be citable and thus also provide easy access to what has been called critical knowledge. Additionally, we tried to provide a glossary, with which students

are able to work. Therefore, we have actively selected academic sources and voices which have unjustifiably received little attention and space within academia so far. With this, we wanted to stress the importance of voices that have not been listened to enough within academia because we have found these perspectives to be very enriching and important. In addition to offering explanations that add what is missing, they offer knowledge that is often undermined in the dominant discourse.
We believe that these, as well as non-academic voices, are *silenced* by a variety of mechanisms we call bureaucratic and financial obstacles and which work in favor of maintaining the “old powerhouse” of a rich, male and white dominated, as well as eurocentric academia.

Next to the ones we refer to, we also used very common “mainstream” sources in order to reflect on the portrayed knowledge. Through our research we have noticed the need for a source of knowledge that unites different voices in order to more comprehensively understand the complexity of the interrelationships in the global financial and economic system.

This glossary shows only the tip of an iceberg and the chosen terms are not exhaustive. We began selecting them from the seminar’s literature and followed logically from there. We know that there are keywords missing, and that much more can be attributed to each term, but this is just a starting point within the biased world of academia.

The global COVID-19 pandemic showed our society, once again, how interdependent humanity is and the disastrous consequence of economically *constructed* inequalities. In the face of these facts, we are asked to remember the history of this formation, its tools and consequences for each and every one of us. And to act in favor of a present, that chooses radical transformation to build a place , where “future” is, what all of us deserve.

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II. About the Glossary

"If we're only viewing the whole world through the lens of what … the Global North looks like, we're basically excluding important other bodies of scientific knowledge and not even engaging with them — gatekeeping them outside of what could be used to understand the world"
(Devika Dutt 2022)

This glossary tries to examine its terms from a decolonial perspective, while using both critical and - allegedly- neo-colonial sources. These perspectives are mostly the ones of researchers, not of real life experiences with the discussed topics, at least in the case of the glossary's authors. We know that theoretical knowledge in most cases differs from practical reality, and especially in the field of economics and finance, this seems to be the case. Nevertheless, we did not find the capacity to interview affected people in the scope of this project.

It shows an alternative regarding how to approach international political economy both from an ontological and epistemological perspective, while avoiding the Anglo-Saxon and Western mainstream approaches' bias (Vivares & Martens 2020: 344). Of course, the idea that the international political economy is biased towards preconceived notions and conceptual frameworks is not new, as various scholars stress "misleading" concepts and research practices, which are implicit in Eurocentric regionalism, North American actor-oriented or liberal economic integration perspectives. In this sense, this glossary will try to demystify and shed a critical light on the following institutions, organizations and groupings, terms and gouvernance tools, while accentuating that the notion of development is often based on economic and institutional neoliberalism; something that is irreversibly linked to the understanding of integration as a process that is realized in stages of economic growth (Vivares & Martens 2020: 354).

In this way it depicts patterns in main "underdeveloped" structures and deflects institutional neo-colonial exploitation.

III. About Development and Underdevelopment

Defining “Development” and “Underdevelopment”

According to Walter Rodney, **underdevelopment** is a comparative concept used to compare levels of development among countries, not to signalize the lack of development (Rodney: 13). Some of the characteristics that can be analyzed when comparing countries are: a) how advanced the respective technology is, b) if the country is industrialized or if the economy is mostly based on agriculture, c) data about consumption (e.g. how much do people eat?), d) if certain services are available (e.g. hospitals), etc.

According to this thesis, there could not be a “Third” or “Underdeveloped” world. However, we have been and still are witnesses of a systemic and asymmetrical crisis, induced by the contradictions stemming from the greedy capitalist logic of accumulation of economic value and power. This capitalist process is sustained via the constant exploitation of human and natural life and the respective social and environmental bounds’ violations. Such systemic inequalities and absurdities have generated a global crisis lacking institutional solutions. Hence, the capitalist civilization and lifestyle have become the modern hegemons, presenting “capital accumulation as a good-in-itself, as a synonymous of development” (Acosta & Guijarro 2020: 292-293). Thus, development was defined and measured in terms of accumulation; a fact that reveals why development is mainly reduced to *economic growth* (a process guaranteeing the expanded capital reproduction) (ibid.). In other words, economic growth driven by commodification and capitalists’ markets has led to the connection of development with linearity and materialism, something that is “not accidental but a legitimizing device of the *modern colonial capitalist patriarchal world system*” (ibid.). So far it could be said that Development is “the conceptual basis for another form of imperialism” (Acosta & Guijarro 2020: 294), usually used in economic terms. It is:

> “an unreachable ghost, [...] a myth (as many other myths created by the economic and social thinking dominated by capital, like the myth of free market).”
>
> (Acosta & Guijarro 2020: 292-293)

According to Walter Rodney, development should encompass a *social process*. In his view, economic development is realized when a society is able to "increase its capacity of dealing with the environment", which depends on the human understanding of nature and technology. Through their ability to use natural resources, the members of a society can increase their quality of life. But apart from economic development, historical and social dimensions also play an important role, especially because of inequalities in the ownership of means for increasing economic development. Therefore, an important condition through which the developed nations' wealth has been built and perpetuated is linked to a shared history of colonialism, when colonial structures led to the continuous exploitation of human capital and resources. In postcolonial discourse, thinkers stressed that such mechanisms are further used to establish so-called "neo-colonial" structures between the former colonies and the old colonial powers for the latter's economic interest.

Underdeveloped nations were and, in many cases, still are exploited by another country, as a product of imperialism. The violent opening of markets, the implementation of dictatorships perpetuating these imbalances and ongoing debts make it almost impossible for the debtors economy to grow. Such financial and political strategies are further used against the periphery to accumulate more capital in the western, capitalist center (core).

Briefly, **development** can be analyzed:

> "as [being] based on normative and socio-historical and geographical assumptions, configurations of inseparable dynamic among ideas, politics, and economics, where integral issues, such as well-being and conflict, can be understood as taking place in a given historical context within a specific world order and geographical configurations." (Vivares & Martens 2020: 344)

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Chapter I: Institutions

The following part is concerned with different economic actors, who operate on a global level, and their complicity in the (further) underdevelopment of the periphery as well as the establishment and maintenance of the regime of the Triad - a regime of liberal thought which is based on exploitation for its own development.

In the beginning, the section draws the reader's attention on different institutions of global governance like the Bretton Woods Institutions – the International Monetary Fund (IMF) and the World Bank (WB) – and their genesis at the Bretton Woods Conference. It deals with their underlying ideology, the Washington Consensus, and questions their legitimacy. To complete the tools of global economic governance follows a definition of the General Agreement on Trade and Tariffs (GATT) and its predecessor the World Trade Organization (WTO).

Finally, one will regard the role of corporate foundations in their global influence as well as their impact on the mentioned institutions. In this relation, the role of the Council on Foreign Relations (CFR) and the Trilateral Commission will be explained. The last part aims to explain how corporate interests are channeled through foundations, involved not only in the work of the government but also the CFR, the Trilateral Commission, the IMF, the WB, the WTO and numerous other (informal) groups and meetings and also carrying out their own programs.

1. Bretton Woods

"It was not just any kind of globalization; it was neo-liberal globalization. The countries of the south that were compelled to borrow from the IMF or the World Bank or the donors were subjected to stiff conditions and penalties in order to force them to conform to certain macroeconomic policies as set out by the donors and the Bretton Woods Institutions (BWIs). These included:

- Free market ideology – let the market decide

- Privatization of state assets and denationalization

- Deregulation (minimum state interference in the economy)

- Control over wages and conditions of work

- Stiff budget deficit controls

- Trade liberalization and reduction of tariffs

- Reduction of social expenditure on things like health and education; and

- Forcing the South to open up of the capital market to investments from the North" (Tandon 2009b)

1.1 Bretton Woods Conference

The Bretton Woods Conference took place in the United States in 1944 and can be understood as a starting point of modern global governance, due to the creation of decisive institutions like the International Monetary Fund (IMF) and the World Bank (WB), nowadays known as the Bretton Woods Institutions (BWIs) (Buzdugan und Payne 2020). The negotiations at the conference also led to the establishment of the GATT and the UN. Even though almost half of the attendants of the Bretton Woods conference were underdeveloped countries, unequal relations between industrialized (exploiting) and exploited countries were maintained and enforced through the newly created institutions that further established and sustained a form of global governance of the Triad (US, Western Europe and Japan) and their interests (ibid.)

In dominant narratives, the role, influence and interests of underdevelopment countries at the Bretton Woods conference as well as their vision for the created institutions are often ignored or silenced. While it is true that they were not able to properly employ their interests and were overruled by economically more powerful countries, their attempt to promote - instead of a liberal agenda of global free trade - more protection to economies of deprivileged countries in the economic system should not be forgotten (ibid.).

1.2 Washington Consensus

The Washington Consensus refers to a neoliberal set of policies by the IMF and WB and was first described as such by John Williamson (Araya und Castañeda 2020). It came into existence in the 1980s as a response to the debt crisis and continued to

provide the main agenda for the IMF and WB to promote economic growth (ibid.). Focused on fiscality, it aimed at the reduction of budget deficits and public spendings through the following measures:

“[1] Liberalization of the financial system and interest rates. [2] Maintenance of a competitive exchange rate. [3] External trade liberalization, by reducing tariffs and abolishing existing import barriers. [4] Provision of wide facilities/incentives to encourage foreign investment. [5] Privatization of public enterprises. [6] Strict enforcement of payment of the foreign debt. [7] Reinforced private property rights: protected by the legal system” (ibid.: 741). In short, the policies were centered on cutting back the role of the state through deregulation and privatization (ibid.).

Nowadays, the Washington Consensus is the ideological ground for the Western US-oriented imperial project and serves as the basis and justification for employed policies (as the Structural Adjustment Programs ->SAPs) by international organizations as the BWIs and the UN (Tandon 2009). It further centers neoliberal thought and Western ways of governance, while showing the specific connection between the US and neoliberal hegemony. It is important to point out that the Washington Consensus was never a subject of debate nor was it officially declared by any international organization (ibid.).

Owen Worth uses the Washington Consensus as an example of US and neoliberal hegemony, as the US used its majority voting rights in the World Bank (-> World Bank) to set forward radical liberalization and privatization as conditions for loans to indebted countries (2020: 283). This set of policies gained most relevance in the 1980s and 1990s, as many countries in Latin America and Africa were facing serious debt crises. Araya and Castañeda describe it as “the recipe established in the 1980s by the IMF and the World bank to develop a series of policies derived from the neoliberal perspective… to stimulate economic recovery and reconstruction following the onset of debt crisis” (2020: 746). This means that these measures were supposed to help indebted countries to get back on track in order to repay their external debt. However, this came at the expense of social welfare and, in the end, didn’t even work well (Rodrik 2006: 974).

In fact, belief in the Washington Consensus as an ideal set of policies is declining, as the World Bank has come to realize that there is no universal formula of best practices that can be applied everywhere (ibid.: 974). The IMF (-> International Monetary Fund), on the other hand, argued that the Washington Consensus approach was correct, but not well implemented (ibid.: 977). During the 1990s Latin America, Russia, East Asia and Turkey were confronted with numerous crises after having adopted Washington Consensus policies. Sub-Saharan Africa didn't "take-off" despite having followed the recommendations. Interestingly, China and India, countries that didn't align themselves fully with the Washington Consensus, were the ones that actually experienced rapid economic growth and poverty reduction (ibid.: 975).

This credibility loss provoked the need of finding additional justifications for the IMF and the WB and resulted in the US' "war on terror" argumentation strategy to justify the neoliberal ideology of the BWIs since 2001 (Tandon 2009). Anyone opposed to trade liberalization, as promoted by the Washington Consensus, is portrayed as an enemy to the anti-terror fight.

1.3 Bretton Woods institutions (BWIs)

The BWIs refer to the two main institutions that emerged from the Bretton Woods Conference: the IMF and the WB. Originally their role was focused on the regulation of the global economy, mostly through fixed exchange rates and capital controls (Thompson 2020).The 1970s breakdown of the fixed exchange rates' system, which had been one of the key features of the Bretton Woods System, marked the beginning of neoliberal capitalism. Supported by the crisis of Keynesianism and Nixon's decision to abandon the gold-dollar standard, leading to the devaluation of the dollar in 1973, this resulted in the breakdown of the BW monetary system (Nichols 2020).

This new era is more than just the continuation of imperialism, as the role of corporations changed fundamentally. The power they got through the transnational supply chain model enabled them to transform the state along neoliberal policies (ibid.). It is in this new epoque that the transnational capitalism class (TCC)

emerged. According to the global capitalism school, the IMF, the WB, the WTO and the UN, among other global institutions, serve the interests of the TCC and establish their global dominance as their function is to:

> "codify the most favorable conditions for capital accumulation wherever capital may flow. These institutions provide the organizational structure that was primarily provided in the previous era by dominant capitalist nation states" (ibid.: 365).

As already mentioned, neoliberalism was also accelerated through the Keynesian crisis, out of which the thinking of Milton Friedman and his supporters emerged (ibid). Their ideas were heavily promoted by an international network, including different groups and organizations, like the Bilderberg group that created the ->**Trilateral commission**, the World Chambers Federation and the ->**World Economic Forum** that serves the interests of TCC and promotes neoliberal policies (ibid.). This is how the institutionalization of neoliberal ideology started and the role of the nation-state was transformed along the interests of the TCC. We can understand the neoliberal era as a powershift from the nation-state to the transnational regime of organizations, namely the BWIs and the WTO, which do not only serve TCC interests but also establish their hegemony (as well as the hegemony of neoliberal ideology) alongside a "neoliberal regime of accumulation that has followed […] the transnationalization of production and financial flows" (ibid.: 371).

This neoliberal wave was brought to the BWIs through different methods, e.g. by professionals that received a neoliberal education often funded by programs sponsored by US-foundations. Also, the already mentioned Washington Consensus emerged as "a set of ten neoliberal policy instruments that became focal points for the pursuit of development policy as envisaged by the US government, the IMF and the WB collectively. Among the key instruments promoted by this consensus were reductions in state spending, trade and exchange rate liberalization, deregulation and privatization" (ibid.: 336) and institutionalized neoliberalism in the BWIs.

1.3.1 International Monetary Fund (IMF)

Within the Bretton Woods system of fixed currency exchange, the IMF held the role of maintaining fixed parity (Thompson 2020). This role was owed to the global

monetary system of that time, being based on fixed parities (Buira 2005). Hence, the IMF "enforce[d] a code of conduct designed to prevent the competitive exchange rate devaluations and trade restrictions" (ibid.: 27). After the system of fixed parity was eliminated in 1971, the role of the IMF changed. Still, one of the tasks of the IMF is to care for stable exchange rates and prevent their manipulations. Over the years the IMF has increasingly focused on conditionality, mainly due to US pressure. Consequently, their concern moved to governing the receiver countries of IMF's loans and the "surveillance of [these] countries' economic, fiscal, monetary, exchange rate and debt policies" (ibid.: 30). This role will be further elaborated in the excursion about the ->Paris Club.

Together with the WB and the WTO, the IMF forms a trade regime promoting global free trade (removal of tariffs, subsidies and national regulations) with standards imposed by the most powerful nations (Thurbon und Weiss 2020). This infliction is possible through an unequal quota system, which is centered on the donor countries, specifically the US. Basically, the IMF cannot take any actions without the consent of the US, since it holds 17% of the votes (Tandon 2009). The problem does not only lie in power asymmetries and negotiations within the IMF and the WB being determined by the creditor countries (which equal the Triad), but also on the fact that some debates do not even take place at the IMF but at meetings of semi-informal elite groups like the Paris Club and the World Economic Forum (ibid.), founded by foundations and corporations (Roelofs 2003).

Excursion: Paris Club

Next to the Bank Advisory Committee, known as the London Club, and the Heavily Indebted Poor Countries Initiative (->HIPC), the Paris Club is one of the three main institutions that are represented as the main respondents to the "developing countries' unpayable external debts" (Villaroman 2009: 4).

The London club is responsible for private external debts and consists of private commercial banks working on the repaying of these debts by the debtor countries (Villaroman 2009). The HIPC Initiative and the Paris Club deal with public external debts. Whereby the HIPC Initiative focuses, as the name reveals, on countries that are classified as "poor / low-income", the Paris club is taking care of the rest, the

so-called “middle-income” countries (ibid.). The Paris club works closely with the IMF regarding the question of debt relief (ibid.) and illustrates the power of creditor countries within global debt mechanisms (indebtedness and debt relief) as well as its interdependence with the struggle for economic self-determination.

Debtor countries can be granted debt relief only through mechanisms of the Paris Club or the HIPC initiative by committing themselves to certain conditions as structural adjustment programs (->SAP) (ibid.). It is important to note that the Paris Club was never formally established nor institutionalized by any agreement. Despite this informal arrangement, they consist of an informal group of nineteen so-called permanent members since the 1990s. All the permanent members are creditor countries and part of the Triad (only European countries, the US and Japan). What started off as isolated case negotiations of debt restructuring between creditor and debtor countries turned increasingly into a fixed component of the global financial system (ibid.). Consequently, the Paris Club designed two procedures of debt restructuring. The first one was a reduction of external public debt applying for the so-called “heavily indebted poor countries” and the other one was designed as a rescheduling of the debt without a debt reduction for the countries that were categorized as “middle-income” ones. In 2003, the Paris Club extended its treatment for the latter by enabling them to seek public external debt reduction as well. Hence, the Paris Club is the only international institution where middle-income debtor countries can seek debt relief.

The role of the IMF and Paris Club

When talking about the Paris Clubs’ mechanisms for debt relief, the IMF comes into the picture. The IMF is the institution that sets the conditions for the debt relief as the Paris Club makes it mandatory for the debtor countries to follow the IMF designed programs and policies (as the ->**SAPs**). Concretely this means that the debtor countries must present a joint agreement with the IMF “on how to restore [their] debt repayment capacity” (ibid.: 5) to request debt relief and show that they have already implemented financial and economic reforms according to an IMF program. Hence, the IMF plays a decisive role in the decision for debt relief by the Paris Clubs’ members, as they are the ones formulating the conditions for debt relief, validating that the country is carrying out the prescribed policies and reforms and supervising

the continuous application of the measures by the debtor country. Thus, the IMF holds the power of approval if a country can be considered for and ultimately be granted debt relief (ibid.).

The role of the Paris Club and the IMF in the question of debt (relief), has been challenged by authors as Villaroman. Such authors ask if this involvement is still lawful, especially considering the international law for economic self-determination (ibid.). This and other questions regarding the consequences of the extent of their involvement in foreign economies should be discussed within the international economic and financial sphere. Ultimately, it is important to take into consideration that debt relief, granted by the Paris Club after the IMF's permission, never had the intention of granting the debtor country more self-determination (Tandon 2009). Instead, the IMF seeks to set the stage for the Triad's capital to move into the country by replacing previous policies (imposed by the creditor countries) through conditionalities for the debt relief (ibid.).

1.3.2 World Bank (WB)

Next to the IMF, the World Bank represents the other main pillar of global economic governance institutions that emerged from the Bretton Woods conference (Buira 2005). The WB was created as a source of capital for reconstruction after the Second World War as well as for the development of the periphery (ibid.). The latter objective became its focus over the years, and the WB turned into a financial provider for countries that do not have access to international capital. However, the WBs engagement is not limited to a purely financial part but also involves the transfer of technical knowledge. These knowledge transfers do not take place in vacuo but are influenced by and serve the interest of the dominance of neoliberalism (ibid.).

Especially in the 2000s, the influence of neoclassical thought (the need for globalization) grew and the objective of *Good Governance* replaced Economic Development on the top of the agenda of the WB (and other international organizations), focusing on "'poverty alleviation' and 'human development'" (Thurbon & Weiss 2020: 61). It is important to note, that the WB never approached development in a critical way but rather stipulated "a form of 'welfare colonialism'"

(ibid.: 1) aiming at economic dependence for underdeveloped countries. Interchanging economic development with human development and poverty reduction does not change the colonial continuity of that approach. In his book *"Silences in African History: Between the Syndromes of Discovery and Abolition*", Jacques Depelchin points out how the WB takes "the poor" as a natural social formation preceding capitalism, patronizing and withholding them agency, while at the same time still partly blaming them and the governments of poor countries for their poverty (Depelchin 2005). The coloniality of this thought becomes clear as "the lexicon of European paternalism has [simply] upgraded the `savages´ to the `poor´" (ibid.: 135).

With its focus on good governance, the World Bank became one of the main promoters for neoliberal understanding of economic development. In practical terms the WB designed its policies according to the Washington Consensus (Araya und Castañeda 2020). This had the effect that "at a financial level, neoliberal policies reduced the independence of monetary and exchange policies" (ibid.: 745).

Excursion: World Bank Group (WGB)

The World Bank is not to be confused with the World Bank Group (WBG) even though they refer to similar institutions. The WGB consists of the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Center for Settlement of Investment Disputes (ICSID). It focuses on financial assistance as well as on the provision of international guidelines (Stanley 2020). Talking about the WB, one refers to the first two main organizations (IBRD and IDA).

Originally, the Bretton Woods Conference created the IBRD with a focus on "the balance of payments (short-term) imbalances" (ibid.: 585). Later, it was transformed and became part of the WGB shifting its responsibilities to long-term economic development. In the WBG, conflicts are mediated through the ICSID. In these mediations, policies of the WBG can be pressured through the conditions of their loans (ibid.). This shows the direction of the employed norms mostly imposed on the Global South (as these countries are the main receivers) and set by the Global North

aligned to their (often TNCs) interests. The policies are clearly of neoliberal nature, overshadowed by the liberal discourse of blaming the public sector as main disturber for economic development (ibid.)

1.4 Critics on the BWIs

The effectiveness of the BWIs and their neoliberal agenda is increasingly put into question not only by those who see it as part of an imperial project of the Triad but also in classical economics due to the inefficacy of the IMF programs and Bank loans (Buira 2005). This inefficacy is for example determined by comparing the per capita income of Asia and Latin American countries. The per capita income is one of the main determinants in the dominant economic discourse to measure the development of a country. Here, it becomes clear that Asian countries – after the hegemonic understanding – have been more successful, as the rise of their per capita income is significantly higher than the one in Latin America. At the same time, over the last years, neoliberal policies have been imposed heavily on Latin American countries, while many Asian countries tried to limit privatization and free trade to a certain extent and relied on public management and companies. This comparison highlights the importance of national ownership that contradicts the BWIs' preach.

Excursion: legitimacy of the BWIs

As the world economy and the economic strength and contribution of various countries, especially of the Global South, has been changing significantly, the question emerges as to how this is reflected in the BWIs structures (Buira 2005). Until now, there has been no significant change in the voting system, neither in the quotas at the IMF nor in the capital shares at the WB; something that is often demanded when one talks about a reformation of the BWIs (ibid.). While it is important to note that this indeed demonstrates an unjust and unequal distribution of power in the most potent global governance institutions, the problem does not end here (ibid.).

The legitimacy and necessity of the WB and the IMF are increasingly questioned, as the failure of their development policies and their imperial intentions become clearer

and known by a wider public (ibid.). The latter is important as it demonstrates that the neoliberal development programs not only failed by chance but were also working against the very objective of underdeveloped countries: to become economically and politically independent. Consequently, they have not only been little effective or useless but harmful to the self-determination of these countries. They rendered them further dependent as they "de-industrialized and now de-agriculturalized the most trade-vulnerable countries of the world" (ibid.: 30) and imposed the ideology of globalization and free trade as the ultimate solution. In summary, the regime of Bretton Woods is a continuation of the underdevelopment of the Global South that started with colonization. This makes clear why a reform of the BWIs, like a revision of the IMF's voting formula, is not sufficient, as it "is a matter of time before its underlying agenda – that of continuing collective neocolonial control by the North over the aid recipient countries of the South – will be exposed" (ibid.: 20).

IMF quotas can only be changed with a broad consent among the members as it requires 85%of the votes (Broz 2005). Effectively, the change of the quota system is dependent on the US approval, as it holds 17% of the total voting power in the IMF. Then again, due to US law, the approval of the US congress is necessary for a change of the US quota. This example shows how close the politics of the IMF and WB are bound to the power of US politics and especially the congress.

According to Tandon, the question we have to ask ourselves is not how to reform the IMF and the WB because only radical change, which is unlikely to be realized, has the potential to enhance the situation. Consequently, the question should be how to avoid that the BWIs are pulled out of their legitimacy crisis by countries of the Global South being co-opted to serve as justification for an ongoing persistence of WB and IMF (Tandon 2009). The underlying questions are how to deconstruct these institutions and their underlying ideology and what type of institutions could serve real economic and political cooperation on a global level.

2. On Trade: the GATT and its successor, the WTO

2.1 General Agreement on Trade and Tariffs (GATT)

The GATT was closed in 1947 and became effective in 1948 (Bundeszentrale für politische Bildung 2016). It reflected the power as well as the economic experiences and standards of the economically dominant countries, the Triad (especially the US and the UK) (Mortensen 2020) and was designed to align their economic interests and needs (Buzdugan und Payne 2020).

In a way the GATT represents the (first) institutionalization of global governance of trade (Buzdugan und Payne 2020). It focused on "the need for liberalization of tariff levels, and for the avoidance of discriminatory tariff rates" (Brawley 2020: 163). The GATT is not operational any longer as it was replaced by the World Trade Organization (->WTO) in 1996. The WTO reflects the GATT's principles in its set of rules but is more complex than its predecessor (Bundeszentrale für politische Bildung 2016).

2.2 World Trade Organization (WTO)

The WTO provides space for trade negotiations and related topics like intellectual property or human rights. Those negotiations take place against the backdrop of the dominant discourse of the necessity of free trade and its positive effects. This ideology, established by the Washington Consensus, is questionable as it fails to ask what trade liberalization actually means in terms of trade conditions as well as development. Instead, trade liberalization is automatically associated with an improvement which is a "universalized and idealized abstraction" (ibid.: 61) and a "ideological proposition, elevated as axiomatic truth in the WTO discourse" (ibid.: 62)

The WTO was created in 1995 and became operational in 1996. In a sense, it completed the tools to govern the global economy (Buzdugan & Payne 2020). The WTO basically functions as a guardian of the global free trade area and, thereby, sustains a liberal world order (Mortensen 2020). According to the GATT articles, it decides the legitimate exceptions from the free trade area. In general, the WTO prohibits special trade agreements that only concern certain WTO members as well as national regulations that enable domestic protection. However, it grants

exceptions due to the GATT article XX: general exceptions; and the GATT article XXI: security exceptions (ibid.). In this regard, it is important to evaluate which countries are granted exceptions, how these decisions are made and what they reveal about the power dynamics between the member countries within the WTO (ibid).

An example of unequal treatment by the WTO can be found in the 1980s. At that time, the primary goal for corporations shifted to maximizing profit of shareholder value. This provoked implications on the functioning of corporations and pushed offshoring, which was supported by the WTO “by easing restrictions on foreign investment and globalizing US intellectual property laws” (Thurbon & Weiss 2020: 61). Another example is the exclusivity of intellectual property which is supported by WTO instruments such as the Trade Related Investment Measures (TRIMS) and “lock[s] patented technologies away from the reach of the developing economies. Indeed, intellectual property is the last refuge of the industrialized countries” (Tandon 2009: 79).

The creation of the WTO out of the GATT treatment signified the establishment of its rules as a legal body within the international system (Mortensen 2020). To understand the importance and impact of the WTO within the global economic system, one has to be aware of the special role of trade within the International Political Economy (IPE). The question how trade is regulated goes to the very foundations of state sovereignty where state border control is understood as essential. The liberal order of the WTO challenges the role of the state when it comes to regulations concerning the products that pass their borders (taxes, tariffs). The impact on state sovereignty is one of the reasons why the power structure and the decision-making processes within the WTO should be closely regarded.

In contrast to the BWIs, the WTO was designed as a tool for “domestic institutional transformation” (Thurbon & Weiss 2020: 59). The authors understand the WB, the IMF and the WTO as a “new trade regime, [under which] the idea of trade openness shifted dramatically from one that prioritizes removal of tariffs and subsidies to one that reshapes national rules and regulations in line with a global standard shaped by the wealthiest countries” (Thurbon & Weiss 2020: 59–60).

In contrast to the IMF and the WB, it is important to point out that the WTO's rules and regulations are binding to all states under threat of sanctions. This gives it actual power, like the UN Security Council (-> UN), and not only symbolic power (Tandon 2009). When it comes to negotiations as well as the application of sanctions, economic and political power asymmetries between the countries play a huge role (ibid.). This is one of the main reasons why the enforcement mechanisms (mainly sanctions) must be critically evaluated and questioned, why they have been implemented. It is interesting to note that the WTO's predecessor, the GATT, did not have the same opportunity of executing their guidelines. Looking closer at power asymmetries, it can be determined that especially Europe holds a strong stand and can often use WTO negotiations for shaping the global trading system according to its interests. This is not only because of its economic strength and beneficiary position in the global economy due to colonial legacy, but also because of its organization within the European Union (->EU), which enables member states to speak with a single voice and use a common strategy to negotiate economic agreements outside the WTO.

3. The role of transnational corporations, foundations, the CFR and the Trilateral Commission

3.1 Foundations

> "Note that according to foundation ideology, the poor are just another minority group. Poverty, militarism, racism, and environmental degradation are not by-products of the economic system or related to each other."
>
> (Roelofs 2003: 31)

3.1.1 Carnegie Foundation for the Advancement of Teaching (1905) and the Carnegie Endowment for International Peace (1910)

The Carnegie corporation was one of the first companies, encouraged by the New York state in 1911, that became involved beyond the economic field in educational

activities and laid the example for the creation of corporate foundations (Roelofs 2003).

Creating a foundation was not only attractive for companies because it offered the possibilities of impacting their public stand and tax evasion, but it was a “translation of wealth into power” (ibid.: 8). This power stems from the companies’ purview of influence of public opinion as well as the political level (ibid.). Their overall work and their funding of educational institutions and benevolent organizations helps them to spread certain views on capitalism and liberal thought, which sustains ideologies like neoliberalism and deradicalizes critical voices. In addition to the funding of institutions, companies can also buy popular figures, infiltrate movements as well as the academic and the political sphere (ibid.).

Foundations aim at so-called minority groups and try to integrate them into the capitalist, liberal project. Worldwide, the group of the so-called “poor” is the arithmetical majority but marginalized in power, influence, and resources. The foundation’s objective is to allow just enough benefits for these groups, so that they do not turn against its discriminatory system. It is this societal influence of calming the public opinion and deradicalizing grass-root movements (among others through ->NGOization) that demand real change as much as hiding the destructive potential of capitalism that must be closely taken into consideration when discussing foundations, their political power and significance for (multinational) corporations.

The educational sector remained throughout one of the most important areas of intervention for foundations. The Carnegie foundation not only campaigned for more private responsibilities in the educational field, an idea that became popular in the form of *corporate philanthropy*, but also the Carnegie corporation became directly active in politics as its president, John Gardener, became secretary of health, education and welfare (ibid.). This direct involvement of foundation and/or corporation members in politics can be found in various cases.

The foundation's main goal is to spread trust in the neo-liberal ideology as well as the belief in the alleged benefits of capitalism. Shaping the public opinion is not only achieved through the already mentioned infiltration of the educational system but also, firstly, through the creation or funding of various global policy-organizations as

the CFR, the Trilateral Commission, the RAND corporation and the United Nations Association and secondly, through the direct influence on politicians by building up a global Western-orientated elite, especially targeting countries in the Global South (ibid.).

An interesting definition of foundation can be found in the early days of their emergence by the Walsh Commission, which led a congressional investigation against the Rockefeller foundation. According to the latter: A foundation is “a self-perpetuating corporation, which could use its resources for practically unlimited purposes” (ibid.: 9). However, with time radical criticism of foundations was mostly forgotten and they became commonly accepted.

The Carnegie foundation is not to be confused with the Carnegie Endowment for International Peace, a private non-profit organization founded in 1910. Nowadays, the Carnegie Endowment for International Peace is operating like a think tank. Its most famous product is the magazine “Foreign policy” with a wide public reach, promoting globalization and neoliberalism (ibid.). As an organization, they are advertising international cooperation between the US and other states. The Carnegie foundation of course stays in close relation with its different branches, such as the Carnegie Endowment for International Peace or the Carnegie institutes.

In relation to this field, it is interesting to point out that the support of Human Rights Organizations is of particular importance to foundations. This has been expressed through extensive fundings of their work up to initiating these organizations in the first place like the creation of the Assembly of Captive European Nations by the Central Intelligence Agency (CIA) and the Carnegie Endowment (ibid.).

3.1.2 Rockefeller Foundation

The Rockefeller foundation was created by John D. Rockefeller to finance benevolent activities and organizations with the objective of demonstrating that capitalism can serve the greater good. As the Carnegie Foundation, the Rockefeller foundation has tried since its creation to counter and weaken radical critics (ibid.). Opposed to the Carnegie Foundation, which is mostly invested in the academic sphere, the Rockefeller Foundation has been targeting the sector of public health

and sciences, often in connection with the educational sector and with the purpose of social engineering by creating a Western-like structure around the world.

In the 1920s and 30s, the Rockefeller as well as the Carnegie Endowment for International Peace invested in international activities, first and foremost, through financing and building up institutes, journals and academic institutions, like the still prominent CFR (Roelofs 2003). The foundations intended (even more after WW2) to create a "policy-oriented intellectual architecture" (Roelofs 2003: 38). Political education played a huge role in US foreign politics and the internationalization of the economy during the Cold War (ibid.). Thereby, the CIA also plays a huge role, working closely with political students around the world, especially with academics who receive their training at a foundation-funded university (ibid.).

3.1.3 Ford Foundation

The Ford Foundation was established in 1936 (Roelofs 2003). Like the other foundations, its main goal was to spread trust in the capitalist ideology and tackle social problems that emerged from capitalism; however, only to an extent that it would soothe the society. In its activities, the Ford Foundation framed communism as the main enemy of the free world, democracy, and social wealth. In its influential 1949 Report, it formulated different criticisms of the US-American political system. From that point on, it had a stand as a democracy and peace promoter and served as consultant and policymaker (ibid.). Whenever they engaged in this role, their own political and economic interests were often not considered by the recipients.

The Ford Foundation, like the other Foundations, heavily impacts the field of social sciences as it "shape[s] the political culture within which most political scientists, as well as other intellectuals and political leaders, operate" (ibid.: 34) through sponsoring and funding of conferences, academic programs, and organizations. An example can be found when regarding the shift to Behavioralism in political science. This was mostly promoted by the Ford, the Rockefeller and the Carnegie Foundation and led to the marginalization of any other political thinking. In only 6 years (1951-1957), the Behavioral Sciences Division of the Ford Foundation spent more than $23,000,000 on the establishment of behavioral thought (ibid.). This highlights how political science and the common understanding of society, the global

community and its political and economic problems are highly influenced by big foundations. Indeed, this influence is not only attributed to the US-American society, but also to the whole world, because of the “US-Americanization” of political science that took place through the establishment of institutes, associations (which often work closely with the -> UN) and grands by the named Foundations in the 1950s. Hence, certain professors were placed inside these academic institutions to help form the desired political leaders as well as government officials and often helped the CIA to determine and recruit allies globally. Chile and Indonesia are the most popular examples on how a CIA selected and trained elite of students carried out a CIA backed-up coup and formed the new Western-oriented elite (Roy 2014).

In Chile, like in many other countries where military, neoliberal governments were put into place, the Rockefeller and Ford Foundations funded NGOs and research centers to collect academics and people of popular movements to influence them. These “NGOs foster a new type of cultural and economic colonialism—under the guise of a new internationalism” (Roelofs 2003: 170). In Indonesia, the educational sector was targeted where an elite was raised through university funded programs and even received paramilitary training by the US-army (ibid.). On top of that, the intentions of the foundations are not limited to economic and political influence. They also aim at cultural dominance of a US-American way of living. This aspiration was always heavily supported by the CIA, which saw this as the way to prevent the spread of a communist ideology in the society.

As mentioned, another important aspect of a foundation’s work is its attempts to hinder and deradicalize grass-root movements and social uprisings. Two famous examples demonstrate how the Ford Foundation was (and is) highly invested in this area: for a start, it participated in the so-called fight against poverty by implementing projects (like job trainings and health services) in certain communities. Furthermore, it infiltrated the civil rights and black power movement by working towards the conversion of black power into black capitalism (ibid.). Its tactic was to support existing organizations as well as creating new associations to soothe the claims of the movement. The Ford foundation also established the Fund for the Republic which tried to create a dominant frame on civil liberties and its enemies.

One could sum up the common belief of foundations with the following words of Roelofs:

> "There is nothing wrong with the system that representation cannot cure, and there is no link between various disadvantaged minorities. Poverty is merely another peculiar circumstance in which some people happen to find themselves." (ibid.: 102)

3.2 Council on Foreign Relations (CFR, 1921)

With the creation of the CFR in 1921 by the Carnegie and Rockefeller foundations, the foundation for a US-based international capital governance was built (Roelofs 2003). The CFR is a think tank creating an elite of policymakers by bringing together corporate and business leaders, politicians, journalists, and academics in questions of foreign politics (ibid.). The CFR tries to build a worldwide hegemony of liberal, progressive thought and US leadership and publishes the highly influential journal "Foreign Affairs".

The CFR, CIA and Bilderberg

The CFR cooperates with organizations around the world like the Bilderberg group, which was likewise formed by the Rockefeller, Carnegie and Ford foundations, and holds informal secret meetings with important figures from the US and Western Europe, like head of states, government officials and organization, business and foundation executives (ibid.).

It is important to point out the close ties between the CIA, known for its frequent violations of international law, and the CFR. The formation of the CIA was heavily supported by the CFR members and its founding foundations. This comes as no surprise, since the CFR assembles many military top officials (ibid.). CFR members were often included in CIA missions and defended them publicly, while the CIA also backed up the CFR. It is interesting to take into notice that the CIA also participates in the Bilderberg conferences, whose start was determined by anti-communist policies in the age of the Cold war (ibid.).

The CFR and the War Peace Studies group

The role of the CFR in the creation of the Bretton Woods institutions was essential. During the second world war, a War-Peace Studies group funded by the Rockefeller foundation was formed to discuss post-war territorial conditions and their importance to the US economy. Thereby, they defined "the "Grand Area," includ[ing] Latin America, Europe, the colonies of the British Empire, and all of Southeast Asia. Southeast Asia was [defined as a necessary] source of raw materials [and] the American national interest was then defined in terms of the integration and defense of the Grand Area, which led to plans for the United Nations, the International Monetary Fund, and the World Bank" (Roelofs 2003: 74).

The vision of the CFR at that time was the creation of international institutions that could support the expansion and, ultimately, the economic and cultural hegemony of the US. The committee that started to work on the constitution of the UN was formed by the US-Secretary of State and five CFR-members. The Rockefeller-funded CFR was not only the main actor for the creation of the UN but Rockefeller Jr. himself bought the land for the headquarters of the ->UN (ibid.). Until today, the UN and its components receive funding from the Rockefeller foundation.

We can conclude that the CFR serves not only as a link between important politicians, economists, militarists, and academics that work in the service of the liberal regime of the Triad (notably the US), but also as a connection between government and foundations to attune their policies, often carried out by the CIA. The CIA was not only supported by the foundations but made use of them to channel its own operations.

3.3 Trilateral Commission (1973)

The Trilateral Commission (TLC) was created under huge influence of the Rockefeller Foundation, namely by David Rockefeller, Zbigniew Brzezinski and McGeorge Bundy. It was established to serve as the international correspondent of the CFR and represents another institutionalization of the Triad regime (as formed by North America, Western Europe and Japan).

Their strategies and statements mainly concern the field of democracy and what they framed as "The Crisis of Democracy" (Roelofs 2003: 54). They express the concern

that democracies, when allowing too much citizen participation, are at the risk of destabilization. Hence, they promote liberal ideas of economic growth to pacify citizens, prevent activism, support a powerful executive and the corporate financing of political parties, which they regard as the most important tool to channel citizen needs.

Chapter II: Country Groupings, Unions & Organizations

This section will deal with both literal and *abstract* country/regional actors and unions that influence the international political economy. It will clarify their groupings, their aims, their positions as well as their connectedness to global markets and institutions. It wishes to show whether and, if so, how the respective country groups adopt policies in relation to the global capitalist market. It further aims to examine whether such entities administer the global relations, the established power dynamics and more importantly, the institutionalized regime of underdevelopment.

This section follows almost exclusively the terms' alphabetical order. Most terms start with a short description of their establishment, members, goals and objectives and are then presented as actors in the global political and socio-economic arena. Although not all sources used have a critical and anti-colonial background, their evaluation is portrayed in a critical manner, questioning how the following groupings (might) have underdeveloped and/or still neo-colonially exploit the "poor", the Global South.

Acknowledging that there is a plethora and great variety of regional, intra- and international groupings, we highlight that this glossary includes the following terms:

> Terms: African Union (AU), BRICS, European Union (EU), Group of 7 (G-7), Group of 7+1, Group of 77 (G-77), Group of 24 (G-24), Newly Industrialized Countries (NICs), Organization for Economic Cooperation and Development (OECD), Development Assistance Committee (DAC), Organization of the Petroleum Exporting Countries (OPEC), Periphery, Rentier States, United Nations (UN).

However, to completely unravel the systemic and very deep-rooted institutionalized regime of underdevelopment, it is essential to not only dive into the sub-organizations, institutions and organs of the aforementioned, but also explore many more groupings and their connectedness to the "giants" and primary " engines" of the capitalist market-based political economic system.

1. African Union (AU)

The African Union (AU) is a continental body consisting of the 55 member states that make up the countries of the African Continent. From 2002, it serves as the successor of the Organisation of African Unity (OAU: from 1963 to 1999) manifesting the pan-African vision for a free and united Africa in control of its own destiny, while fighting to eradicate colonization and apartheid. The OAU wished to promote understanding among its peoples and cooperation among its states in response to the African aspirations for solidarity. Centered around African socialism, its guiding philosophy, Pan-Africanism, promoted African unity and a drive to embrace its culture and common heritage. To realise Africa's potential, it was essential to redirect attention from the fight for decolonisation and anti-apartheid towards increased cooperation and integration of African states to foster Africa's growth and economic *development*. This led to the re-launch of Africa's pan-African organization (African Union 2022a).

The AU was the outcome of a consensus by African leaders, who shaped the Union in resemblance to the United Nations (UN) and European Union (EU). Consequently, the AU was formed and established following western institutional structures. For instance, its work is implemented through several principal decision making organs, which resemble the ones of the UN and EU. Such are: The Assembly of Heads of State and Government, the Executive Council, the Permanent Representatives Committee, the Peace and Security Council, the African Union Commission and the Pan-African Parliament (ibid.). The AU has been *inspired* by the EU. In March 2004, the Constitutive Act of the AU was inaugurated. The latter, serving as the de-facto constitution of the Union, set specific and explicit goals to create governmental and financial institutions similar to the EU ones, like the African Central Bank, African Monetary Fund and African Investment Bank (TLDR News EU 2020). On top of that,

in 2004, with the establishment of the Peace and Security Council, which is similar to the UN Security Council, the AU transformed one of its main fundamental functioning principles and thus, the one of non-interference. The Peace and Security Council was granted permission to intervene in conflicts and deploy military force, if deemed necessary, marking a shift from non-interventionism to non-indifference (ibid.).

Within the broader continental grouping of the AU, there are also Regional Economic Communities (RECs). The RECs have developed individually and have differing roles and structures. In general, their purpose is to facilitate regional economic integration between members of the individual regions and through the wider African Economic Community (AEC). The main goal is wider African integration, with a view to regional and eventually continental integration on AU level (African Union 2022b). Hence, the RECS are increasingly involved in coordinating AU Member States' interests in areas such as peace and security, *development* and governance. The AU recognizes the eight following RECs: The Arab Maghreb Union (UMA), the Common Market for Eastern and Southern Africa (COMESA), the Community of Sahel–Saharan States (CEN–SAD), the East African Community (EAC), the Economic Community of Central African States (ECCAS), the Economic Community of West African States (ECOWAS), the Intergovernmental Authority on Development (IGAD) and the Southern African Development Community (SADC) (ibid.).

Due to its institutional and financial dependency on former colonizer countries and their normative and economic instruments, the AU adopts policies in relation to the global market. It is an entity that administers the institutionalized regime of underdevelopment by blindly following its example, guidelines and imperatives, even though it was originally created to end colonization and exploitation patterns and to realize an "independent Africa" (African Union 2022a). According to critical thinkers, the AU is considered to be an embodiment of a neo-colonialist object on a bigger and wider scale (TLDR News EU 2020), which does not effectively address capital flight (-> Capital Flight), one of the main problems of Africas.

2. BRICS

BRICS is an acronym created for a group of five “emerging” or re-emerging countries (Vadel 2020: 312). It is an abbreviation for **B**razil, **R**ussia, **I**ndia, **C**hina, and ***S***outh Africa. The term BRIC was coined in 2001 by Goldman Sachs’ head of global economics, Jim O´Neill, to describe the group of emerging countries with an annual growth in their GDP of 5-10% (Chen 2021). The four developing countries, Brazil, India, Russia and China, have been holding annual meetings since 2009. South Africa joined in 2010, completing the BRICS (ibid.) and creating a landmark in the pursuit for greater international presence in order to introduce the African countries to cooperation for development (Vadel 2020: 320). The creation of not only the acronym, but of the *power* block was created due to the stagnation of the established economies' growth. O´Neil believed that the BRICS would become the dominant suppliers of manufactured goods, services, and raw materials and have the biggest economies by 2050. Hence, investments in these countries were promoted until their economies’ growth slowed down after the financial crisis and the oil-price-collapse (-> OPEC). This resulted in the closure of the Goldman Sachs Investment Fund and after this incident, there has been less and less economic focus on these countries (Chen 2021).

However, the emergence of the BRICS has led to the emergence of controversial questions, which correlate to the mainstream International Relations and International Political Economy interpretation of the BRICS as an “economic and political formation” (Vadel 2020: 312). The mentioned questions revolve around the extent to which the BRICS challenge the liberal Western order and its effect on the development and global insertion of periphery countries. With the formation of the group, the BRICS aimed at increasing the emerging middle powers’ participation in the international order via reforming financial institutions. It is noteworthy that the emerging middle powers did not actively participate in the global economic governance’s institutions until 2008, when the G20, a summit of heads of state and governments was created (ibid.). So, the BRICS emerged in a multipolar international political order in a world capitalist system. The BRICS’ institutional strengthening and their influential expansion is a result of China’s leading role in the establishment of a set of mini-lateral institutions and a multilateral one, namely the

Asian Infrastructure Investment Bank (AIIB) (-> Sub-imperialism). These institutions contribute to the power of BRICS' parallel institutions created and stimulated by China (ibid.).
To further elaborate on the impact of the BRICS' creation, one shall consider that there is an evident distinction between traditional middle powers and emerging powers. On the one hand, as emerging powers, the BRICS have very big territories and large populations,- which are considered "developing"-, but show an unexpected economic growth and potential that may challenge the international economic order (Vadel 2020: 315). On the other hand, middle powers are not considered as *challengers*, but as *stabilizers* supporting the "hegemony" of specific powerful countries or blocks/alliances with a pro status quo position (ibid.). BRICS and mainly China are often seen as *challengers* and *destabilizers*, who could eventually re-shape the international political and economic order. However,-considering the Thucydides Trap- emerging semi-peripheral countries may wish to become the "new hegemons" and modify some norms and rules without changing the established organizations and institutions (Vadel 2020: 316). Realistically speaking, the existing system does not permit this kind of simultaneous *development* in many countries though. This results in a competition both between strong states and semiperipheral states that struggle to increase their status and their power; this further concludes to interstate rivalries taking the form of a so-called "balance of power" (Vadel 2020: 317).

To comprehend the actual effect of the BRICS on the international political economy, one shall review their aims and targets. In the political–institutional field, the developing and emerging countries questioned the role of the World Bank (-> WB) and the International Monetary Fund (-> IMF) in response to national crises managed via the imposition of predetermined prescriptions manifested in the (-> Washington Consensus). During the 2010 G20 Seoul summit, the "Seoul Consensus" highlighted the need to change the quota and voting shares in the IMF (Vadel 2020: 319). The BRICS aim for greater participation in global economic governance institutions, referring to the WB and IMF, which are the embodiment of the US-led post-war treaties' governance. Furthermore, the BRICS continuously call out the legitimacy of international institutions – particularly the UN and the IMF – and for a reform of both institutions (ibid.). To consolidate their targets and strengthen

their influential position, the BRICS created the New Development Bank (NDB) to mobilize resources (divided equally among founding members) for infrastructure projects and sustainable development in BRICS and other emerging and developing economies. Additionally, since 2014 they have signed/established: the BRICS–Contingent Reserve Arrangement (CRA), the Memorandum of Understanding for Technical Cooperation between Credit Agencies, the Belt & Road Initiative (BRI), a BRICS rating agency, the BRICS Customs Cooperation Committee within the framework of the BRICS Strategy for Economic Partnership, the BRICS Local Currency Bond Markets and the BRICS Local Currency Bond Fund; the latter aims to conclude the Memorandum of Understanding on Cooperation between the BRICS Business Council and the NDB among national development banks on interbank local currency credit line and on interbank cooperation in relation to credit rating (Vadel 2020: 319-321).

Evaluating the BRICS as a challenger to the liberal Western order and wondering whether this change would affect the global insertion of periphery (-> Periphery) countries, one encounters a paradox, since it remains unclear whether the BRICS propose a new development paradigm. Neither the NDB nor the BRICS' Bank can be separated from the Chinese approach to South–South cooperation and China's ambitions for a *Chinese liberal order,* embedded in the imperatives of China's expansion in the contemporary capitalist system. What is certain, is that there is a consistent institutional consolidation process through the NDB and a possibility of increasing the group's members through the BRICS Plus proposal (Vadel 2020: 324).

3. European Union (EU)

The European Union is an organization created in 1993 aiming to achieve closer economic and political union between the member states of the European Community (EC) (Collins Discovery Encyclopedia 2005). The EU, an economic and political confederation of European nations that are responsible for a common foreign and security policy and for cooperation on justice and home affairs, was formally introduced with the ratification of the Treaty of European Union (1993), or Maastricht Treaty to the EC. Following the ratification of the Treaty of Lisbon, the EU

officially replaced and succeeded its predecessor, the EC, in 2009. To date, it is comprised by 27 countries, which are: Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, and Sweden. All 27 countries are full members of the organizations, bodies, roles and functions of the EU. The United Kingdom (UK) was also a full member from 1973 until 2020, when it decided to exit the Union (The Columbia Electronic Encyclopedia 2013). Deriving and sponsored by the United States' will to create superregional institutions to eradicate nationalist conflicts, the imminent notion of sovereignty transfer to supranational structures represents a political concept, which is rooted in the EU' fundamental principle and goal for a deeper integrated Europe; feared and opposed by the UK from the beginning (Vivares & Martens 2020: 351).

The EU is defined as a regional group, and a region as a states' conjunction with geographical proximity and a significant level of interdependence (Vivares & Martens 2020: 349). Although this definition is widely accepted, it fails to link regions with the world order's imperatives as well as the dynamics between state and non-state actors. Alternatively, all regions could be seen as socially and historically constructed constellations within a political and economic context of *development* with contradicting and politically disputed (national) identities, boundaries and external relations by state and non-state actors. Hence, every regional grouping stays heterogeneous to a certain degree and its potential geographic expansionist margins shift, if a state has similar orientations concerning development (ibid.). The EU and its institutions (the European Parliament, the European Council, the Council of the European Union, the European Commission, the Court of Justice of the European Union, the European Central Bank (ECB) and the Court of Auditors) have internationally shaped the codes of conduct and even the very conception of regionalism (-> AU). There is a strong tendency toward a biased interpretation of the European regionalist experience as the desired endpoint of *development*, a position driven primarily by the influence of specific academic institutions and regional powers (s. Chapter I, 3.1 Foundations) (Vivares & Martens 2020: 348). Different regionalist constellations are defined by their relations to the world order and *development* orientations and reflect various political projects, driven mainly by the

global political economy of regionalism. The increasing “regionalisms” have ascended due to the post-Cold War order, the crisis of neoliberalism, the exhaustion of the (-> Bretton Woods institutions), the inadequate capacity of the UN to handle international conflicts and the rise of China and the (-> BRICS) (Vivares & Martens 2020: 344-345).

Realizing that Northern European nations were dominating the world by influencing and exploiting their colonies, it comes as no surprise that the very notion of regionalism in Latin/South America and Africa imitates the European norm, structure and operational system. An argument for this, is that the study of the agency of regionalism emphasizes governmental leadership, intergovernmental agreements, and formal integration processes in trade and customs. In this sense, the regionalist nature is identical with the European one and it implies that regionalism is formal and institutional. Thus, this designates regionalism as a tool of international organizations rather than a means towards a revised political economy of conflict and *development* (Vivares & Martens 2020: 348). Another sign of the EU's neo-colonial influence and its desired dependency expansion is depicted in the EU's economic integration attempts. Regional economic integration is the foundation and objective of every regional project. Through a logical and linear sequence of market integration stages (e.g., free trade areas, customs unions, common markets, monetary unions, and economic integration), Liberal Economic Integration (LEI), being the academic construction of all conceptual limitations, develops a sense of “false universalism” that depoliticizes the nature of regional integration based on liberal institutional assumptions (Vivares & Martens 2020: 351). The epistemic device’s developmental policies are framed by scholars with ties to BWIs via the artificial depoliticization and technification of integration’s alternatives based on free trade assumptions (Vivares & Martens 2020: 352).

Economic integration research shows whether its impact contributes to the world trading system; which is the very intention of LEI. Alternatively, another line of research aiming to explain economic integration in Europe, distances itself from orthodox economics by examining investment, employment, infrastructure, and structural transformations, as well as market and government failures. The latter’s main advantage is that it nourishes the conceptual grounds to explore regionalism in

developing regions, while its disadvantage lies in the absence of research in South America a.o., where heterodox experiences and politico-economic processes of regionalization prevail (Vivares & Martens 2020: 352). The EU, being the child of neoliberal institutionalism (the functionalist merge of neorealism and neoliberalism) is shaped and limited by the -allegedly- "universal" laws of neo-classical economics and the institutionalization that is subordinated to the trade's dynamics. EU's policies, politics and *developmental* agenda are constrained by market powers that are subject to a globalized economy, dominated by trade and finance; limiting development not referring to financial growth (Vivares & Martens 2020: 354).

The EU is a grouping of nations, many of whom have been colonial oppressors in the past and who allegedly continue to exercise neo-colonial influence both outside and within the EU. Core EU countries have shown such behavior in recent history. The effects of and the economic mechanisms against the global financial and the consequent Eurozone crisis of 2008 demonstrate a vivid example of exploitative behavior, (re)generating *underdevelopment*. The 2008 crisis spread into a sovereign debt of five member states of the so-called Eurozone (the countries having adopted the European common currency): Greece, Ireland, Spain, Cyprus and Portugal (Karremans & Lefkofridi 2020: 474). Since these countries needed a bail-out to finance their expenses and save their national banks, EU member states, the ECB and the IMF provided them with *financial assistance*. Gradually, this led to a threat to the EU's common currency's resilience, which was addressed via severe austerity (->Austerity) measures in all EU member states -but mainly to the five debtors (ibid.). Reflecting the establishment of the European Monetary Union (EMU) in 1993, the transfer of authority from the national to the supranational level reached a turning point. For Eurozone countries, monetary policies were no longer under the control of a national central bank, but under the ECB. However, the Euro was not backed by a fiscal union, and thus, featured many internal imbalances, as it was observed with the Eurozone crisis (Karremans & Lefkofridi 2020: 476). The EMU can thus be understood as an internal neo-colonial instrument that is driven by national interests of specific states. For instance, France, guided by the notion of relative power, insisted on Germany giving up the Deutschemark, as a sign of commitment to the integration process. Although the idea was to prevent German hegemony in Europe, it ended up increasing its relative power, also since the ECB is located there (ibid.).

In this context, the Northern EU member states exploited and financially exhausted and underdeveloped the economies of the Southern member states, exercising economic practices similar to the ones with which they underdevelop(ed) their peripheral colonies. This is illustrated with the following -related to capital flight- example:

> "Outflows of capital [...] happened in large magnitudes to [the five] countries [...] most severely hit by the crisis [...]. As markets started to lose confidence in the ability of countries such as Spain or Portugal to pay back their debts, bond-holders started to sell these bonds and buying bonds of countries that were perceived as having more solid public finances, such as for example Germany [...]. This practice was facilitated by the fact that the various countries had the same currency. Consequently, large amounts of capital flowed from (mainly) Southern European countries towards (mainly) Northern European countries. This mechanism pushed various European countries (mostly in Southern Europe) towards a sovereign debt crisis." (Karremans & Lefkofridi 2020: 477)

As a result Northern EU governments had more direct interests in seeking to influence long-term economic policy in the Southern European countries, since the Northern European countries were the creditor, and the Southern European the debtor countries (Karremans & Lefkofridi 2020: 478). Another example of EU's "unfair" budgetary rules conveys the contrast between the functioning of the Single Market, which represents sort of an informal brake on governments' taxation policies, and the EU budgetary rules, which work as formal constraints on the governments' expenditure policies (Karremans & Lefkofridi 2020 p. 479). This leads to unequal *development* among EU member states, since governments are not completely autonomous in enacting national economic and social policies, as they are restricted by their European commitments. This imbalance was evident after the Eurozone crisis, when Northern EU countries started to have significant budgetary surpluses, while Southern EU countries remained indebted with important government deficits (ibid.). This happened, because the Southern economies' growth historically relies on national consumption. Before the establishment of EMU – these countries were able to respond to economic downturns by devaluing their currencies. However, under EMU, they lost this capacity. On top of that, due to the budgetary restrictions,

they are not allowed to freely stimulate national consumption by increasing expenditure (ibid.). This has favored Northern European economies, whose growth is based on exports and, who therefore contained the labor's cost to facilitate exports. In the EU, state intervention in the economy is next to impossible, which creates a systemic imbalance for some EU countries (Karremans & Lefkofridi 2020: 480).

4. Group of 7 (G-7)

The Group of 7 (G-7) is an association of seven democratic industrial nations (USA, Japan, Germany, France, UK, Canada, Italy) for the articulation of common interests. It has existed since 1975, but has no independent infrastructure. The common political and economic policy intentions of the G-7 countries are made public in a declaration following an annual meeting at the highest political level (Lock 2019: 172). Through the participation of the President of the European Commission in the annual consultations, other member states of the (->EU) are involved in the political process of the G-7 (ibid.). In other words, it is a western centered association of core powerful and *developed* countries that has developed into a broad political forum.

In a climate of great monetary uncertainty following the abandonment of gold parity by the US and economic depression in the wake of the oil price shock (1974) (-> OPEC), French President V. Giscard d'Estaing proposed in 1975 a meeting of the "big" five industrialized nations, the US, Japan, the Federal Republic of Germany, Great Britain and France, which was primarily intended to deliberate on better coordination of monetary policy (ibid.). In a joint declaration, all participating countries pledged to continue their fight against fluctuations in currency parities and to coordinate their energy policies. However, the portrayed self-image as an interest group of democratic industrial nations was criticized as discrimination by the non-participating EC states (ibid.). This resulted in the G-7's decision to invite the President of the EC Commission for the first time to the meeting in London, in 1997; which further resulted in its final composition. An annual meeting with rotating invitations from one of the participating countries was thus firmly established, along with an almost continuous discourse by the respective political staffs and, in some cases, by specialist ministers in preparation for the G-7 meetings. In the following years, the discussion topics and interest areas expanded increasingly. In addition to

energy and economic policy, military and security policy issues eventually started being in the center of attention (ibid.).

4.1. Group of 7+1

The strong pressure exercised by Russia to transform the G-7 into a G-8 has so far been resisted, but, there is already frequent use of G-7 + 1, which refers to Russia's involvement in the G-7's influence and decision-making sphere (ibid.). With the beginning of the transformation process in the Soviet Union, the G-7 states were already confronted with the problem of what rank the Soviet Union, or later Russia, should be given in these consultations. In view of the importance of the transformation process for the political agenda of the G-7 countries, first Gorbachev and later Yeltsin were invited as special guests. After this, the strong pressure from Russia to transform the G-7 to G-8 resulted in the informal recognition of G-7 + 1 (Lock 2019: 173).

The relative weights in the global economy and international relations have changed so profoundly since the founding of the G-7 +1 that the grouping can no longer be delimited by any common structural feature. In addition, all policy areas of the joint declarations are competently dealt with by international organizations in which the G-7 states themselves have considerable weight, such as the IMF, (-> OECD), (-> WTO) etc.

G-7 + 1 is another powerful block of core countries that define the international world order by stipulating the transnational economies and market trends according to their interests (ibid.). Criticism of the G-7 process starts from the bottom up and questions whether nation-states still have the capacity to control the economic developments in the world economy that their annual declarations seem to assume. The stability of the G-7 +1 ritual is therefore increasingly explained by its function as a mutual legitimization of the participants in order to maintain domestic political power (ibid.). The further *development* of this association will be decided by the perceived performance of the G-7 process as a global orientation or as an aid to domestic political legitimacy (Lock 2019: 172-173).

5. Group of 77 (G-77)

The Group of 77 (G-77) was established by seventy-seven developing countries, which signed the "Joint Declaration of the Seventy-Seven Developing Countries" issued at the first session of the 1964 UN Conference on Trade and Development (UNCTAD I) (G77 2019). In the 1960s, after their acquisition of political independence in the *post-colonial* era, developing countries from Africa, Asia and Latin America, which with this new development collectively held a majority at the UN, sought the creation of an institution to govern global trade on more equal terms, the UNCTAD I (Buzdugan & Payne 2019: 334). The latter was indeed convened in Geneva in 1964 with the reluctant support of the developed countries (ibid.). UNCTAD was, of course, perceived as an opportunity for the developing countries, which therefore organized themselves into this new bloc. G-77 formed the basis from which developing countries wanted to bargain for the radical changes in global governance that they had always wished for (Buzdugan & Payne 2019: 333). In 1967, at the first Ministerial Meeting of the G-77 in Algiers, its members adopted the "Charter of Algiers". With this emerged a permanent institutional structure, leading to the establishment of Chapters of the G-77 with Liaison offices in Geneva (UNCTAD), Nairobi (UNEP), Paris (UNESCO), Rome (FAO/IFAD), Vienna (UNIDO), and Washington, D.C. (IMF and World Bank). Throughout the years, the G-77 managed to expand its membership, now consisting of 134 members, but the original name was kept because of its historic value (G77 2019). G-77 is the UN's largest intergovernmental organization of developing countries, providing a forum for countries in the global South to express and promote their common economic interests, strengthen their joint negotiating capacity on all major international economic issues, and promote South-South cooperation for development (ibid.).

When it comes to its organizational structure, the Chairmanship is the highest political body, which rotates regionally between Africa, Asia-Pacific, and Latin America and the Caribbean, and is held for one year in each Chapter. Its supreme decision-making body is the South Summit and the Annual Meeting of the G-77

Foreign Ministers is held at the start of the regular session of the UN General Assembly in New York (ibid.). Critically reflecting this, although the G-77 seems to pursue its own interests and agenda, it is very much dependent on the UN and functions as a forum that seeks to confront, respond to and, above all, influence the decisions of an international organization which is, however, under the guidance of the main core countries of the global North. In this regard, the G-77 holds sectoral Ministerial Meetings on a regular basis in order to prepare for UNCTAD sessions and the General Conferences of UNIDO and UNESCO (ibid.). Coming to its financing, G-77's activities are funded by contributions from member states in compliance with the relevant judgements of the First South Summit and G-77 sponsors projects promoting South-South cooperation through funding from the Perez-Guerrero Trust Fund for South-South Cooperation (PGTF). Finally, its activities revolve around producing joint declarations, action plans, and agreements on development issues in addition to resolutions and decisions initiated by G-77 in the UN General Assembly and its Committees, as well as various UN bodies and specialized agencies (ibid.).

From an anti-colonial perspective, the G77 was viewed by the developed countries as a threat to the status quo, meaning their dominant position in global governance (Buzdugan & Payne 2019: 334). Frightened by the establishment of the peripheral group, the industrialized countries and former colonizers embarked on a number of effective stalling tactics associated with the implementation of UNCTAD decisions (Buzdugan & Payne 2019: 333). These dissatisfactions set the tone for G-77's first official meeting in Algiers, in preparation for UNCTAD II. The Charter of Algiers included G-77's goals and aspirations for the upcoming negotiations (ibid.). Asserting that deteriorating terms of trade for their primary exports held back their development, G-77 called on the developed countries to redress this imbalance through commodity agreements, supplementary financing, trade preferences for manufactured goods, international shipping reforms, and a 1% GDP target for international aid (Buzdugan & Payne 2019: 334). But, unsurprisingly, the core did not agree and UNCTAD II was a failure in all but minor ways, owing to the developed countries' stubborn refusal to negotiate (Buzdugan & Payne 2019: 333).

It is ironic how UNCTAD pledged for equality, but only when equality meant abiding by the Western rules. Although the developing countries created a potentially

influential group, which by the end of the 1960s was decreasingly being described as a ‘Third Force’ (Buzdugan & Payne 2019: 333), the systemic discriminatory and unequal organizational and operational structure of the (-> UN) prevents it from actually imposing the radical changes, -it so intensily dreams of. Its limited involvement is also depicted on the fact that G-77 is allowed to only make statements at some Committees of the General Assembly, ECOSOC and other subsidiary bodies (G77 2019). Although it can sponsor and negotiate resolutions and decisions at conferences and meetings (held under UN’s aegis) dealing with international economic cooperation and development, the G-77 is not represented in any binding forum. Furthermore, the G-77 participates in debates on the reform of the UN (G77 2019), which, however, have led to no changes that can fix the systemic imbalance between the global North and South. Summarizing, by the end of the 1970s, it was clear that G-77 had neither fundamentally altered the existing BWIs in their favor, nor fully succeeded in presenting other institutions as viable alternatives (Buzdugan & Payne 2019: 335). With the delinking of development issues from OPEC's (->OPEC) threat of further oil price increases, the G77 countries no longer possessed a powerful bargaining instrument. What remains nowadays is the option of appealing for concessions from developed countries based on good will, reason and morality arguments (ibid.).

6. Group of 24 (G-24)

The G-24 was established in 1971 by G-77 as one of its Chapters. G-24 was initially established to propose to the Governments of G-77 coordinated positions in UNCTAD III, as well as in other fora, and consider any other initiative that may be required, including the convening of a UN world monetary conference (G24 2022). Formally created in 1972, the G-24 is responsible to report back to and inform the G-77 regarding the international monetary situation and the studies entrusted to the IMF's Executive Directors at the recent Board of Governors meeting. The G-24's mandate was expanded in 1976 to include development issues, and as a result, topics that fall under the purview of the institutions that comprise the World Bank Group (->WB) (ibid.). Additionally, it evaluates monetary events and developments as well as decisions made by a single country or bloc of countries within the (->IMF), connected to the developing countries' interests (ibid.). The Intergovernmental G-24

on International Monetary Affairs and Development clusters and coordinates developing countries' positions on monetary and development issues in (->BWIs) deliberations and decisions. It also deals with agenda issues of the World Bank Group's International Monetary and Financial Committee (IMFC) and Development Committee (DC), as well as other relevant international fora (ibid.).

Of course, also new groups of developing countries have emerged as vital players in global debates and the agenda of the global community has broadened and thus become more complex, as evidenced by discussions at the IMF and the World Bank. Hence, the G-24 has undergone a re-examination of its nature, mission and structure in response to changing global dynamics (ibid.). Critically reflected, four out of the 24 members, namely Brazil, India, South Africa and China (China attends as a “Special Invitee” and addresses the plenary level meetings of Ministers) belong also to the (->BRICS). All the latter except China are also considered to be Newly Industrialized Countries (->NICs) together with Mexico, and five more members, namely Ecuador, Iran, Gabon, Venezuela and Algeria are simultaneously members of the (->OPEC). This could be interpreted as internal favoritism and elitism (resembling colonial times), since ten out of the 24 members are in a more privileged financial and bargaining position due to the fact that they are represented in quasi influential fora with ties to the westernized liberal economic order of exploitation. NICs for instance, are mainly funded by foreign developed countries (outside the realm of the G-77) and may communicate less radical and revolutionary positions than less privileged countries, like the ones in the Sahel region. Moreover, at G-24’s meetings there are also observer countries and institutional groups (G24 2022), which may lobby positions preferred by the global North. Such countries/groups/organizations are: the United Arab Emirates and Saudi Arabia, -which are also members of the OPEC-, the International Labor Organization (ILO), UNCTAD, the UN Department of Economic/Social Affairs, the OPEC and its Fund For The International Development (ibid.). To further explain this line of thought, many of the aforementioned countries and organizations are also known to have close ties to the US and other industrialized countries of the core. It is logical to assume that this can change the interests, policies and developmental agenda of members of the G-24.

7. Newly Industrialized Countries (NICs)

The NICs are an abbreviation for **N**ewly **I**ndustrialized **C**ountries. Thailand, Mexico, South Africa, Brazil, Singapore, Turkey, Taiwan, India, and Hong Kong are often said to belong to these countries, although it is not finally agreed which countries belong to the NICs. The phrase NIC refers to a subclass of emerging countries that have outperformed other developing countries in terms of economic growth (Corporate Finance Institute 2022). Through industrialization and urbanization, the NICs are constantly evolving and growing. It was in the 1970s that the NIC concept gained widespread acceptance. During this time, Asian countries such as Singapore, Hong Kong, South Korea, and Taiwan – commonly known as the "Four Asian Tigers" — led in terms of economic prosperity and technological innovation (->Export-Oriented Industrialization). Since the 1960s, the four countries have seen rapid industrialization and have developed high-income economies. NICs are known for amassing big sums of money, making large investments and are primarily funded by a strong preference for exporting machinery, consumables, and domestic savings. Concluding, NICs are known for their rapid productivity increase and industrialisation within the developing world (ibid.).

Foreign developed countries are the most common source of investment funding for NICs (ibid.) (->Foreign Direct Investment), which resembles colonial times, when one considers the motives behind this move. The NICs' cheaper labor costs, land expenses, and other input costs attract capital, which is mostly used to set up manufacturing facilities in order to achieve rapid *productivity development* and industrialization. The majority of NICs sell their products to other developing countries (-> Sub-imperialism). These types of activities increase competition amongst developing nations and reduce their ability of independent development (Amin 1976: 212). This potential is attributed to decreased input costs, such as labor costs, which are comparatively cheaper (ibid.). Briefly, fostered by foreign investment from industrialized countries of the global North, the NIC governments often encourage *development* by promoting exports of manufactured goods through financial measures (Corporate Finance Institute 2022).

8. Organization for Economic Cooperation and Development (OECD)

The Organization for Economic Co-operation and Development (OECD) is an international organization that shapes policies relevant to issues of prosperity and development. It holds daily briefings, meetings and consultations with governments, policy makers and citizens and works on establishing international standards on a range of social, economic and environmental challenges (OECD 2022). Briefly explained, it could be seen as a forum and knowledge hub for data and analysis, exchange of experiences and international standard-setting. OECD has 38 member states, (most of which) are core western industrial states (Organization for Economic Co-operation and Development 2006: 2). The OECD has gradually turned into the jointly licensed auditor of the member countries' economies, whose annual status report influences the respective and international political debate. Especially for the smaller member states and for *developing* countries affected by its decisions, the OECD has taken on the role of an authoritative economic policy *advisor* (Lock 2019: 394). The unquestioned marginalization of poorer countries is seen as unambiguous discrimination and gives the OECD, especially if it expands its membership in a non-periphery direction, the image of a club of the rich that lacks legitimacy (ibid.)

The organizational core of the OECD can be traced back to a Committee for European Economic Cooperation convened on the initiative of France and Great Britain in 1947. This committee, which led to the creation of the Organization for European Economic Cooperation (OEEC; with only western European member states), developed principles for reconstruction in Europe and expressed the need to make an estimate of foreign *aid* (Lock 2019: 394). The successor of the OEEC, the OECD, was created in 1960, when 20 countries signed the Convention on the Organization for Economic Co-operation and Development. Since then, 18 more countries have become members of the Organization (OECD 2022). Like the OEEC, the OECD continues to promote and with its -*of course, altruistic and democratic means*- enforce the liberalization of the movement of goods, services and capital.

Through the OECD, Western Europe is involved in a constant process of consultation with other bastions of the capitalist market economy (Lock 2019: 394).

Unsurprisingly, in the beginning, OECD was an association of 27 predominantly Western industrialized nations, which together worked and still work on a broad spectrum of economic and financial policy issues. Based in Paris, they maintain a research bureaucracy with an annual budget of more than DM 300 million (Lock 2019: 393-394). Its governing body consists of ambassadors from all member states. However, under the umbrella of the OECD, several institutions have also been created in which only a subset of the member states participate; there are elitistic systemic elements also within the OECD. Such institutions with exclusive membership are the Development Assistance Committee (->DAC) and the International Energy Agency (IEA) (ibid.).

The OECD's list of tasks includes *healthy* economic growth in *developing* countries through the expansion of the liberal world trade order, so as to allegedly optimize economic development and full employment (Lock 2019: 394). However, this exact order and liberal institutionalized exploitation system, is what brought them to this "*underdeveloped*" position in the first place. It is kind of ironic that the countries for which developmental agendas are designed for are not included in the discussions and decision-making processes. Another frequent critique point coming from the "*Third* World", which is *of course* identical with the term non-members of the OECD, is that common ideas and strategies of the core are worked out and effectively represented in other influential international bodies, where members of the OECD are also represented (Lock 2019: 395). For instance, the promotion of free trade exchange was established as a policy development direction, which raised the issue of division of labor with the World Trade Organization (-> WTO), in which all OECD member states are also represented (ibid.). Additionally, although the OECD research services have developed into a thesaurus, this thesaurus can hardly be substituted for economic policy decisions, especially in smaller *developing* countries (Lock 2019: 396). Another very important systemic discriminatory element that defines the organizational structure of the OECD is that the budget is allocated to the member states in proportion to their economic performance. Considering the USA's influential position in the organization, one could assume and fear the fact that the

USA unilaterally might be in a position to shape OECD's policy objectives (Lock 2019 p. 395-396).

8.1 Development Assistance Committee (DAC)

The Development Assistance Committee (DAC), formerly known as the Development Assistance Group, was created in 1960. It is a venue where topics of aid, development, and poverty reduction are addressed and resolutions are issued. The group establishes guidelines and supports the coordination of development assistance. One other of its key responsibilities is to gather and disseminate aid statistics (OECD 2022). As of 2021, it consists of 30 members, also including a regional organization, namely the EU, and is further composed of "participants" and "observers". Members of OECD's DAC are: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, European Union, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, The Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, United Kingdom, and the United States. The International Monetary Fund (IMF), the United Nations Development Programme (UNDP), the World Bank, the African Development Bank and the Asian Development Bank participate in the DAC as observers (ibid.).

The DAC is a platform for aid coordination. One of the major issues that has arisen over time is how to ensure that its member states contribute equitable amounts of development funds. Some member states provided a much bigger share of their GDP than others in the early 1960s. To ensure that the assistance effort was evenly distributed, the DAC promptly accepted the 1964 recommendation of the UNCTAD for an "International Aid Target" (ibid.). In 1967, the topic of aid burden-sharing resulted in the first report on "Total Official Contributions as a Percentage of National Income," which was accompanied by carefully negotiated explanations. The main DAC function concentrates on developing international development cooperation in a way that can contribute to the capacity building of *developing* countries and enable them to be active in the liberal global economy system. In this sense, in 1969,

the DAC adopted the Official Development Assistance (->ODA), the so-called "gold standard" of foreign aid (ibid.).

To achieve the organization's current goals, one must examine the globalization movement of politics and economics towards an environmentally friendly and sustainable sphere. For the period 2018-2022, the DAC's overarching goal is to promote development cooperation and other relevant policies in order to help implement the 2030 Agenda for Sustainable Development, which includes achieving sustained, inclusive, and sustainable economic growth, poverty eradication, and improved living standards in developing countries, as well as a future in which no country will rely on aid (ibid.). However, DAC's aid efforts have been questioned and, more specifically, its aid effectiveness. In the 1990s, almost all (bilateral) donors were organized in the OECD-DAC and they explicitly pledged to put greater emphasis on Good Governance (Neumayer 2006: 1). Considering its selection strategy, many noticed and wondered whether donors only selected countries with Good Governance and if this was connected with greater probability for the countries to be eligible for aid (Neumayer 2006: 2). Consequently, there was the question, if DAC provides more aid to these countries than others (ibid.). From an anti-colonial perspective, this could mean that DAC prioritizes and favors countries with -similar to the Global North- institutions, mindsets and policies, but also countries that are a peripheral miniatur of the core. This, among other elements, critically deflects its effectiveness and its alleged altruistic character. It is kind of ironic to advertise itself as the "forum and voice" of the world's main donor nations and manifest itself as a forum trying to advance global development, especially in developing countries (OECD 2022), when mindering the aid eligibility criteria; especially considering that developing countries often lack the institutional and legal framework for Good Governance structures and practices.

Bilateral donors are national government departments or ministries tasked with granting or lending money for development on a country-to-country basis. These bilateral aid agencies include the United States Agency for International Development, the United Kingdom's Department for International

Development (DFID), the Swedish International Development Cooperation Agency (Sida), and France's Caisse Française pom la Coopération (Dichter 2003: 100). It is important to mention that bilateral aid is about double as much as multilateral aid. Bilateral aid flows account for 68.4 % of total aid. Of these aid flows, finance provided by DAC countries makes up more than 96 % (Neumayer 2006: 3). Japan, the US, Germany, France, Italy and the UK are designated as the big bilateral donors as well as the so-called like-minded countries: Canada, Denmark, Norway, the Netherlands, Sweden and the Arab donors (ibid.). In the period 1950-97, the contributing members of the OECD gave a total of $982 billion in bilateral aid, with the US representing 25% of the total amount (Dichter 2003: 105). However, the aid was never unconditional and its effectiveness was often criticized for providing short- rather than long-term solutions, which made the aid receivers remain dependent on aid. Moreover, although the aforementioned countries are called 'big aid donors', it is entirely due to the size of their economy that they are defined as such and not because of their generous donations. The UN, the EU and IDA are distinguished as the three major multilateral donors (Neumayer 2006: 3).

From an anti-colonial perspective, one should definitely observe again the aid division and allocation to the recipients. There are some obvious patterns with former colonial powers like France, the UK, Italy, Spain, Portugal and the Netherlands, where former dependency ties are connected to economic interests, such as trade (Dichter 2003: 106). Since every donor country wants to have an impact and influential power, most donors focus on a small group of priority poor countries (Dichter 2003: 105). For example, the US has had favorites, with only three countries remaining on its top-15 list for 25 consecutive years: Israel, Egypt, and the Philippines. In 1976-77, Israel and Egypt received 21.4% of US foreign aid; in 1986-87, they received 26.9 %, and in 1996-97, 19.9 % (Dichter 2003: 106). Hence, the US pattern for its top recipients is related to historical, quasi-(neo)colonial ties, as seen in the case of the Philippines, where US military bases were an aid condition for a quid pro quo (ibid.).

9. Organization of the Petroleum Exporting Countries (OPEC)

The Organization of the Petroleum Exporting Countries was founded in Baghdad, in 1960, on the initiative of Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. With its formation, the five oil-exporting countries for the first time jointly reacted to a unilateral oil price reduction by the seven largest multinational oil companies (Massarrat 2019: 399). Therefore, OPEC's original objective was to stabilize the oil prices. However, in the two decades that followed, it developed into the most successful alliance of commodity-exporting countries in the Third World. The founding states were soon followed by Algeria, Ecuador, Gabon, Indonesia, Qatar, Libya, Nigeria and the United Arab Emirates (ibid.). The OPEC countries together hold about 76.3% of the world's oil reserves (in comparison: USA 3%, Russia 4.9%, Mexico 5%) (ibid.).

OPEC is to be classified politically in the context of historical North-South relations. Since the beginning of oil production in the Middle East and South America, a few multinational oil groups of the North have unrestrictedly dominated the international oil market. These multinationals held long-term exploitation rights for oil production and, due to their economic and political superiority, they were also in a position to unilaterally negotiate favorable contractual terms of quantity and price (ibid.).

Given the oil's economic importance and its high profit margins, the multinational oil corporations became the most financially powerful companies in the world. Being in such a powerful position, they caused a drastic increase in North's oil consumption, while guaranteeing that the revenues of the oil-owning states in the South increased only marginally, -despite the *peripheral* rapidly expanding oil production (ibid.). Through OPEC, its member states succeeded in the early 1970s in terminating the exploitation contracts with the multinational oil companies and henceforth taking the production and price regulation of their own energy resources into their own hands. The first oil price shock in 1974 (raising the oil price to about $40/barrel) and the drastic increase in the country's own oil revenues reflected the overcoming of the old quasi-colonialistic dependency relations of the oil-owning states (Massarrat 2019:

400). OPEC not only raised the price of oil but also imposed an embargo, primarily targeting the US, causing immediate economic hardship in all oil-dependent industrialized countries. This tactic is known as 'the oil weapon' (Buzdugan & Payne 2019: 335). The effects of the 'oil weapon' prompted the developed countries to agree to a Sixth Special Session of the UN General Assembly to discuss not only OPEC's actions, but also, at Algeria's insistence, broader issues related to primary production and development in general that were of concern to the entire (->G-77). However, by the end of the 1970s the core had managed to diffuse the 'oil weapon', which allowed the *developed* countries to ignore and subvert the demand for a New International Economic Order (ibid.).

This neo-colonial dependency and the Global North's wish to restrain the influence of the OPEC countries was also observed during and after the Iran-Iraq war. Since 1985 (the peak of the Iran-Iraq war), OPEC has been de facto divided (ibid.). Due to this political and economic crisis, OPEC lost much of its dominant role in international energy markets. Structural overproduction and low oil prices (mostly below $20/barrel) have characterized the international oil market ever since. Moreover, energy-saving measures, the expansion of nuclear energy and, most importantly, a coordinated energy supply policy of the OECD countries contributed in various ways to the current OPEC crisis. After the enactment of OECD's financial strategies and energy supply policies, most OPEC states were and still are among the countries with the highest foreign debt; although these countries once had considerable foreign exchange surpluses (Massarrat 2019: 400).

The influence and role of OPEC is interpreted in various ways in economic liberal theory. The neoclassical cartel theory regards OPEC as an oil cartel that disrupts the free play of market forces and replaces the competitive oil price with a monopolistic oil price (ibid.). However, this theory ignores some factors that deflect this thesis. First of all, the alleged oil competitive price of the pre-OPEC era in oil consumer markets was accompanied by a monopolistic price dictate of the oil concern on the supply side, meaning the oil-owning states (ibid.). Secondly, despite the free play of market forces, oil is an exhaustible commodity, for which scarcity prices tend to rise rather than fall. Finally, oil producers compete worldwide and thus with suppliers of other energy sources (coal, natural gas, nuclear energy, renewable energies).

Consequently, even a well-functioning oil cartel is ultimately subject to the free play of market forces (ibid.). Another worth mentioning economic theory evaluating the role of OPEC and its relation to the global market is the political economy-based “Dual-System and Dumping Price” theory (ibid.). This theory is a synthesis of the neoclassical market theory for exhaustible resources (Hotelling rule) and Marx's rent theory. According to this theory, the power-politically dualistically structured international system (dual-system theory) has created world social conditions that ensure a smooth and steady outflow of scarce resources from the populous but politically weak South (periphery) to the populous but politically strong North (core). The international dual system prevents the emergence of scarcity prices for oil and other exhaustible raw materials and favors the externalization of ecological costs, thus also the establishment of dumping prices (dumping price theorem) (ibid.).

Accordingly, in the historical North-South relationship, the OPEC represented an attempt to abolish the dualistic system in the world oil market. Hence, OPEC could be considered a *challenger* and potential *destabilizer* of the world trade and financial order regarding oil as an energy commodity. However, this attempt failed, because the power-political dualism of the international system persisted despite the temporary cracks in the North-South relationship. The neo-colonial dominance of the Global North seems to be continuing undestructed (Massarrat 2019: 400-401).

10. Periphery

Periphery, etymologically meaning the outer edge of an area or/and the less important part of a group or activity, refers to the marginalized countries within the global capitalist system. In critical development theory, the concept of the "periphery" has been established primarily through the work of the authors Samir Amin and Immanuel Wallerstein, who were strongly oriented towards Africa. For both of them, it was primarily a matter of identifying differences in the mode of (re)production between the *developed capitalism* of the old core states of Europe, North America and Japan and the *underdeveloped capitalism* of the new states in Asia, Africa and Latin America. For both, the core of the problem lies in the outflow of value from the latter to the former. All the value produced in the "centers" (and even outside of

them) enters the internal economic cycles, while at the "periphery" - a part of it is withdrawn - and it is not available for *development* (Hauck 2019: 419).

In general, the abstract (geographical) term "periphery" was used to explain the transfer of value as a functional condition of the capitalist world system. In the Dependencia School, which concentrated on Latin America, the term "periphery" played hardly any role at the beginning; one spoke rather of "dependent countries" and of "metropolis-satellite relations". The focus was on the deformation of the internal socioeconomic structures of Latin America due to dependence on the metropolises (ibid.).

Aiming for *development*, central, developed (core) countries continue, nowadays, to intervene and interfere in the internal affairs of the peripheral, *“underdeveloped”* countries. *Development aid policies* are considered to be a neo-colonial instrument (Acosta & Guijarro 2020: 295). For example, recent history has shown a plethora of interventionist operations of the IMF and the WB. Although they are legitimized by the mission of bringing *“development”* to peripheral countries, economic interventions led by the IMF and the WB do not actually try to bring long-term stability and booster capacity building in the peripheries, but try to “protect” those *underdeveloped* areas from the influence of any rival power (ibid.).

Summarizing some main points, the peripheral areas are often post-colonial territories/states proletarized for the benefit of the center; which is constituted by the main economy driving industrial forces. The latter, being the engines of the current neoliberal economic order, promote unequal international specialization. However, this superior productivity of the center does not necessarily imply that the peripheral markets are inadequate. Since the periphery is an institutionalized complementary supplier and subjected to import-substitution, its market conditions stay unchanged, while the only parameter that changes is the forms of extraversion. Consequently, the hypertrophy of the tertiary sector casually varies between periphery and center. In the center, the hypertrophy of the tertiary sector is causally linked to difficulties in surplus value inherent to the advanced monopoly, although in the periphery this hypertrophy is a result of the limitations and contradiction’s characteristics of peripheral development, such as inadequate industrialization, increasing unemployment etc. (Amin 1976: 199-204). The most important problem lies in the

production in the periphery. The production is adjusted and stipulated to the needs of the center and this prevents the transmission of the benefits of economic progress from the poles of development to the global economy. This economic domination is expressed in the structures of world trade (in which the center shapes the periphery regarding its own needs) and in the dependence of the peripheral structures and dynamics to accumulate foreign capital (Amin 1976: 202).

11. Rentier States

A rentier state is an imperialist usurer state that profits itself by exporting capital to other states, mainly those in the (-> Periphery), or those that are economically weak and reliant. As a result of generalized monopoly capitalism, the financial oligarchy of the rentier state appropriates a portion of debtor states' national income in the form of profits (interest and dividends) from direct capital investments, coercive loans, insurance, transportation, and other services it provides to these countries (The Great Soviet Encyclopedia 1976a). One of the factors contributing to the development of monopoly capitalism's contradictions is the enrichment of the rentier state's financial oligarchy at the expense of the periphery. The capitalized surplus value that rentier state monopolists obtain in their countries is used by governments to extract huge profits in the debtor states. This surplus value is also seen as a means of appropriating the result of the unpaid labor of the workers of these countries (ibid.).

"The rentier state is a parasitic form of capitalism" (ibid.). The principal rentier states prior to World War I (1914–1918) were the UK, France, and Germany, but following World War II (1939–1945), the US became the world's main leading exploiter and rentier state. At the end of the 1960s, the United States' foreign capital investments outnumbered all other imperialist countries combined. The UK and France, as well as Germany, Belgium, Ireland, the Netherlands, Portugal, Switzerland, and Sweden (most of which are full members of the -> EU), still remain rentier states. With the eradication of colonization and apartheid, the main rentier governments were compelled to adapt to the post-colonial world by rejecting tactics of direct robbery of economically underdeveloped countries and making compromises, such as cutting interest rates when providing loans (ibid.).

Nowadays, rentier states use an indirect and more subtle kind of colonialism to maintain *underdeveloped* countries within the realm of imperialist exploitation and to consolidate their unequal status in terms of the international capitalist division of labor. The relationship between rentier and debtor states is seen by bourgeois economists as one of equal cooperation, but, surprisingly, the providers of aid, the rentier states make more profit from these countries than they invest in them (ibid.). For example, between 1950 and 1967, the US invested $11 billion abroad, with $18 billion in interest and profits sent (ibid.).

The capital investments of rentier states in industrialized capitalist countries increased dramatically after WWII. The profit's quest is also a significant motivator for this form of capital expenditure. Along with economic considerations, political realities play a significant role in capital export, particularly when it is exercised by the government. As a result, following WWII, the US lent massive loans to its allies in various military-political blocs in order to reinforce these blocs and expand US' influence within them (ibid.).

12. United Nations (UN)

The United Nations is an international organization founded in 1945. It is the successor of the League of Nations, which was an international diplomatic group created after WWI. The main aim of the League was to find and enforce ways to resolve conflicts and disputes before they erupt into open warfare (History 2020). It was the first international intergovernmental organization whose fundamental mission was to maintain world peace. It was founded on January 10th, 1920 by the Paris Peace Conference that ended WWI (ibid.). As of 20 April 1946, the League of Nations ceased to exist, handing over all of its assets to the UN. For instance, it granted the new UN Secretariat full control of its Library and archives. The UN "*excelled"* in comparison to its predecessor and is currently made up of 193 Member States, whose work is guided by the purposes and principles contained in its founding Charter (United Nations 2018).

After WWII came to a close in 1945, the world yearned for peace. Therefore, from April 25 to June 26, 1945, representatives from 50 countries assembled in San Francisco, California for the UN Conference on International Organization (United

Nations 2022). On June 26, 1945, officials from 50 countries signed the UN Charter in San Francisco; these countries, together with Poland, are regarded as the UN's founding members. After the Soviet Union, the US, the UK, France, China, and the majority of the other signatories filed their instruments of ratification, the Charter entered into force on October 24, 1945.

The UN' choices and actions reflected and still reflect the shifting balance of power among the world's nations, as well as the dominating trends in international affairs. At the UN, the conflict between forces of socialism and democracy and forces of aggression and imperialist reaction is also taking place in the international arena (The Great Soviet Encyclopedia 1976b). More than 75 years after its creation, the UN is still *trying* to maintain international peace and security, render humanitarian aid and *development* relief, promote human rights, and defend international law. Simultaneously, the UN is engaged in new activities that its founders did not envisage for it. To build a better and more sustainable future, the UN has set 17 sustainable *development* goals for 2030 (United Nations 2022).

The main bodies of the UN are: the General Assembly, the Security Council, the Economic and Social Council, the Trusteeship Council, the International Court of Justice and the UN Secretariat, all which were established under the UN Charter (United Nations 2021). The UN bodies themselves stipulate the systemic inequality that takes place in the international order. The most imminent example, which portrays the institutionalized regime of exploitation and underdevelopment is the Security Council. Under the UN Charter, the Security Council's primary duty is to maintain international peace and security. Under Article 23 of the Charter, it consists of 15 members, five of which are permanent (P5) and ten non-permanent members. All member states are required by the Charter to comply with the Council's decisions. The Security Council is in charge of evaluating whether a threat to the peace or an act of aggression exists. It encourages disputants to resolve their differences in peaceful ways, however, the Security Council may also impose (-> Sanctions) or even approve the use of force in certain circumstances. The Presidency of the Security Council rotates/changes monthly, but only among its current members (United Nations 2021); excluding the remaining 178 member states.

Although each member is entitled to one vote, the P5 (USA, UK, France, Russia and China) have unfair voting privileges, since every P5 may exercise unlimited vetoes. When a P5 votes against a resolution (a drafted decision proposal submitted and debated by the Council), the resolution is automatically tabled. The veto power and the very idea of permanent membership is one of the most controversial and debated aspects of the UN (ibid.). Apart from that, the ten non-permanent seats are distributed in line with the notion of *equitable* geographical representation. Five of the ten non-permanent members are elected each year by the General Assembly for a two-year term. The pattern for geographic representation is the following: 5 seats from African and Asian States, 1 seat from Eastern European States, 2 seats from Latin American States and 2 seats from Western European and other States (UN 2015).

This allocation is very Europe oriented and Global North centered, if one considers that all P5 members are countries of the core with driving economies. Moreover, although the African (composed of 55 countries) and the Asian Continent (composed of 50 countries) together are often densely (over)populated, they are jointly eligible for only 5 seats. However, Europe (43 countries + 4 dependent territories), although being smaller than the latter continents and also having France and UK as P-5 members, is granted to have up to 3 additional seats (one from Eastern and two from western Europe). And this is not just an arithmetical problem, since these seats, especially the P-5 ones, are synonymous to global decision-making, power and influence. In this way, the periphery is in the background and its interests and even security situation are decided by the core, its *colonial* oppressor.

Chapter III: Terms of economic and financial governance

In previous chapters we have discussed some of the *actors* in this system (institutions and organizations), and now we turn our attention towards the *subjects* (economic terms) and *how* the actors might try to achieve their economic and political goals.

The broader focus of this chapter will be on economic, financial and governance tools. These are policies, strategies, and programs that are carried out by a series of different actors, such as governments, international financial institutions, investors, central banks, NGOs, and development committees. The aim of this section is to define these terms from a perspective that involves the global imbalance of power when it comes to economic processes. We briefly describe how these tools work and proceed to explain how they might affect developing regions and further enforce unequal relationships and patterns of inequality across the international capitalist system. While we try to outline possibilities of how these tools can be used to perpetuate the dependency on western institutions as the "doorman" to capital and a main source for economic development, we are aware that there are further terms we have not been able to include.

This section is an attempt to introduce some of these strategies, policies, and programs and to critically reflect about them.

Appreciation

Regarding currencies, an appreciation occurs when the value of a currency increases compared to other currencies. It is the opposite of a depreciation (-> Depreciation). Frieden, Lake & Schultz use the example of a US-American tourist in Europe to explain the concept of appreciation and depreciation: the US tourist has US dollars, but she must exchange those dollars to euros in order to pay for her hotel in Europe. Assuming the hotel room costs 100 euros in 2017 and the euro was worth 1.05 USD (1€ = 1.05$), then the tourist would pay 105 USD for her hotel room. If the USD were to depreciate or the euro to appreciate and be worth 1.24 USD (1€ = 1.24$), then the same hotel room would cost 124 USD (Frieden et al. 2018: 389). Therefore, the euro gains value and appreciates in comparison to the US dollar.

Different actors have different interests when it comes to currency depreciation or appreciation. Exporting industries, for example, might have an interest in a devalued currency, because that means their products will be cheaper on the world market and will sell more. Consumers, on the other hand, generally prefer their currency to

be appreciated because that increases their purchasing power, meaning they can buy more things for less money, especially imported goods (ibid.: 398).

Austerity

"Austerity is the idea that during the bad times, you cut government budget deficits, you create surpluses in order to contain the growth of your debt to GDP ratio.(…). That has never worked in the history of capitalism and will never work in the history of capitalism."
(Yanis Varoufakis in DiEM25 2016)

Austerity is an application of policies a state implements mostly due to a creditors' interest but sometimes out of self-interest as well. It is meant to secure the economy by "saving" money to balance spending and income in order to be able to pay back ongoing debts typically by cutting government spending, raising taxes and restricting wages. In certain situations, when a government is acting on its own terms, this approach might make sense. However, the term became known mainly in the face of Europe's financial and debt crisis and usually describes the requirements imposed on a state in order to be granted access to new credit.

Unrelated to the notion of parsimony (DiEM25 2016), which might help an individual household to get in charge of their financial situation, Austerity in this sense cannot be translated to the public financial system (Baruphakēs 2018: 1). "The reason for this is that at a national level total expenditure and total income are precisely equal because whatever is earned has been spent by someone else". (ibid.) In conclusion this means that the nation's total expenditure is the nation's total income (DiEM25 2016). Varouvakis concludes that this is the reason why the debt to GDP ratio increased in every European country that practiced austerity.(ibid.)

When a debt crisis erupts, it is mostly "resolved" through a bailout from the creditors (who ironically might be partially responsible for the debt crisis in the first place) and austerity for the debtor. That means less government spending which contracts the debtor's economy, cuts the tax base and makes it even harder to pay back the remaining debt (Goodwin 2012: 235).

One of the main creditors for bailouts globally is the (->IMF), following a neoliberal capitalist order and values. Holding that position of power, it is able to apply (->

Structural Adjustment Programs) on the debtor states resulting in a vicious cycle of dependency on the donor states and the IMF itself. In the (-> EU), the European Central Bank (EZB) holds that place. But, "bail-out" for a government can and, often more precisely, should mean a “bail-out” for the banks that have been actively part of creating the crisis in the first place, as seen at the undergoing bailout for French and German banks being primarily involved in the "Greek debt-crisis" (Baruphakēs 2018: 24). The mistakes of bankers have been transferred to European taxpayers, who not only had nothing to do with it, but also suffered the most from the austerity-advised government cuts in the public health sector, restricted wages for workers and so on (ibid.). This leads, as not only seen in the just mentioned scenario, in many more so-called “debt-crises”. People, already being at the existential minimum, have to pay back the debt they have not created in the first place(ibid;Goodwin 2012) The decreed austerity policies imposed on Greece by the EZB, in 2008, made it almost impossible until now to re-stabilize the Greek economy.

This concludes that putting an austerity program onto any state, can have the long term effect of becoming more debt-dependent on other states and creditors.

Bilateral Investment Treaty (BIT)

BITs are agreements signed between two countries, defining the conditions for private investment across their borders. Their goal is to promote Foreign Direct Investment (-> FDI) in a host country by nationals and firms of another country. This is done by creating standards to protect foreign investors from certain risks. For example, once an investment is made in a host country, how could one guarantee that the host country’s government would not expropriate those assets without compensation? Therefore, the provisions in BITs are designed to increase the credibility of property and contract rights in the host country. These security guarantees should, in turn, make the host country more attractive to foreign investors (Neumayer & Spess 2005: 9). Why is this important? According to Colen et al. there is a “widely shared” belief that FDI could “contribute significantly to economic development and poverty reduction” (2016: 23).

Not all BITs are the same, but most have an essential feature in guaranteeing protection for foreign investors - the right to international arbitration – meaning that if there is a dispute with the host government over an investment in the host country, the foreign investor can appeal to an international arbitration court (ibid.: 6–8). This, however, results in an expressive interference in the host country's sovereignty, because the ability of regulating foreign investment and domestic dispute settlement is restricted (Neumayer & Spess 2005: 10–11). BITs also send *signals* to the international community and provide credibility that the given state is willing to commit to the protection of foreign investments; a fact that further encourages investments (Neumayer & Spess 2005; Colen et al. 2016). Elkins et al. describe how this creates a competition for foreign capital amongst developing countries. The latter proceed to trade sovereignty for credibility and reputational advantages, although they would probably be better off cooperating to avoid the sovereignty costs (Elkins et al. 2006: 825). From an investor's point of view, it is logical to assume that they would invest in the countries that can provide the most credible protection and benefits, especially if the investor has a wide array of hosts available.

A further topic to reflect upon is the nature of the interactions in BTIs, where in many cases individuals and companies from capital rich countries are investing in developing and transition countries. These foreign investors receive protection and investment security when BITs are agreed upon, while the developing countries hope to benefit from signaling credibility and attracting more capital. Elkins et al. suggest that the (-> IMF) might encourage assistance seeking countries to enter BITs, or that the IMF loans and BIT conditions simply overlap (ibid.: 840). Nevertheless, these agreements are not only signed between developed and developing countries, as there are also increasing cases of BITs signed amongst developing countries and attempts to coordinate efforts in developing regions.

Brain Drain

Brain Drain describes the "loss" of skilled labor in developing countries due to international migration. This might happen because of different reasons, called either *push* or *pull* factors. While the first describes situations like high unemployment rates, economic crises or political instability that "push" the people out of the country,

the second is pointing to callings like higher wages, prestigious educational opportunities or more personal freedom abroad/in another country (Periona 2017).

The consequences for developing countries have been mostly articulated in a critical manner describing possible effects of academics migrating to industrialized states like the fleeing of innovative ideas because of grants and scholarships given by western institutions, big corporations and international organizations (-> Ford Foundation, Carnegie Foundation). Academic debates turned to either name it a “circular migration” (Vivares 2020: 808) to stress *social remittances* being brought with one's movement back and forth between country of origin and destination on top of financial ones. This points to ideas and social practices contributing to the construction of schools, social organizations and other institutions as well as *trans-local* brain-sharing describing the interactions between the Diaspora working within host institutions and their academic involvement at “home” (Dell 2020).

Capital flight

Ndikumana & Boyce define capital flight as “unrecorded capital flows between a country and the rest of the world" (2012: 2). These capital flows can happen in the form of illicit transactions, tax evasion, money laundering, distortions in the value and quantity of imports and exports a.o., resulting in serious implications for the country of origin. Examples include the loss of government tax revenue that could have been used to finance development projects and provision of public goods, as well as the perpetuation of the dependence on foreign aid and investment. Further consequences are the slowing of economic growth, the worsening of income inequality and the strengthening of corrupt elites and oppressive regimes (Ndikumana & Boyce 2012: 13).

In their article, Ndikumana and Boyce focus on Sub-Saharan Africa (SSA) and stress that the view of this region as “severely indebted and heavily aid-dependent is not fully consistent with the facts”, because the amount of capital flight from SSA exceeds the amount of development aid and (-> Foreign Direct Investment) (Ndikumana & Boyce 2012: 1). In other words, there is more money leaving SSA unrecorded, than foreign investments and aid coming into the region. This implies

that many developing and indebted countries could have been debt-free, if it were not for capital flight, and could be the de facto “net creditors” to the world, as described by Ndikumana and Boyce.

Debt relief

Many developing and capital-low countries have become severely indebted as a result of aid and debt dependency. They become overwhelmed by high levels of indebtedness with high interest rates imposed by the creditors, making it very difficult for them to become debt-free (Abbas & Niyiragira 2009). According to the Cambridge English Business Dictionary, **debt relief** is a situation in which “a foreign country is allowed to reduce or not pay back the money that it owes to a government or bank” (2022). With this definition, one can already distinguish private external debt, owed by a country to commercial banks or other private institutions, from public external debt, owed by a country to a public creditor, such as the IMF. Noel Villaroman defines debt relief as:

> “any kind of modification in a country’s debt obligations for the purpose of avoiding or getting out of a default situation, including debt forgiveness, reduction and rescheduling”. (2009: 4)

There are different mechanisms for debt relief. The London Club deals with private external debt, while the (-> Paris Club) and the Heavily Indebted Poor Countries (HIPC) Initiative resolve public external debt issues (ibid.). The HIPC Initiative is managed by the (->IMF) and the (-> World Bank). Based on levels of poverty and indebtedness criteria, the HIPC Initiative provides debt relief only to the poorest and most indebted countries, which in turn need to agree to a series of reforms and programs determined by the IMF. If the debtors do not stay on track with the IMF’s conditionalities, they do not receive the full amount of debt relief. If they do complete the HIPC Initiative process, then the debtors may be eligible for the Multilateral Debt Relief Initiative (MDRI) mechanisms, which in some cases allow for total debt cancellation. When countries are not eligible for participating in the HIPC Initiative, they turn to the Paris Club, which also works closely with the IMF. Hence, in order to get debt relief, debtor countries must comply with the IMF’s programs and conditionalities. Additionally, the debt relief granted by the Paris Club is typically a restructuring agreement that lasts a few years, but only as long as the debtors stay in line with the IMF’s conditions (Villaroman 2009: 5–6). D.M. Dembele states that:

“debt cancellation for all African countries is one of the preconditions for weakening and eventually ending aid dependence and giving more freedom to African countries to design their own policies”. (2009: 117–118)

According to a 2008 research by the New Economics Foundation, there are dozens of countries that need total debt cancellation, “amounting to $334 to $501 billion in net present value terms, if they are to get to a point where debt service does not seriously affect basic human rights”. (Mandel 2008: 2)

This is a crucial fact, because many indebted countries end up spending large portions of their budget on debt repayment, leaving little funds available for health, education and provision of other public goods (Mandel 2008; Villaroman 2009).

Deficit spending

The term often implies a Keynesian approach to economic stimulus in which the government takes on debt while using its spending power to create demand (Schubert 2020).

Keynes’ ideas about the „real” market resisted the classical ideas of the *Chicago School* and taught strategies which relied on “ **the self-regulating market**” and saving policies. In his 1936 book: *The General Theory of Employment, Interest and Employment*, Keynes argued that during a recession or depression, a decline in consumer spending could be balanced by an increase in government spending (Jahan et al. 2014: 53-54).

Therefore, instead of confronting a slump or depression with saving policies until the market regulates itself, governments should take on debt to create new jobs and keep businesses alive (Goodwin 2012). The created jobs result in higher wages and should lead to confidence and trust within the population of a country, further ending in more spending which might end the slump/depression (ibid.). The debts incurred in this way should be paid back in the next *boom* phase. Although Keynes talked about the importance of regulations through the government, like high taxes for big businesses in a boom phase for example, in reality that was not implemented. Keynesian theories could not explain **stagflation**, a new phenomenon to economists in the 1970s, meaning that slow growth and high inflation occurs at the

same time (Jahan et al. 2014: 54) After this realization, deficit spending alone was not an appropriate answer to the economic situation anymore.

Depreciation

Regarding currencies, a depreciation happens when the value of a currency decreases in comparison to other currencies. It is the opposite of (-> Appreciation). Frieden, Lake & Schultz use the example of a US-American tourist in Europe to explain the concept of appreciation and depreciation: the US tourist has US dollars, but she has to exchange those dollars to euros in order to pay for her hotel in Italy. Assuming the hotel cost in 2017 was 100 euros and the euro was worth 1,05 USD (1€ = 1.05$), then the tourist paid 105 USD for her hotel. If the USD were to depreciate or the euro were to appreciate and be worth 1,24 USD (1€ = 1.24$), then the same hotel room would cost 124 USD (Frieden et al. 2018: 389). Therefore, the USD loses value and depreciates in relation to the euro.

Different actors have different interests when it comes to currency depreciation or appreciation. Exporting industries, for example, might have an interest in a devalued currency, because that means they're products will be cheaper on the world market and will sell more. Consumers, on the other hand, generally prefer their currency to be appreciated because that increases their purchasing power, meaning they can buy more things for less money, especially imported goods (ibid.: 398).

Devaluation

Regarding currencies, a devaluation is the action taken to depreciate a currency, so that it has less value compared to other currencies (-> Depreciation). This can be done based on market principles of supply and demand. When a currency is widely available and everybody has access to it, it can depreciate because there is much supply for a normal amount of demand. The central banks, usually in charge of monetary policy, can lower (-> Interest Rates) so that loans become more accessible, and people have more access to money. In this case it would be likely that the currency depreciates. Why would the central bank do this? Perhaps to stimulate the economy by making money more available to people, so they buy more things and invest in businesses (Frieden et al. 2018: 391).

However, currency devaluation can have serious consequences, especially regarding debt in foreign currencies (ibid.: 415). Let us assume that someone receives a credit from a bank in Europe and their currency is similar to the euro in value (ex: 1€ = 1.10 of their currency). If they borrow 1000 euros, they would have to pay back at least around 1100 of their currency (not considering interest rates and fees). However, if their currency gets devalued and is worth less (ex: 1€ = 1.50 of their currency), they would need much more of their currency to pay the loan back, which is now going to cost at least 1500 in their currency.

Further consequences are the loss of purchasing power and the increase in living costs for the people of the country that devalues its currency. In 1994, when France pushed CFA's (Communauté Financière Africaine) heads of states to agree on a devaluation of the CFA Franc (the currency used in the CFA countries) by 50%, this caused the cost of living to increase dramatically (Gardinier 2000: 228–229). Research from Congo indicates an overall deterioration in the nutrition of children and mothers after the 1994 CFA franc devaluation (Martin-Prével et al. 2000).

Exchange rates

National currencies do not only exist in the domestic context, but also in an international monetary system, where people can trade currencies according to an exchange rate. As described by Frieden et al., the exchange rate is the "price at which one currency is exchanged for another" (2018: 389). Similar to normal consumer products on the market, the price of a currency can vary for numerous reasons, for example due to supply and demand trends. It is up to the government and the central bank to decide how these changes in their currency's value and the exchange rates are realized. One of the most important decisions is to determine whether the exchange rates should be "fixed" or allowed to "float", although there are also other intermediary options available (Frankel 2012).

A **fixed exchange rate** is when a government promises to maintain their currency: "at or around a specific value relative to another currency or a commodity, such as gold". (Frieden et al. 2018: 391)

For example, from the 1870s until 1914, people in the USA could count on the fact that US dollars were guaranteed to be exchanged at:

> "one troy ounce of gold for $20.67", which meant that "the government needed to own enough gold to cover the dollars in circulation at [the] predetermined exchange rate". (ibid.: 391–392)

A **floating exchange rate** is when the government does not intervene directly in the value of its currency and allows it to variate according to market factors, such as supply and demand (ibid.: 392). This means that when there is too much supply of the currency (a lot of money in circulation) for little demand (people are not spending much or trading in that currency), it will likely become weaker (-> Depreciation) and be exchanged for less of another currency. On the other hand, if there is little supply for a lot of demand, the currency can become stronger (-> Appreciation) and be exchanged for more of another currency.

There are different interests and conflicts involved in this policy choice. On the one hand, most people occupied with international trade, travel and investments prefer a fixed exchange rate, because it provides more stability (ibid.: 393). If a person were to invest in another country, but there was a chance that prices might change drastically overnight due to variations in the exchange rates, then that person would definitely think twice before making the investment. On the other hand, fixing the currency limits the policy options available to the government and the central bank. Producers that are mostly active domestically, tend to prefer a floating exchange rate, because that gives the government more possibilities to help them in case of a crisis (ibid.: 397).

The "strength" of a currency's exchange rate - whether it is appreciated or depreciated – can also create conflicts amongst different interest groups. Domestic producers that export a lot and compete on an international level tend to prefer a weak currency (the currency is traded for less of another one), because that makes their products cheaper and, therefore, more attractive than their competitors. This is often the case for farmers. On the other hand, consumers generally prefer a strong currency (the currency is traded for more of another one), because that increases

their purchasing power, meaning they can buy more products for less money (ibid.: 398).

Export-Oriented Industrialization (EOI)

Frieden et al. define EOI as:

> "a set of policies, originally pursued in the late 1960s by several East Asian countries, to spur manufacturing for export, often through subsidies and incentives for export production". (2018: 448)

In contrast to the Import-Substituting Industrialization (->ISI) , the EOI strategy involves less direct state intervention in the production of goods, for example via state owned companies. Governments are mostly seen as "facilitators" that create the "conditions for sustained economic growth" without direct involvement in the production processes (Araya & Castañeda 2020: 754–755). Nevertheless, the role of the state is extremely important in determining the trade conditions and encouraging exports. An example of a policy to increase exports is the devaluation of a national currency, making it "artificially weak", so that exported products are cheaper in global comparison and outbid the competing manufacturers (Frieden et al. 2018: 400). For example, if a T-shirt produced in China is normally sold for 5$ in the USA, once the Chinese currency is devalued, the cost of that T-shirt would be reduced in the USA, because the US Dollar would be stronger in comparison to the Renminbi (Chinese currency). This means that with 5$, a US-American consumer could buy more Chinese products than before. Therefore, the customer would prefer to buy more for less, and the Chinese T-shirt manufacturers would win against their competitors (perhaps a manufacturer from Mexico, whose T-shirts are sold at 5.50$). The basic idea behind EOI is to turn a country's economy towards exports in order to achieve growth. Frieden et al. point out that this strategy forces countries towards "relying on often volatile international markets", but that it also has a positive effect of "forcing national manufacturers to produce goods that me[e]t rigorous technological, quality, and price standards"; something that increases competitiveness on a global scale (2018: 448).

EOI strategy in East Asia typically followed a certain pattern: industries started with manufacturing simple consumer products, then moved towards more complex

technology production (Araya & Castañeda 2020: 751). This strategy is generally viewed as a success, considering the large increase in GDP in East Asia and their dominance in the exporting market (Kaplinsky & Morris 2008; Frieden et al. 2018). However, research indicates that EOI strategy does not seem applicable in all cases, and that the 'boom' of East Asian countries has had negative impacts on SSA countries' industrialization (Kaplinsky & Morris 2008). Based on the example of clothing production (a rather simple consumer product), Kaplinsky and Morris explain how the EOI strategy is failing SSA and how the competition with East Asia has made it much more difficult for SSA countries to increase their manufacturing activity; consequently, slowing down their industrialization (ibid.).

Foreign Direct Investment (FDI)

FDI is an "investment in a foreign country via the acquisition of a local facility or the establishment of a new facility" (Frieden et al. 2018: 349). This means that an individual or a company from one nation makes a direct investment in another country, for example by buying a gold mine or establishing a new one. In both cases, the direct investors "maintain managerial control of the foreign operation" and take responsibility for the risks involved with the investment (ibid.). If for some reason the mine does not yield profits, then the direct investor might go bankrupt – a risk they must be willing to take.

There are many factors that can encourage or prevent FDI from happening, such as the level of institutional quality, political stability, inflation rates, participation in trade agreements, and many others (Neumayer & Spess 2005: 17–18). These are elements that play a role in the investors' decisions. For example, an investor would probably avoid making an expensive investment in a politically unstable country, where they believe that their assets (maybe a gold mine or a clothing factory) would not be 'safe'. On the contrary, countries that participate in trade agreements and can credibly promise to protect property and contractual rights are more likely to host FDI (Neumayer & Spess 2005) (-> Bilateral Investment Treaties).

The flow of FDI has grown dramatically since the 1970s. Neumayer and Spess state that "not only has the flow of FDI increased worldwide, but the importance of FDI as a source of funds to developing countries in particular has also significantly

increased", especially after the 1980s debt crisis (ibid.: 6). According to Colen et al. there is a "widely shared view that FDI can contribute significantly to economic development and poverty reduction", as it should create more employment and transfer "new technologies and know-how[s]" (2016: 1–2). However, if these positive effects actually take place, depends on the type of investment made. Colen et al. explain that:

> "foreign investments contribute more to poverty alleviation when they are targeted at sectors and industries that are more labor-intensive and have frequent interactions with local firms, such that they can create spillovers of technology, managerial knowledge and trade networks". (ibid.: 3)

In Africa the economic growth has been steady, according to Timothy Shaw, and FDI is "helping to spur growth" (Shaw 2020: 116). In fact, in 2013 FDI reached $50 billion, which was twice the amount of Official Development Assistance (-> ODA) (ibid.: 117).

But, FDI can also have overall negative effects. As described by Samir Amin, foreign direct investment by countries of the center in the developing world, for example in plantations and mines, are rarely intended for the benefit of the domestic market and consumers, but rather focus on exports (Amin 1976: 206–207). This creates what he calls an **"extraversion"**: a "distortion toward export activities" in the process of capitalist development in the periphery (ibid.: 200). This means that the domestic markets of many developing countries have been created with foreign capital, for external needs, and that most of the profits have not stayed there, but have been rather directed back towards the center. According to Amin, foreign capital investment decisions are made with considerations about the highest possibilities for profit, for example due to lower wages, as transnational companies make "comparisons between wages for the same productivity" (ibid.: 211) (->NICs). These types of activities increase competition amongst developing nations and reduce their ability of independent development (Amin 1976: 212). As peripheral countries focus on manufacturing simple products that will be exported to the center, they have less capital and workforce available to invest in demands of the domestic markets, which in turn increases imports from the center to the periphery (ibid.: 213).

Furthermore, Jorgenson reviews that FDI can be “partly responsible for particular forms of environmental degradation, including total carbon dioxide emissions and methane emissions intensity”, because foreign investors tend to invest in developing countries “that exhibit lower environmental standards and policies” (2006: 713). He also finds that FDI in the manufacturing sector increases organic water pollution in developing countries, while having no significant effect in developed countries who often profit from the investment (ibid.: 725).

Illicit trade

A report by the OECD provides a broad definition of illicit trade as:

> “an exchange in the control/possession of a good or service that a legislature deems illegal, because the object of exchange is dangerous or morally repugnant” (2016: 19).

This means that the classification of a commercial activity or product as “illegal” depends on the country or state and their respective laws. Examples of illicit trade include human trafficking comprising sexual exploitation and forced labor, wildlife trafficking involving the commercialization and killing of endangered species, trading of counterfeit medicine and illegal narcotics, and smuggling of tobacco and alcohol products (ibid.: 24–29). The Illicit Trade Group (ITG) cites further examples, such as trafficking of firearms and illicit trade of natural resources involving illegal logging and fishing (Illicit Trade Group, accessed 06 April 2022).

Defining and measuring global illicit trade is a challenge, because different countries and regions have their own legislations, which often define and classify illicit activities differently (OECD 2016: 19). For example, regulations on the legality of cannabis for medical and recreational use vary across the globe. Some countries prohibit it completely, while others allow only medical use and a few permit recreational use.

Illicit trade can have various negative effects on the lives of victims, on the environment, on the economy and society as a whole. It is strongly related to (-> Capital Flight), which has serious consequences for the financing of developing countries, such as the loss of government tax revenue and the perpetuation of the

dependence on foreign aid (Ndikumana & Boyce 2012). Illicit trade is also linked to illegal logging activities that encourage deforestation. According to a study by Amnesty International, Cambodia has very high rates of deforestation and illegal logging, which leads to the destruction of forests and endangers native communities that depend on those natural resources. Instead of protecting the environment and indigenous people's rights, government officials and police officers often demand and accept bribes, as described in the study (Amnesty International 2022).

Import-substituting industrialization (ISI)

As defined by Frieden et al, ISI is:

> "a set of policies, pursued by most developing countries from the 1930s through the 1980s, to reduce imports and encourage domestic manufacturing, often through trade barriers, subsidies to manufacturing, and state ownership of basic industries". (2018: 446)

This set of policies emerged and persisted mainly in Latin America and other developing regions, as leaders believed that industrialization was a necessary condition for development and considered industrialization and development as "synonyms" (Stanley 2020: 581). The main idea behind this strategy was to replace imported goods with domestic goods, in order to reduce dependency on other more industrialized countries and create more self-sufficiency in developing nations. This required "state-induced industrialization" and a high level of protectionism in trade policies, meaning that "vital industries" were being subsidized, such as agriculture, while imported goods (the ones that were supposed to be substituted) became very expensive, due to high taxes (Araya & Castañeda 2020: 743).

However, in the 1980s and 1990s, the ISI strategy was widely abandoned, because of criticism from the right and left in the political spectrum and general disappointment with this strategy, as described by Araya & Castañeda (ibid.: 744). ISI was criticized because the Latin American economies did not have enough technological experience and were lacking capital to start an industrialization process in the first place (ibid.: 754). According to critics, governments were subsidizing too much and protecting "inefficient industries" that were not competitive internationally. This large amount of government spending would have led to high levels of borrowing, ending in devastating debt crises. As this criticism towards ISI

grew, so did the influence of the neoliberal perspective on industrialization with minimal state involvement (ibid.: 745). The authors, however, note that the debt crises in Latin America were also caused by other factors, such as the decision of creditor countries to raise (-> Interest rates) in sight of the economic problems in debtor countries. This led to higher (-> Inflation) in the debtor nations and to (-> Depreciation) of their currencies (ibid.: 746). Therefore, it became more and more difficult for these developing countries to pay off their debt, and the ISI strategy became unsustainable.

In conclusion, Araya & Castañeda state that during the ISI period, when governments had a strong role in the economies, growth levels were "relatively high", although there were also certain side effects, such as "high inflation rates" and too much focus on "small internal markets" (ibid.: 754).

Inflation

"A decolonized understanding of macroeconomics, for example, would have shed more light on the debate about whether current inflation in the U.S. is the result of too much economic stimulus or of temporary supply chain problems". (Dutt 2022)"

In general, inflation means a decrease in the value of money and provides information about how much more expensive a set of goods and services has become over a certain period, usually a year (Oner 2010: 44). Because it reflects the purchasing power of the population (-> Purchasing Power Parity), inflation is a relevant indicator for economic and political development within a country. While the CPI (consumer price index) reflects the cost of each consumer household per month/year, the GDP (Gross Domestic Product deflator) concentrates on the calculation of an overall inflation rate within a country (Oner 2010: 44). It is measured in order to respond with certain policies or treaties both by the state and the banking system to keep the economy stable.

Mostly discussed in eurocentric economic theory due to historically grown domination of capitalism, inflation can be created under different, often intertwined circumstances. Each of them entail a different set of regulatory methods (Goodwin 2012). Its impact on the global monetary, political and economic system cannot be stressed enough.

Lax monetary policy: If money supply grows disproportionately to the size of an economy, the unit value of the currency diminishes (-> Depreciation).

Experienced in Germany after World War I, the punitive Treaty of Versailles led to the printing of money in order to pay back debt and caused a Hyperinflation (Goodwin 2012: 99). This has been solved by the implementation of a new currency. The resulting policies, in fear of another inflation, caused massive unemployment in the banking crisis of 1931, leading to the uprising of the fascist party (Kenawi 2008: 55).

Pressures on demand or supply within an economy:

- **demand-pull inflation:** high-employment or full-employment causes people wanting to spend their income on more than the economy can produce or if full-employment is reached, more government spending can lead to inflation.
- **supply-push inflation:** rising costs of supplies increase prices all down the line of production.

As a reaction to the US- involvement in the October War of 1973 , (-> OPEC) cut off oil which led to an "oil crisis" within industrialized western states, causing high costs of food (Goodwin 2012: 175).

Expectations: people or companies anticipating higher prices and building those into wage negotiations and contractual price adjustments (Oner 2010: 44)

Perfectly stable prices are not realistic as you cannot control all factors mentioned above and prevent them from creating inflation. While inflation can have disastrous consequences, ***Deflation*** is not desirable either, as "when prices are falling, consumers delay making purchases if they can, anticipating lower prices in the future. For the economy this means less economic activity, less income generated by producers, and lower economic growth." (Oner 2010: 45) As a result, most countries aim to have a stable rate of inflation involving central banks or institutions like the Federal Reserve (FED), that either puts money in or out of the circulation by lending, lowering and raising (-> Interest Rates) or selling and buying bonds. Because triggering economic growth and fighting inflation have opposite strategies, policy makers and bankers created a complex system of regulation methods to balance the economy.

The neoliberal political order established central banks which are independent from the government (Höfgen 2021). While their aim is to control inflation, above all else, through indirect methods (e.g. the EZB tries to hold inflation close to 2% by raising interest rates), there has been a decolonial approach to it as well. Looking at the example of Tunesia's post-independence attempt to decolonize the monetary system, Rouine describes that:

> "key characteristics of this model included working in tandem with the government towards shared objectives, mobilizing domestic resources to finance development plans, and intervening directly through methods like incentivised savings and subsidized loans for strategic sectors." (2022: 135)

Until today, the source of inflation is still highly discussed. Looking at how it plays out in a lot of developing economies could have given a lot of insight. Because knowing whether the main source of inflation is structural, a result of supply failures or problems of the exchange rate (Dutt 2022) makes a big difference in finding constructive solutions.

Interest rates

Interest rates are basically the rates at which a person is charged for using someone else's money. As described by Haksar and Kopp, interest is:

> "the amount a borrower agrees to pay to compensate a lender for using her money and to account for the associated risks" (2020: 50).

The Bank of England further describes interest rates as "the cost of borrowing money or the reward for saving" (2022). What does this mean? People that save money and keep it in a certain bank (depositors) also receive interest payments from the bank, since by keeping money there, depositors are essentially lending money to the bank.

There are numerous types of interest rates. For example, the IMF (-> International Monetary Fund) has a variety of lending programs with different interest rates, according to the specific economic situations of debtor countries (International Monetary Fund 2021). Private banks also offer loans with different interest rates,

according to their risk assessments (for example, the risk that the loan won't get paid back), and so on. Most important is the policy interest rate set by a country's central bank, as it "provides the key benchmark for borrowing costs in the country's economy" and influences other interest rates (Haksar & Kopp 2020: 50). Indeed, interest rates play a central role in monetary policy, and they are one of the main instruments that central banks can use to influence the overall "national macroeconomic conditions, such as unemployment, inflation and economic growth" (Frieden et al. 2018: 391).

When the central bank wants to stimulate the economy, amongst other policy options, they can choose to lower the interest rate. This would increase consumption and business investments, because money would be easier to access via less expensive loans (Frieden et al. 2018: 391; Haksar & Kopp 2020: 51). For example, let's say Anna has always wanted to start a business, but she has never had enough money to do so. The likeliest moment for her to invest in her business would be when she has more access to money due to cheaper borrowing costs. The same goes to a person wanting to buy a house or a car: lower interest rates make loans less expensive, and people become more willing to borrow and spend money. Furthermore, the policy of lowering interest rates can depreciate (-> Depreciation) the currency and encourage exports (Frieden et al. 2018: 391). When interest rates are low, it becomes less attractive to invest and save money in that national currency. People that have savings in the banks (depositors) and other kinds of investments get lower rates of return on their money and might consider investing in another country, where the interest rates are higher and they can earn more (ibid.: 350). This reduces the demand for the national currency and, effectively, depreciates it. When the currency is depreciated, exports increase because the products become cheaper in comparison to international competitors, which is generally an advantage for national producers. However, at the same time, this reduces people's purchasing power (ibid.: 391).

When the central bank is worried about inflation and seeks to restrain the economy, it can increase interest rates, amongst other possible policies (Oner 2010: 45). This reduces access to money, as it becomes more expensive to borrow, and appreciates (-> Appreciation) the currency (Frieden et al. 2018: 391). Because loans are more

expensive, people tend to buy less goods and businesses tend to invest less in new facilities, equipment, etc. According to professor Ramcharan, this "dampens demand and economic activity". In turn, the reduced economic activity and demand for goods "slows the pace of inflation" (Ramcharan 2022). When interest rates are higher, it also becomes more attractive to invest and save money in that currency, because the returns are also higher - therefore, the currency appreciates. On one side, this makes exporters less competitive, on the other hand, it increases purchasing power.

In developing countries, where access to money is scarce, interest rates on loans tend to be higher, because creditors perceive more "risks", and the scarcity of capital makes borrowing more expensive. According to Frieden et al., "in 2014 the prevailing rate of interest on short-term loans in most developed countries was below 2 percent, while in Latin America it was typically 10 percent and often higher" (2018: 350). This demonstrates that, in general, people in relatively rich countries don't pay much in interest rates on loans, while people in relatively poor countries have to pay very high prices in order to gain access to money.

Landgrabbing

Land grabs are often described by state actors and international financial institutions as "large-scale land acquisitions" (Margulis et al. 2013: 15). The term "acquisition" is technical and administrative: one person seeks to acquire land; another seeks to sell it. But, this does not mean that it is a neutral term, as it does not make visible the consequences for people that use the land and cannot participate in the acquisition negotiations. Therefore, the term "acquisition" depoliticizes and legitimizes land grabs. On the contrary, "the term 'land grabbing' politicizes and historicizes contemporary land grabs" (ibid.). This is relevant, because the process of transferring power over land from one actor to another, often happens under asymmetric power relations. For example, a large mining company has more funds and influence on a land deal, than a poor subsistence farmer that has little education and access to information. It is also important to emphasize that control over land involves more elements than simply 'land'. It has to do with [1.] food security, [2.] subsoil minerals, [3.] water, [4.] fauna and flora habitats, but also with [5.]

non-material things in the lives of communities living there, such as [6.] religious and cultural beliefs, [7.] the history of their ancestors, etc.

Borras et al. define three key aspects of land grabbing:

- They write that land grabbing is, essentially, **"control grabbing"**:

> "grabbing the power to control land and other associated resources such as water in order to derive benefit from such control of resources". (Borras et al. 2012: 850)

- They also focus on the need to consider land grabbing on a **"scale of land acquisitions and/or scale of capital involved"**. They argue that this is important to understand the "underlying broader logic and operation of capital", because the same land being used for different purposes or having different amounts of resources on it, will also have different amounts of capital involved (ibid.).
- They point out the fact that in the beginning of the 21st century, land grabs are happening within the context of **"capital accumulation strategies"** in response to multiple global crises, especially involving food, energy/fuel, climate change, and finances. As crises arise, actors tend to try to secure enough resources for themselves (ibid.: 851).

A further part of the land grab definition is the involvement of **"large-scale capital"** in shifting the use of resources towards extraction. As emerging markets become more influential, their demand for certain products also increases, for example the growing demand for meat and dairy products in China (ibid.: 852). This means that more area will have to be used to supply these products, which increases competition not only for land, but also the resources on it. For example, if a person wants to buy land to raise cattle, it is important to consider, amongst many other things, whether there are water sources available.

Overall, land grabs are rising in the contemporary globalized context, as financial flows and investments increase across borders (Margulis et al. 2013: 2). However, they are not a new phenomenon, having been part of previous colonial and imperialist strategies. Nowadays, the process of land grabbing is happening within official state jurisdictions, as it passes through a series of governance mechanisms,

such as trade treaties (ibid.: 3). Via trade agreements, investment and development arrangements, local governments are either working to facilitate or to prevent land grabbing in their jurisdiction. They can facilitate it by promoting land investments, classifying what they consider as unproductive land to be used differently, and appropriating land and re-allocating it to investors (ibid.: 4-5). Therefore, in many cases, land grabs happen within the framework of state administrative, legal, and military control, as "land is shifting from sovereign national territory to a commodity for the global market" (ibid.: 6). Furthermore, the state can use coercion and violence to enforce compliance, making use of police and military forces (Borras et al. 2012: 858). There are, indeed, cases where people are forced out of their lands violently, but this is not a necessary consequence of all land grabs (ibid.: 864).

In the post-war era, as the US dominated the international arena, Latin American countries had seen an increase in leftist governments that had planned land and agrarian reforms. In the context of the Cold War, these governments were overthrown with military coups supported by the United States, as happened in Brazil in 1964 and Chile in 1973 (Galeano 1997). In the 1980s, Structural Adjustment Programs (-> SAPs) were implemented, followed by a push in the 1990s by the World Bank towards a "market-led agrarian reform" (Margulis et al. 2013: 6), and further increases in "land investments" in the 2000s and 2010s (Borras et al. 2012).

Mercantilism

Mercantilism is defined by Curtis Nettels as a policy that expresses nationalism in the "economic sphere", with the goal of increasing security and self-sufficiency of a given country, especially regarding food, raw materials, essential industries and war (1952: 105). This policy was most common in Europe and its colonies from the 16th to the 18th centuries and basically proposed the regulation of national economies with the intention of strengthening a nation's own political and economic power at the expense of others (The Editors of Encyclopaedia Britannica, accessed on 03 April 2022). European countries did not have enough resources to become self-sufficient, especially to foster rapid economic growth. Hence, they sought after foreign supplies, invaded foreign lands (-> Landgrabbing) and captured colonies. Colonial territory was viewed as a market for European exports, as well as a supplier of raw

materials for European industries. Furthermore, colonies were not allowed to have their own manufactures, and trade with European nations was designed to benefit the latter (ibid.).

Most mercantilists viewed foreign trade as a “zero-sum game” because they believed they lived in a “world of scarcity”, meaning that in order for one actor to gain wealth, another actor had to lose wealth (Pincus 2012: 12). They believed all nations were competing against each other for finite resources that were only generated with and from land, for example minerals and agricultural products (ibid.: 14). Later, the defenders of free trade came to criticize this notion, claiming that trade could be beneficial for all actors involved (The Editors of Encyclopaedia Britannica, accessed on 03 April 2022).

In Britain, mercantilism was expressed, amongst others, in the form of the Corn Laws, which strengthened domestic agricultural producers, state incentives to national industries, and laws that permitted international trade to be as favorable as possible to Britain; at the expense of its colonies and competitors (Nettels 1952: 105). For example, in the late 17th century, Britain used the southern colonies in the US as suppliers of agricultural products, while forcing farmers to cut back on costs of production, suggesting the use of forced labor and promoting an extensive slave trade (ibid.). Nettels further describes the relation between the southern colonies in The US and Britain:

> “The trade of the southern colonies was centered in Britain. They were obliged to employ British shipping, to depend on British merchants, and to look only to British sources for capital and credit. They were not permitted to interfere with the British slave trade. British investments enjoyed a sheltered market in that the Crown excluded the foreign investor from the area and prohibited the colonists from taking any legal steps that would impair the claims of British creditors”. (ibid.: 110)

As we can see, Britain had secured control of all economic activities in the colonies for its own profit and benefits, a pattern that repeated itself throughout the British Empire’s history.

Money laundering

Money laundering is the process of transforming "*dirty*" money into "*clean*" money. This means that capital originated from illegal activities, such as corruption and trafficking, is transformed to appear as if it were obtained legally. In this sense, the money gets disguised in a way that banks and government officials do not realize it is coming from illegal sources (Vlcek 2020: 845). The process can be described in three steps: placement, layering and integration (Vlcek 2020; Financial Action Task Force 2022).

The *placement* step is about entering the illegal money into the financial system, as it is often obtained and initially stored as cash outside of banks. Therefore, the money launderers must first find a "cash-intensive business", such as a car wash or a corner shop, and then proceed to use this business to deposit their cash. The business simply declares it as income originating from their products or services. The *layering* step involves a series of transactions that 'spread' the deposited money and make it almost impossible to track it back to the illegal source. This can be achieved, for example, by transferring the capital to many different bank accounts or purchasing goods to resell them. Finally, *integration* is when the money can be openly used after being so well disguised that there are no questions whether it comes from a legal source or not (Vlcek 2020: 845–846).

A frequently discussed issue, but also almost impossible to estimate, is the global amount of laundered money. A study by the United Nations Office on Drugs and Crime estimates that US$1.6 trillion was laundered in 2009 and that less than 1% of this laundered money has been seized and frozen (2011). However, these estimates require caution, as it is very difficult to measure and find exact values for undeclared money from an unknown number of people.

There are many consequences deriving from these activities. Money laundering is a source of funding for illegal activities that are disruptive and dangerous, for example drug trafficking, which can put populations at risk and cause health problems (ibid.: 99). Money laundering is also related to (-> Capital Flight), which has serious consequences in developing countries, such as the loss of government tax revenue and the perpetuation of the dependence on foreign aid (Ndikumana & Boyce 2012).

NGO-ization

NGO-ization is a process of de-radicalizing social movements and resistance groups by turning them into institutionalized, professionalized, and specialized organizations. These groups then are no longer revolutionaries fighting for justice, but dominated by professionals and experts on human rights, environmental issues, etc., that earn their wages with this work and must develop projects that will be able to find funding (Roy 2004, 2014). Arundhati Roy explains NGO-ization as a phenomenon that coincides with the opening of developing markets to neoliberalism. She describes: "It's almost as though the greater the devastation caused by neoliberalism, the greater the outbreak of NGOs" (2004). Of course, there are many NGOs doing important work, but because they need funding, they end up functioning as a way for "global finance" to have influence in social and resistance movements (Roy 2014: 9). This process transforms ideals of justice into an "industry of human rights" (ibid.). The dependency on funding "fragments solidarity" because every issue is viewed as a separate thing with a different funding budget. Health is separated from education, which is separated from reproductive rights, and on it goes (ibid.: 10).

This process is further encouraged when (-> Structural Adjustment Programs (SAPs)) force governments in developing regions to reduce public spending. This is how NGOs gain importance because they become providers of public goods. Roy describes that the "privatization of everything has also meant the NGO-ization of everything" (ibid.: 9). In India there was a "funded NGO boom" about at the same time as the country was opening its markets in the 1980s and 90s. As a result of SAPs, the Indian state was decreasing funds for public health, rural development, transport, and so on – therefore giving up its "traditional role" as a provider of public goods. This is when "NGOs moved in to work in these very areas" (Roy 2004). According to Roy, the larger NGOs were, and still are, funded by "Western governments, the World Bank, the (->UN), and some multinational corporations" (ibid.). They do this to create the impression that they are providing a substitution for the lack of state provision of public goods, although the contribution is only minimal in comparison. A further consequence is turning social rights into "aid or benevolence" and defusing anger and resistance, as people that might have been

revolutionaries, become “well-mannered”, salaried employees of NGOs (ibid.). Roy also explains that many NGOs are apolitical, as they avoid speaking about political and historical contexts of genocide, colonial history and slavery. At the same time, they turn people into victims “in need of the white man’s help”, also further enforcing racist stereotypes (ibid.).

Additionally, the process of NGO-ization indirectly dictates what is an “acceptable” form of activism. As described by Sonia Alvarez, states, corporations and international financial institutions encourage and give funding to types of organizations that are more formal, restrained, collaborative, and professionalized. Therefore, NGOs started to be organized more hierarchically and according to “business management principles”. As they became more and more specialized and professionalized, NGO members began to be viewed as experts and not as citizens advocating for their rights, and the focus slowly changed towards creating knowledge and policy recommendations (Alvarez 2009: 176–177). Nevertheless, Alvarez also points out that feminist NGOs in Latin America have done important work of disseminating feminist discourses, participation in education activities and production of feminist knowledge. She also claims that there has been a “revitalized ‘anti-systemic’ resistance”, as people realize the failures of neoliberalism (ibid.: 178-179).

Official Development Assistance (ODA)

ODA is officially defined by the OECD Development Assistance Committee (->DAC) as “government aid that promotes and specifically targets the economic development and welfare of developing countries”. It is also the “main source of financing for development aid” (OECD 2021b: 1). However, it is important to realize when using the term *aid*, that these development funds are not simply given with no strings attached and usually, at least parts of them, must be paid back. A further component in the definition is that ODA must be of concessional nature and “administered with the promotion of the economic development and welfare of developing countries as the main objective” (ibid.: 1). This means, for example, that the loans should not have to be paid back fully and the interest rates should be below market values. In

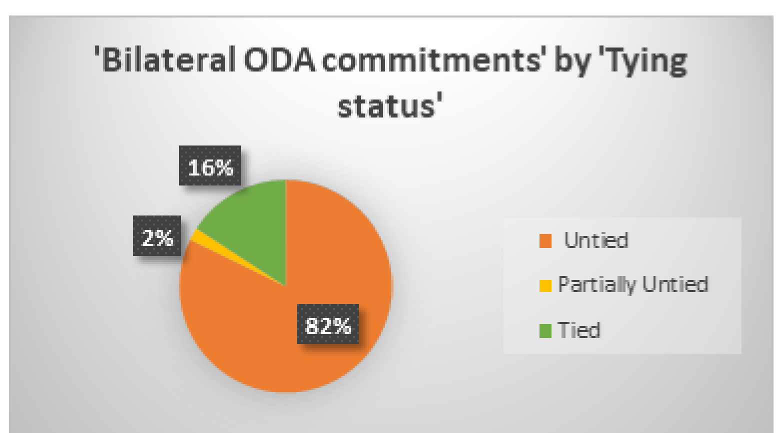
other words: the focus should be rather on promoting development and not on making money.

The DAC defines that to count as ODA, a loan must include a “grant element” – money that is given and does not need to be repaid – of 10 to 45%, depending on the income status of the receiving country, from upper middle income countries to low income countries (ibid.: 6). However, it is important to stress that these funds can be linked to conditionalities and are often instrumentalized to promote western ideals of development involving governance, trade liberalization, democracy, and so on (Abbas & Niyiragira 2009: 7–10). More recent information from AFRODAD and Oxfam regarding the effects of the coronavirus pandemic on ODA shows that there has been an increase in ODA, but that most of it “is in the form of concessional loans rather than grants” (Maeresera & Chikowore 2020: 2). The authors point out that many Southern African countries had already been dealing with health crises and natural disasters before the coronavirus pandemic hit, and “piling more debt onto such countries will not promote recovery from the COVID-19 crisis”. Accordingly, the situation “demands redoubled solidarity” (ibid.: 14).

Another aspect of ODA that is often criticized is the use of **tied aid**, which can be defined as “aid that must be used to buy products and services from the donor country, often exorbitantly priced” (Bond & Sharife 2009: 44). This means that a donor country can decide to lend or donate money to an underdeveloped country and dictate what and from whom something should be bought with those funds. For example, the US provides funds for tied food aid to another country, but this country is only allowed to buy food from the US, instead of regional products. This leads to structural dependency and loss in self-sufficiency when it comes to agricultural production, because food is being imported from the US, while local farmers lose support and buyers (ibid.: 45). Demba M. Dembélé differentiates between “real aid” and “fictitious aid”, given that the second type is simply “returned” to the donor countries in the form of tied purchases (2009: 110). Based on statistics published by the OECD, we can retrieve that of the total ODA in bilateral commitments in 2019, approximately 82,4% was untied, circa 15,8% was tied, and the rest fell within partial categories (OECD 2021a). However, it is important to know that these values have

been very different in the past: Dembélé cites that 45% of bilateral aid in 2002 was tied (2009: 110).

Further issues include the difference between commitments and delivery, as donors often promise certain amounts of ODA, but do not follow through with the whole deal. Dembélé illustrates this with an example from the European Development Fund (EDF), which from 2000 to 2007 only delivered 28% of aid promised to African, Caribbean, and Pacific countries (ibid.: 110).



[1]

Protectionism

In simple terms, protectionism is the "imposition of barriers to restrict imports" – a very common set of policies that is implemented, to some extent, by all countries in the world (Frieden et al. 2018: 304). The overall goal is to protect domestic manufacturers against competition by limiting imports or making national producers more attractive. This can be implemented in numerous forms, such as tariffs, quotas, subsidies, and many other types of regulations (The Editors of Encyclopaedia Britannica, accessed on 23 March 2022). **Tariffs** are the most common trade barriers and function like taxes on imports, which raise their prices and make them less attractive to national consumers. **Quotas** are a quantitative restriction on imports, meaning the amount of a product that can be imported is limited. Subsidies can be in the form of tax breaks or also direct cash payments to domestic industries. Additionally, central banks can manipulate currency (-> Exchange rates) to make imported goods more expensive, and governments can create campaigns to

[1] Figure 1: data from 2019 retrieved from OECD (2021a) Aid (ODA) tying status [DAC7b]. https://stats.oecd.org/. Accessed 25 March 2022.

encourage consumption of national products, such as in the US under the Trump administration. Bureaucracy can add obstacles to imports, as there are stricter standards that must be followed (Abboushi 2010: 387).

Protectionism stands in contradiction to free trade and liberalization policies, such as the ones promoted by the (-> World Trade Organization) and the (-> Washington consensus). Protectionism seeks to shield national industries from international competition, while free trade policies encourage competition and reduction of trade barriers. There is much discussion involving these two opposing strategies, for example in the debate whether industrialization in developing countries should be achieved by protectionist import-substitution (-> Import-substituting industrialization) or liberal export-oriented measures (-> Export-oriented industrialization) (Kaplinsky & Morris 2008; Araya & Castañeda 2020). Most mainstream economists believe that free trade is more beneficial than protectionism (The Editors of Encyclopaedia Britannica, accessed on 23 March 2022). Nevertheless, “trade restrictions are the rule, not the exception” (Frieden et al. 2018: 304).

Suhail Abboushi lists and criticizes the main arguments in favor of protectionism.

- The need to protect essential industries, as a measure to prepare for times of adversity. However, which industries exactly are considered essential remains unclear.
- Additionally, governments worry about unemployment, as some industries and their workers can lose ground to international competitors.
- A further argument involves concerns about **trade deficits**, meaning that a country is importing more than it is exporting.
- Especially in developing countries, so-called “infant industries” may need some help at the beginning of production, until they can reach the level of international competition. The problem is that they get accustomed to “help” from the government and continue to rely on it.
- Some governments believe they should apply the concept of **reciprocity** in respect to protectionism, meaning that if a country protects their domestic industries against another, the latter should react with protectionist policies as well (Abboushi 2010: 387–389).

Protectionism in developed countries can strongly influence industries in developing countries, because a reduction in imports by developed countries usually implies a decline in exports from developing countries, which in turn, often rely on the incoming capital to repay external debt (ibid.: 390).

Ironically, nations that are fierce advocates of free trade in developing countries, such as the UK and US, have been very protectionist in the past while building up their fortunes. After World War II, the US committed itself to free trade, but in the decades before, especially in the 19th century, the country had followed a very protectionist path and to this day still protects certain industries and interest groups, such as agricultural production (Galeano 1997: 200–204).

Prasannan Parthasarathi explains how European protectionism (-> EU) favored their own industries in the 19th century, while using their influence in colonies to undermine industrial and economic development. Under British rule, there was an “absence of state support for industrial development in India”, while England imposed barriers to trade and protected their cloth manufacturers from Indian competition (2011: 245). Indeed, “rather than protecting local manufacturing, the structure of taxes in the early nineteenth century [in India] gave an advantage to imported goods”, because Indian manufacturers had to pay tolls to transport their products within India, while British goods were exempt – a pattern that repeated itself throughout the history of the British Empire (ibid.: 252–253).

Purchasing Power Parity (PPP)

PPP is a measurement that attempts to convey the real purchasing power of different currencies. It does this by comparing the currencies based on how much a common “basket of goods and services” costs (Grewal & Sheehan 2005: 338). This means that a comparison is drawn between how much money you actually spend to buy the same basic products in two or more countries.

Even if we know the exchange rate between two currencies and we convert money from one currency to another, we cannot assume that the purchasing power is the same. For example, if a package of spaghetti costs 2 euros (EUR) in Germany and the exchange rate to the Brazilian real (BRL) is 1 EUR = 5,20 BRL (as on March 27th,

2022), we might think that a similar spaghetti package would cost 2 x 5,20 = 10,40 BRL in Brazil. However, due to (-> Inflation), import tariffs and other regional differences, the spaghetti package actually costs 14,00 BRL. Therefore, the purchasing power is not the same (based on a quick search in German and Brazilian supermarkets). In this case, the PPP would be the number of BRLs needed to buy, in Brazil, the same amount of goods and services that 1 EUR would buy in Germany (Grewal & Sheehan 2005: 338).

PPP is gaining more relevance and recognition as a better and more accurate way to make international comparisons, because it includes information about standards of living and quality of life, instead of simply comparing currencies based on exchange rates (ibid.: 339). Nevertheless, it also has problems, such as defining the products that will be in the “basket of goods and services”, because not only are prices different across borders, but also consumption patterns. The items in the “basket” “should be comparable across economies and should represent an important part of each economy’s final purchases” (World Bank 2022). This process of selecting the products and calculating the PPP estimates is coordinated by the World Bank in the International Comparison Program (ICP) (Grewal & Sheehan 2005: 340). There are, however, alternative statistical methods developed by other groups and scholars that achieve different results than the ICP method (Majumder & Ray 2020).

Changes and adaptations of the PPP can have large impacts on other measurements, economic predictions, and policies. Institutions such as the (-> UN), the IMF and the (-> OECD) use PPP estimates to calculate other indexes, to monitor development, to make global comparisons, and so on. For example, the International Poverty Line (IPL) is calculated using PPP estimates and has changed accordingly over the years. As described by Majumder and Ray, when the World Bank published new PPP estimates in 2015, the IPL was adapted from 1,25$ to 1,90$ a day (2020: 104). The UN, in turn, uses IPL estimates to monitor the progress of Sustainable Development Goals (World Bank 2022). These outcomes can then be used to make policy recommendations and ultimately change development politics.

Special Economic Zone (SEZ)

A SEZ is an area in a country that is provided with different economic laws, concessions (low taxes and tariffs, labor regulations, duty free import of raw material etc.), and infrastructural subsidies by the state than the rest of the country. Individually designed according to its location, the higher aim is to attract foreign investment (-> FDI) to trigger industrialization and drive forward economic growth and transformation. In this sense, laws and policies are created to support “easy business”, with the expectation and promise of: increasing exports, job creation, development of infrastructure, efficient administration and technological advancement and innovation (Accede 2021). Depending on the location and regional economic circumstances, SEZs can have a variety of formations concentrated on different “resources”, but they all share the same purpose of attracting foreign investment and settling businesses (Zeng 2021: 9).

Besides the *successful* and well-known example of rapid economic and urban growth in Shenzhen, there is a growing number of 4,500 SEZs around the world, whose outcomes vary from country to country (Zeng 2021: 5). Even within China, there have been various “failed” attempts as well. It can be said that, successful or not, an SEZ often has a lot of negative impacts with further consequences for the population that need to be named, like the loss of agricultural land due to possible land speculation, violent displacement and killing of the local population, the destruction and flooding of indigenous land and, if not regulated and overwatched by the government, exploitation of resources (Roy 2014: 10-11).

Because the dependency on raw-material export of the so-called “developing countries” is for some a huge factor, SEZs can be attractive to industrialize a region, perpetuating economic independence. Promises made by looking at China's development through the help of SEZ’s (Gopalakrishnan 2007: 1493), if a government decides to rely it's development on SEZ´s, many negative consequences have to be considered.

In post-revolutionary China, child labor and high death rates among workers had been greatly reduced. Looking only at Shenzhen today, there are more than 50,000 child laborers. Job-creation promises for the local people, who are being violently

disposed of their land. are barely actionable. For technologized business and specialized knowledge high-skilled labor is needed (Accede 2021). But Investors are confronted with unavailable educational infrastructure within the host country. Providing labor regulations, like no-strike policies and minimum wages, while huge part of the workers being attracted or brought into SEZs are migrant workers “with almost no legal or social protection” [French 2006] (Gopalakrishnan 2007: 1493) creates an environment where exploitation of labor is highly probable.

SEZs are mostly “carved out from agricultural areas, forests or coastal fishing zones” (Banerjee-Guha 2008: 52) -irrespective of the population- through the available resources. In consequence, a large number of farmers, agricultural laborers, fisherfolk and allied are being violently displaced, mostly being part of an unprotected indigenous population. There is a lot of ongoing resistance being answered with military violence and even killing of the population (as seen in India) by following the argument of a "world-class-infrastructure" and its necessity to invite foreign capital (Banerjee-Guha 2008: 52). But, while SEZs provide the opportunity of land banks as a huge source for corporate wealth, the promise of jobs for the local population has mostly stayed a myth (Roy 2014: 9). Furthermore, constructions of SEZs can have a huge ecological impact not only regionally, but also globally. While the Kalpasar Dam in India should supply water to the Dholera Special Investment Region (one of the most water-stressed zones in the world), the concerns about its ecological consequences like a rising sea level have already been stressed in reports in 2007, but have been ignored (Roy 2014: 11).

As if the damaging consequences for the environment, indigenous population, and private land ownership are not enough to stress, most dangerous is the ongoing shift of power into the hands of big corporations due to SEZs policies. Being a powerful instrument of speculative finance capital and big industry, SEZs give power to the development commissioners to decide “from infrastructure through land through workers’ rights” in favor of business (Gopalakrishnan 2007: 1495).

The World Bank quotes that “special economic zones (SEZs) have been used by many developing countries as a policy tool to promote industrialization and economic transformation”(Zeng 2021: 5). But looking at it from a decolonial perspective, it could also be interpreted as an ongoing exploitation of cheap labor, resources and

minerals by big companies and corporations; the promised wealth stays in the hands of the neo-colonial hegemons, instead of being attributed for the transformation of the life of billions of people.

Structural Adjustment Program (SAP)

SAPs are a series of reforms, economic and social policies that developing countries must follow to get loans from international financial institutions such as the (-> International Monetary Fund) and the (-> World Bank). The "reform packages" come in the form of "conditionalities", which have been adapted over the years, but have typically focused on the (-> Washington consensus') ideas of stabilization, liberalization, privatization, and deregulation – especially in the 1980s and 90s (Thomson et al. 2017: 3). This means that debtor states are instructed to:

- 1) Stabilize the economies by reducing fluctuations of exchange rates, inflation, etc.
- 2) Liberalize the economy by reducing barriers to trade.
- 3) Privatize by selling off state enterprises to private actors.
- 4) Deregulate by reducing government involvement in the economy and limiting, for example, the state's ability to define employment laws (ibid.).

The official goal of these reforms is to make sure that the debtor countries will be able to pay back their loans, while promoting economic growth (ibid.: 2).

The international financial institutions claim that with more economic growth, there will be more revenue available for government spending (ibid.) (as if by increasing the size of a birthday cake, each guest at a party would get a bigger slice). These claims and policies have been very criticized, and the World Bank and the IMF have, indeed, changed and adapted some of their recommendations. For example, user fees for public health services, meaning that people had to pay small fees every time they went to the doctor, used to be supported by international financial institutions, but are not anymore (ibid.: 11). Nevertheless, many conditionalities are still in place and international financial institutions "continue to advance a neoliberal conception of economic development" (ibid.: 4). When speaking about the SAPs in Nigeria, former Nigerian minister of agriculture and rural development, Audu Ogbeh, states that:

> “the tragedy of Nigeria began in 1986, when we did the structural adjustment program, when we were persuaded to devalue our currency every week for 32 years”, which led to poverty, misery and an increase in food imports, instead of local production (Ogbeh accessed on 27 March 2022).

A study conducted by Hartzell et al. confirmed that countries with higher rates of economic growth and GDP per capita are less likely to agree to IMF programs in comparison to countries with lower rates. They also found that countries that adopt IMF SAPs are more likely to be at risk of civil wars than countries that do not. They base this claim on the idea that liberalization and integration into the global market – as promoted by the IMF – create “winners” and “losers”. These policies redistribute income and imply drastic and rapid changes in the country’s economy, so the people that are on the losing side may have higher incentives to engage in civil conflicts. At the same time, the state that agrees to SAPs suddenly has less tools to compensate the “losers” (Hartzell et al. 2010). For example, under a program of (-> Austerity) and cutbacks on government spending, a state cannot provide due compensations such as increased social housing, more food provision, more public schools and hospitals, etc.

In fact, there are a series of studies relating SAPs to deterioration in child and maternal health, because SAPs “undermine access to quality and affordable healthcare and adversely impact upon social determinants of health, such as income and food availability” (Thomson et al. 2017: 1). When a government must reduce the amount of money it spends, that means it has less funds available to fund hospitals, medicine, access to sanitation, clean water and food. Coordination to prevent and combat disease outbreaks becomes more difficult. Health workers might also see their wages being reduced, which gives them incentives to move elsewhere, leading to a (-> Brain drain) (ibid.: 11-12). In conclusion, the overall effect is a deterioration in health services, leading to more deaths.

Sub-imperialism

According to Ruy Marini, the hierarchization of emerging capitalist countries created median capitalist powers with average capital accumulation, such as Brazil or Mexico, which then developed into sub-imperialist powers (2011: 193). Marini

defines sub-imperialism as the form assumed by the dependent economies when they reach the stage of monopolies and financial capital (ibid.: 208). Furthermore, sub-imperialism implies the exercise of a relatively autonomous expansionist policy, which is not only accompanied by a greater integration into the imperialist productive system but is maintained within the framework of the hegemony exercised by imperialism on an international scale (ibid.). This means that sub-imperialist nations are relatively industrialized and seek to expand their power. Nevertheless, they still find themselves under influence of imperialist forces and are merely integrated into the imperialist production system, without opposing the global hegemons. Ramon C. Vilarino in a lecture about Paraguay's independence described sub-imperialism as **"outsourced imperialism"**, meaning that imperialist powers were exerting their influence in other nations via a third (sub-imperialist) country (Casas Vilarino 2011).

When explaining the relationship between Argentina, Brazil and Paraguay, Eduardo Galeano depicts the consequences of the Paraguayan War from 1864-1870 and sub-imperialism. The Paraguayan people were exterminated, as "only less than one sixth" of the population survived in 1870. The Brazilian Empire captured 20,000 square miles of territory and many war prisoners, which were sent to work as slaves. Argentina captured an additional 36,000 square miles of land. They occupied Paraguay, implemented free trade policies and installed "puppet governments". Nevertheless, Argentina and Brazil had taken out loans from British banks to finance their war against Paraguay, and with their bankruptcy at the end of the battles, they found themselves in a situation of "deepened dependency on Britain" (Galeano 1997: 193–194). While Brazil and Argentina suffered under imperialist powers themselves, Paraguay had the "double-burden of imperialism and sub-imperialism", as it was basically a "colony of other colonies" (ibid.: 194–195). Galeano cites further examples of sub-imperialism, like when "Paraguay gave Brazil an oil concession on its territory, but the fuel distribution and petrochemical business in Brazil is in U.S. hands" (ibid.: 195).

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