

# INTERNATIONAL JOURNAL OF SOCIAL SCIENCES

*Volume 4, Number 1, June 2005*

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*Published in cooperation with the  
Faculty of Social Sciences, University of Uyo, Nigeria.*



## **Some Reflections on the Contemporary Realities of International Political Economy and the Global Economic System**

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*Accepted: 3rd January 2005*

**ABSTRACT** - This paper traces the emergence of the contemporary international political economy and highlights how both the Mexican economic crisis of 1994 and the Asian Economic crisis of 1997 threatened the stability of the neoliberal economic order. The paper contends that these two crises brought to the fore the inherent weakness of the contemporary international political economy. The paper concludes that while the virtues of economic globalization and the liberal market-oriented ideology continue to reign, evidence abounds of an increasing unease with the effects of unbridled market forces.

**KEYWORDS:** International Political Economy, International Monetary Relations, International Trade Relations.

### **Introduction: The Context**

Today, there is undoubtedly a relinking of the global economy after the disruptions of world wars, revolutions and depression. Just as the steam engine and the telegraph shrank the dimensions of the nineteenth century world, so is technology once again eroding distance and borders. The number of international air passengers rose from 75 million in 1970 to 409 million in 1996. Between 1976 and 1996, the cost of a three-minute phone call from the United States to England dropped in real terms from about eight dollars to as low as thirty-six cents – and the number of trans border calls increased from 3.2 billion in 1985 to 20.2 billion in 1996 (Yergin and Stanislaw,



2001:212). Information technology is thus creating a new world of distant encounters and instant connections. While governments can promote the internet, they cannot control it.

The mobile economy has emerged as the hallmark of this new globality. Ideas, insights, techniques all disperse among countries with relative ease. Access to technology across national boundaries continue to grow. As a result, capital sweeps across countries at electron speed; manufacturing and the generation of services move flexibly among countries and are networked across borders, and markets are supplied from a continually shifting set of sources. International trade between 1989 and 1997 grew at an annual rate of 5.3 percent – nearly four times faster than global output (1.4 percent). Over the same years, foreign direct investment rose even faster – at a rate of 11.5 percent per year. The spread of fast, reliable information and communications technology pushes companies to draw on people and resources the world over. The foregoing discourse no doubt brings to the fore some of the more remarkable features of contemporary International Political Economy. The present exercise therefore involves a reflection on some aspects of the International Political Economy.

### Conceptual Clarifications

The conflict between the evolving economic and technical interdependence of the globe and the continuing compartmentalization of the world political system composed of sovereign states is a dominant motif of contemporary writings on international political economy. Whereas powerful market forces in the form of trade, money and foreign investment tend to jump national boundaries to escape political control, and to integrate societies, the tendency of government is to restrict, to channel, and to make economic activities serve the perceived interest of the state and of powerful groups within it. The logic of the market is to locate economic activities where they are most productive and profitable, the logic of the state is to capture and control the process of economic growth and capital accumulation (Heilbroner, 1985:94-15).

The term *International Political Economy* itself denotes a subject matter in which political and economic factors interact to shape relationships on an international scale. As Robert Gilpin (1987: Chapter 1) has observed, whereas political scientists have tended to neglect the role of market, economists often ignore the political contexts of events and in particular the importance of power. The need to consider both economics and politics is crucial in making sense of the international politics of trade, energy or the environment. To focus solely on the market mechanism and the effects of

### *Some reflections on the contemporary realities*

supply and demand results in the exclusion of key intervening variables: political and military events, the domestic politics of trade policy, the role of multilateral actors such as OPEC, security considerations, and market imperfections.

A combination of political and economic considerations gave rise to the nation state more than three centuries ago and has contributed to helping to shape the patterns of dominance and dependence that have characterized relations between rich and poor states ever since. The relevance of the term today is captured in the extensive interdependent relationships between states that knit national and global welfare into a single tapestry (Kegley and Wittkopf, 1993:210).

### **Hegemonic Stability and the Establishment of the Post-War International Economic System**

The origin of the contemporary International Political Economy can be traced to the establishment of the post-war international economic system which was conceived primarily by the United States and Britain on the eve of the end of World War II. It was intended to prevent the recurrence of the disruption of foreign exchanges and the collapse of the international monetary and credit system of the interwar years; to provide the framework for the restoration of foreign trade, and to supply the resources necessary for the relief and reconstruction of the economies devastated by the war (Gadner, 1956). The view of its architects was that any latent tendencies to economic nationalism of the 1930s had to be constrained by international fiat. This called for the establishment of a number of quasi-legal international regimes, akin to those of the Keynesian era, to regulate central aspects of international economic relations.

At Bretton Woods, New Hampshire in 1944 and at a series of other international conferences in that period, the Anglo-American blueprint for the new system was approved by a section of 44 countries (Aribisala, 1984:1). To be noted here is the fact that the Bretton Woods Institutions (B.W.I), founded in 1944, began with a mission quite distinct from their latter-day involvement with North-South relations. The International Monetary Fund (IMF) was conceived by the Bretton Woods founders as the guardian of global liquidity, a function that it was supposed to fulfil by monitoring member countries maintenance of stable exchange rates and providing a temporary facility on which they could draw to overcome cyclical balance of payment difficulties. The international Bank for Reconstruction and Development on the other hand was, as its name implies, set up to assist in the reconstruction of war-torn economies particularly those of Western Europe, by lending to them, at manageable rates of interest (Jamal, 1995:29).

One central problem of the immediate postwar years was how to get U.S. dollars into the hands of those who needed them most. One vehicle used to achieve this was the Marshall Plan, which provided Western European nations with \$17 billion in assistance with which to buy the US goods necessary to rebuild their war torn economies. The United States also encouraged deficits in its own balance of payments as a way of providing international liquidity in the form of dollars.

In addition to providing liquidity, the United States assumed a disproportionate share of the burden of rejuvenating Western Europe and Japan. It supported European and Japanese trade competitiveness, permitted certain forms of protectionism (such as Japan's restrictions against products imported from the United States) and condoned discrimination against the dollar (as in the European Payments Union, a multilateral European group that promoted intra-European trade at the expense of trade with the United States). The United States willingly incurred these short-run costs because the growth that they were expected to stimulate in Europe and Japan was expected eventually to provide widening markets for US exports.

The system worked well. Europe and Japan recovered and then expanded. The US economy prospered partly because of the dollar outflow, which led to the purchase of US goods and services (Spero, 1990). But there were costs. The enormous number of dollars held by others made the US economy vulnerable to financial shocks abroad. As early as 1960, it was clear that the dollar's top currency status was on the wane.

Confronted with this crisis, the United States took several steps to shore up the sagging US position in the world political economy. In August 1971, President Richard Nixon abruptly announced that the United States would no longer exchange dollars for gold. A system of free-floating exchange rates replaced the Bretton Woods fixed exchange-rate system. In this kind of system, market forces rather than government intervention determine currency value. The strident actions taken by the US in 1971 were in part a reaction to its growing dependence on the rest of the world and its realization that it could no longer unilaterally regulate international monetary affairs. In this sense, its actions were a predictable response to the US decline in the world political economy. For the political economy as a whole, it was now clear that the political basis on which the Bretton Woods System had been built lay in ruins. (Bairoch, 1982:275).

### **International Monetary Relations and the International Political Economy at the Dawn of the 21<sup>st</sup> Century**

The dominant paradigm in contemporary international political economy is that the market should, in principle, solve all problems and that



*Some reflections on the contemporary realities*

the risks associated with this paradigm are quite limited. But many facts and incidents indicate the contrary: the October 1987 stock market crash; the European Monetary System crisis, the dollar crisis 1977-79 and 1986-87; the Barings Bank Scandals in Singapore and England, the various Japanese banking scandals; and the collapse of the Long-Term Capital Management hedge fund in 1998<sup>1</sup>. We can add to these, the bond market crash in 1995; the Mexican crisis of the same year; the East Asian turmoil in 1997; and Russia's default and associated shock waves that shook the world in 1998. Instability has increased enormously in the financial sector in particular. Compared with the 1960s, when the Bretton Woods system kept exchange rates within narrow margins and capital flows were regulated, the volatility of the financial markets has grown enormously.

In the words of Robert Went (2003:195):

No one really knows anymore everything that is going on in the financial markets, what risks are being run and how great the odds are that a local crisis or stock market crash will spread, like an oil spill around the world.

The central problem is that little or no international regulation or control has been put in place to replace the national regulatory and control mechanisms eliminated by deregulation, privatization and, particularly, financial innovations. While problems requiring international action continue to multiply, the responsibilities and authority of organisations like OECD, The World Bank, the IMF, the WTO, the G7, the EU and the UN are being continually reshuffled. Thus, in the foreseeable future none of these organisations will have the resources, facilities, room and authority to impose international regulations and control (Ibid.).

The financial crisis that broke out in Mexico in late 1994 and Asia in 1997 were the first major blow to the optimistic visions of progress held by neoliberal globalization fans. In the Asian crisis in particular, economies that were considered powerhouses were thrown into a deep crisis from one day to the next because feelings among traders on financial markets turned against them. Millions of people suddenly lost their jobs, incomes, and basic means of survival. All of the societies devastated by this crisis have experienced substantial "erosion of the social fabric with social unrest, more crime, more violence in the home" (UNDP 1999).

Hardly anyone dared predict that neoliberal globalization would lead to such turmoil before the Mexican crisis – widely seen as the first crisis of the new globalized world – actually broke out in 1994. Mexico was the favourite among "emerging markets". In 1974 it was the first Third World

Country to be admitted to the OECD. That same year, it **joined the US and Canada** to form the free trade zone NAFTA. It was **the perfect example of successful neoliberal structural adjustment policies** that the **IMF and the World Bank** preached to the South and East. But on 20 December 1994 **the fairy tale came to an abrupt end**. The peso lost over 40 percent of its **value**, **the stock market collapsed**, and the government failed completely to stop **capital flight**, despite a tough austerity package.

With the implementation of far-reaching deregulation, privatization and market liberalization as dictated by the Bretton Woods Institutions, Mexico had opened its doors wide to foreign capital. Everything was aimed at export. As Mexican exports increased however, its imports increased much more. The resulting balance of payments deficit rose to \$28 billion, over 7 per cent of Mexico's GNP. The deficit was covered by capital imports; but much of the capital flowing into Latin America was speculative or was used to buy companies that were being sold cheap as part of privatization schemes. This was an extremely volatile, uncertain and unstable inward flow. It was only a matter of time before the uncertain inward flow turned into an outward one.

To salvage whatever was left, the newly elected President Zedillo announced a harsh austerity package. The emergency package led to a recession, with higher interest rates, lower investment and consumption, problem plagued banks and companies, sharply higher inflation and rapidly rising unemployment. In the words of a Brazilian weekly: "The Real Mexico was a poor country that acted like a rich country" (Veja, B. February 1995:4). In the wake of the Mexican crisis, the stock market fell in Argentina, Brazil and Chile, and the exchange rates of many currencies such as the Brazilian real came under pressure. In addition, Government bond in prices fell in Nigeria, Bulgaria, Morocco and Russia, while the US dollar also declined (Went, 2003:197).

While the rich capitalist nations, and the B.W.Is continued to pay lip services to their belief in the ability of the market to ensure an efficient allocation of resources, it was clear that something had to be done about the Mexican crisis. President Clinton of the US invoked his special powers and presented an international aid programme to contain the crisis. The International Monetary Fund and the Bank for International Settlement came forward with the highest amount they had ever spent. Altogether the sum of \$50 was raised. Mexico had to pledge its oil revenue as security, and interest had to be paid on the loans. By the end of 1995, Mexico's foreign **debt** reached over \$170 billion. In 1995 alone \$57 billion in interest and **principal** payments were made: an amount more than the total paid to **foreign creditors** from 1821 to 1976!

The Mexican crisis depicted how unstable the world economy was. In its wake the G7 wrung its hands over the lack of "global governance". They decided that the IMF should work more closely with the World Bank and the WTO in order to signal more quickly where things risk going wrong. They also agreed to support initiatives that would give the IMF more funds so that it could react quickly in case of a Mexican-type crisis elsewhere. The decision to give the IMF extra resources merely signals the acceptance by the world's most important heads of government that neither the IMF nor any other organisation could prevent new crisis.

As it happened in Mexico in 1994, so was it in Asia in 1997 when one Tiger economy after another fell into a deep crisis. The crisis and its shock waves then spread to other continents, leading to dramatic impoverishment and lasting negative consequences for the growth perspective of the world economy as a whole.

The globalization of the Southeast Asian crisis came as a very unwelcome shock to protagonists of free trade and financial liberalization, who had presented the development of these Asian economies as the ultimate proof that their policies work better than old-style import-substitution strategies. International organizations, economists and policy-makers seriously underestimated the consequences of the Asian crisis for the world economy as a whole. According to adherents of neoliberal globalization, deregulation, privatization, trade liberalization, free capital movements, a shrinking social and public sector and more market discipline were supposed to ensure global prosperity and abundance. But the celebrated liberalization, deregulation and internationalization have created new forms of dependency, and in times of economic adversity they provide transmission routes along which crises spread and multiply. By 1998 one country after another, including Russia and Brazil, were hit by currency speculation, falling stock market, capital flight, declining foreign investment and lower growth projections.

The IMF made the situation still worse by posing sado-monetarist conditions for aid to the affected countries. Tens of millions lost their jobs in 1997-98, amidst report of a major increase in child prostitution in many countries as they slid into poverty. An almost perfect inversion of the Keynesian compact lay at the core of the policies imposed by the IMF on one country after another. Faced with an economic crisis, countries are urged to raise interest rates, slash spending and increase taxes. Thus, the IMF makes demands that exacerbate crises, ones that are based simply on the market based principle that countries must win back the "confidence" of financial markets as quickly as possible. Put differently, in order to offer speculators and investors a sufficient perspective of profits, governments on the threshold



of the twenty-first century must deepen recessions, destroy jobs on a massive scale and slash away at social and other spending.

### **International Trade Relations and the International Political Economy**

Between 1947 and 1994, the member states of the General Agreement on Trade and Tariff concluded eight sets of negotiations leading to dramatic reductions in average tariff levels (Table 1). Because of these efforts, throughout the 1950s and 1960s world trade volumes and living standards increased substantially.

**Table 1: GATT/WTO Rounds, 1947-2001**

Year	Name of Round	No. of Participants
1947	Geneva	23
1949	Annecy	13
1950	Torquay	38
1956	Geneva	26
1960-1961	Dillion	26
1962-1967	Kennedy	62
1973-1979	Tokyo	99
1986-1993	Uruguay	125
2001?	Doha	144*

Adopted from Patrick Cronin (2002:372)

To neoliberal economists, this represented a sound proof of the wisdom embedded in open trade. Many of the tariff reduction were accomplished in the first two decades of the GATT's existence. For instance, following the conclusion of the Dillion Round in 1961, average tariffs had been reduced by almost 75 per cent from their postwar peaks. The subsequent Kennedy Round achieved a further reduction of 35 per cent (Spero and Hart, 1997:57). Because developed countries dominated the GATT's membership at inception, tariff negotiations focused primarily on manufactured products – goods of common interest within this group of nations. By mutual agreement agriculture was kept off the negotiating table from the very-beginning: it was labelled too sensitive to liberalise (Cronin, 2003:373).

By the early 1980s, it became increasingly clear that the GATT's rules would need to expand not only those new forms of protectionism but also a growing number list of other trade-related issues. At the top of the list was agriculture. During the 1970s, large surplus in production due to favourable weather conditions and government aid created trade conflicts over the use of export subsidies to dispose of all excess. At the same time,

### *Some reflections on the contemporary realities*

structural changes in the economies of developed countries led to an upsurge in the export of services such as telecommunications, banking, and insurance. These were areas that many countries traditionally protected due to their perceived strategic importance. As a result, companies venturing abroad often ran into a variety of barriers including limits or outright bans on foreign participation. With the growing spread of multinational corporations around the world came pressures to include not only trade in services but also issues like intellectual property rights (IPRs) and investment law.

Compounding negotiation problems tied to the broader agenda was a significant increase in the GATT's (and now WTO's) membership in recent decades, particularly from developing countries. Each of these countries brought to the negotiating table its own set of national interests – those issues it wanted to see on the trade agenda and those it opposed. The increase in WTO membership had a profound effect on the organization. Not only did it bring many new interests to the negotiation table, it also exposed weaknesses in the organization's governance structure, creating what Jeffrey Schott (2000) terms “the consensus – building problem”. From its founding, the GATT adopted a governance process based on the principle of consensus. This suggests that any agreement must necessarily reflect the interest of all members – a potentially difficult task as more and more countries join the negotiation process. It would be recalled that under the GATT, the so-called Quad countries (United States, Canada, Japan and Europe) exercised a decisive amount of influence on agenda formation and the subsequent negotiation process in each round (Schott and Watal, 2000).

This decision-making process came under stress once the unity of the Quad countries came under strain in the face of disputes over agriculture and barriers to market access. Today, the problem is exacerbated by the determination of least-developed countries to make sure that their views are adequately reflected in any future agreement. Although larger developing countries played important roles in negotiating a variety of the provisions of the Uruguay Round agreement, many of the least-developed countries felt that the final accord was forced upon them by the world's major trading states (Finger and Schuler, 2000).

### **Agriculture**

Agriculture is historically the most difficult issue to deal with in international trade. Among those countries supporting greater market access as well as an end to export subsidies are the Cairns group of fourteen developed and developing countries with a national comparative advantage in agricultural products<sup>1</sup>. Against EU objections, this group successfully pushed

for the goal of phasing out export subsidies. Internally, the EU's **high level of domestic support and export subsidies for agriculture has placed it in opposition to calls for freer markets in agricultural trade. Also resistant to market – opening measures and reductions in domestic support are countries like Japan and south Korea that would prefer to continue to protect various agricultural products.** In all cases, politically strong domestic lobbies underpin their decades-long protectionist stances.

The United States has conflicting interests on agriculture as well. While not formally a member of the Cairns Group, it supports the group's position on market access and export subsidies. USA exporters believe the United States will benefit (at the EU's expense) if trade-distorting subsidies are removed from exports. When it comes to domestic supports, however, domestic politics have opened up a gap between rhetoric and practice. The 1996 US Federal Agriculture Improvement and Reform Act was seen by liberals as an important step toward the reduction of US agricultural supports that distorted prices for agricultural products. Under the law farmers would no longer be paid according to government price supports for particular commodities or paid to not produce certain crops, rather they would be paid direct and diminishing amounts of money unconnected to what crops they produced. The liberals hoped that this form of protection would reduce price distortion while overall support levels would end over time. In the intervening years however, both major parties in the US Congress have come together to authorize significant increases in farm aid in a bid to attract political support in farming areas hard hit by drought and other problems.

### **Industrial Tariff Reductions**

No round would be complete without tariff reductions on industrial products. Developing countries, especially the poorest, are worried that new tariff reduction commitments (in percentage terms) will require them to reduce their protection rates relatively more than developed countries since the former have rates higher than the latter. Given the great sensitivity with which developing countries approach the issue of market access to Quad country markets, these developing countries are likely to resist further concessions, **at least until they see greater market access for their own exports. Since the latter are often blocked by non-tariff form of protection, by antidumping actions, and by trade barriers on non-industrial products (especially in agriculture), developing countries will require prompt and measurable concessions in other issue areas.**



### **Antidumping Measures**

The Doha declaration calls for negotiations “aimed at clarifying and improving” current rules on the use of Subsidies and Countervailing Measures (SCM), especially antidumping measures. Ostensibly designed to allow countries to legally raise barriers to trade and to counter unfair trade practices by others, many countries targeted by these measures feel that they are no more than disguised protection cloaked in an aura of legitimacy.

### **Investment Policy and Competition Law**

These issues are at the core of the so-called Singapore issues promoted by the EU and Japan. The process of developing a core set of standards for host countries to follow in their treatment of foreign multinationals began with a partial set of rules agreed to in the Uruguay Round. Developed countries, home to most of the world’s direct investors, have a strong interest in setting rules that give their corporations maximum flexibility in managing their operations abroad. At the same time, developing countries have a history of imposing a variety of restrictions, for example, local content or trade balancing requirements, to help ensure that the host country captures as many of the benefits from this investment as possible. Efforts to establish global standards exposed a deep developed/developing country rift, with the latter naturally opposed to rules that restrict a host’s ability to regulate companies within its borders (Moran, 1998). The trade-related instrument measures (TRIMs) provision of the Uruguay Round provided a first cut at outlawing a small number of these practices. Timetables were put in place to end the use of domestic – content requirements and certain export performance standards on foreign investment (Moran, 2000). It is evident however that many developing countries are hesitant to fully implement these provisions and have called for the extension of the deadline for its implementation or even sometimes, its outright repeal.

### **Linking Trade to Environmental and Labour Standards**

More than any other issue, proposals to tie international trade rules more firmly to global standards on the environment and labour practices have aroused substantial opposition both inside and outside the WTO. Within the WTO, developing countries have consistently blocked US attempts at creating a working group on trade and labour. In the face of such resistance, US authorities agreed that the issue would be omitted on the agenda of the next round of negotiation. In spite of this, fears continued to run deep that the United States was trying to place it on agenda in order to create new mechanisms to deny developing countries’ exporters access to developed

country markets. Matters were made worse by the ill-timed remark by President Bill Clinton on the eve of the Seattle meeting in 1999, linking trade and labour standards. Clinton's remarks, which appeared to renege on earlier promises, contributed to the stalemate in Seattle (Cronin, 2003:383).

In the same vein, efforts, particularly by the EU to link trade rules more closely with the environment have also elicited strong criticism from the developing world. As with the United States on labour, EU negotiators are under strong domestic pressures to incorporate environmental concerns more closely into the work of the WTO. Some demands are driven by environmentalists critical of the impact of globalization on environmental conditions around the globe, while others spring from concerns over the health of food supply. Still other efforts to link trade and the environment, however are motivated more by domestic producers seeking new means to protect themselves in the light of competition from developing countries, which generally have minimal environmental standards.

### **Developing and "Implementation" Issues**

With their newfound voice, developing countries have been making a variety of demands. Their willingness to walk away from the Seattle meeting without an agreement and their tough bargaining stances in the intervening years to Doha (not to mention the recent showdown in Cancun) forced the Quad countries to take notice of their interests. Quad negotiators now understand that developing countries' interests have to figure prominently in any new agreement.

Helping to strengthen this conviction was the position taken by a group of developing countries regarding "implementation" issues. They argued that developing countries had yet to receive expected benefits from the Uruguay Round agreement and that this imbalance must be rectified before they would support a new round. While developing countries walked away from the Uruguay Round negotiating table expecting measurable benefits in a short period of time, the Quad countries cleverly scheduled many of their market opening measures in textiles and apparel for the end of the allowed ten-year implementation period, that is, after 2005. Although the Quad countries are legally within the letter of the agreement they are accused of violating its spirit (Laird, 2001). Adding insult to injury, Quad countries have used antidumping measures, along with other acts such as tariff escalation, to offset expected benefits to developing countries<sup>2</sup>.

### **Dispute Settlement Mechanism**

The Uruguay Round agreement created a stronger and more controversial Dispute Settlement Mechanism (DSM). Instead of the former

### *Some reflections on the contemporary realities*

practice where one member was able to veto the resolution process, the new rule provides that all members would have to agree to dismiss a case.

### **Conclusion: The Future of International Political Economy**

At no point in the post World War II era has the liberal international economic order been under greater pressure. Defenders of the liberal order – academic and policymakers alike – will be forced to engage their opponents as they never have had to in the past. Thus for the foreseeable future International Political Economy as a field of study will necessarily have to focus on the struggles playing themselves out in the meeting halls and the streets of cities around the world. A good pointer to this is the fact that in the last ten years or so, a myriad of significant events have underscored both the importance and the changing nature of the international political economy. In the arena of trade and monetary systems, we have examined the financial crisis in Mexico and Asia and how these have impacted on the world political economy. More generally we have discussed the role of knowledge and multilateral institutions as a vehicle for promoting growth and development. It is against the background of the above that the following recommendations are put forward to strengthen the future of the international political economy.

### **Regulation of the Financial Sector**

It is recommended that the financial sector should be brought under social control so as to put an end to speculation and economic sabotage so that democratic decisions can be reached regarding how much resources should be devoted to what ends. In this connection, such suggestions as the introduction of a Tobin tax in financial transactions are worthy of support.

### **Cancellation of Third World Debt**

The cancellation of Third World Debt is hereby advocated. At any rate in most cases, the debt has already been repaid many times over (Toussaint and Drucker, 1995). Debt cancellation should be complemented with the payment of fair prices for Third World products.

### **Break with Export-Led Growth**

A break with the export-led growth propagated and imposed all over the world by the IMF, the World Bank, the WTO and the OECD is here recommended. This would give Third World governments the freedom to give priority attention to domestic development and the organising of production to meet local and regional needs.



## **Redistribution of Income**

There should be an established maximum income alongside a global minimum income for everyone. This should compliment with good free basic public services – education, healthcare and public transport. Housing and culture belong in this framework.

To be sure these recommendations are by no means exhaustive. They are nonetheless intended to generate further discussion to fashion out strategies aimed at strengthening the contemporary international political economy. The ultimate aim is to ensure the emergence of an equitable and just international political economy.

## **NOTES**

1. The Cairns Group Members are Argentina, Australia, Brazil, Canada, Chile, Columbia, Fiji, Indonesia, New Zealand, Paraguay, Philippines, South Africa, Thailand and Uruguay.
2. Tariff escalation refers to the use of higher tariffs for items at later stages of production. This discourages exporters from developing an export capacity in downstream activities that often have higher value added at those stages and are more profitable.

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