Chapter 17

Formatted: Line spacing: Double

IPE II: KEY ACTORS AND CONTROVERSIES

Introduction

Introductory box: Chavez's IMF Walkout

In 2007 the colourful left wing President of oil-rich Venezuela, Hugo Chavez, announced that his country would be pulling out of the United Nations' twin economic organizations, stating; "We will no longer have to go to Washington, nor to the IMF, nor to the World Bank, not to anyone".
The incident highlighted disillusionment with international economic organizations and the increasing power of some of the newly industrializing states. It also, however, served to signify the importance of international economic organizations in providing a platform for Global South leaders like Chavez and it is worth noting that, in spite of having paid off their debts, Venezuela has yet to actually follow up on their leader's promise and pull out of the two organizations.

From reading this chapter you will be able to understand, compare and evaluate the international political impact of the following key actors in International Political Economy;

- The International Monetary Fund (IMF),
- World Bank,
- World Trade Organization,
- United Nations Conference on Trade and Development, Organization for Economic Cooperation and Development, OPEC, G8 and G20.

- Multi-National Corporations

The IMF and World Bank

As highlighted in the previous chapter, the institutions set up at the 1944 **Bretton Woods** Conference were always intended to be sister organizations providing support for the freeing up of international trade by offering help to governments in economic difficulties. In this way it was hoped that countries would be better able to resist putting up the barricades when the going got tough, as had happened in the Great Depression of the 1930s. In the early years of the Bretton Woods system both organizations were principally involved in the reconstruction of the economies' of developed countries crippled by the Second World War. From the 1950s, however, both organizations became more focussed on the politics of development but the IMF continued to play a role in bailing out developed countries who had got into financial difficulties. From 1989 both organizations also became key players in the politics of democratic transition as many Communist states re-structured their economies' to a Capitalist model.

The names of the Bretton Woods siblings are misleading in that the IMF is more of a bank whilst the World Bank is more of a fund. Over time the IMF has come to be associated with providing shorter term finance with strings attached while the World Bank looks to help the most needy with longer-term aims. As an analogy with sources of personal finance, you could compare the World Bank to a government agency you would use for a loan to study at university in that the terms of the loan are relatively generous but would not be open to anyone who happened to want some money. Going to the IMF, in contrast, is more like re-mortgaging your home with a High Street Bank in that it is a source of finance with less generous terms but available to anyone creditworthy and willing to meet the terms of the loan.

Box 17.1 Profile- the IMF in 2010

Location: Washington

Member-states: 186 (Cuba & N. Korea = only notable non-members)

Head: Managing Director = Dominique Strauss-Kahn (France)

Key functions: provides a source of funding for governments in economic difficulties and facilitates free trade by creating monetary stability

Decision-making: Overall steering by Board of Governors- an annual meeting of all member-states finance ministers. Lending decisions taken by an Executive Board of 24 Executive Directors with weighted voting rights according to the economic size of the members. 8 states represented individually (US 16.77%, Japan 6.02%, Germany 5.88%, UK 4.85%, France 4.85%, China 3.66%, S.Arabia 3.16%, Russia 2.69%) the rest of the membership are organized into loosely geographical groups and represented by one of their members in turn with their quotas combined (e.g. Nordic states represented by Sweden 3.44%).

The IMF and World Bank are located very close to each other in the US capital and, in addition to their own meetings, they meet collectively under the auspices of the

‘Development Committee’. By tradition, the IMF is headed by a European and the World Bank by a US American. This, added to the decision-making processes, explains how these organizations have long been seen to exemplify **hegemony** in International Relations, as explored in the previous chapter. In the early years of the Bretton Woods system this was very much a US hegemony but since the collapse of the US dollar based Exchange rate system in the early 1970s it is more often characterized as a wider collective hegemony of the EU, Japan and United States. Hence, the IMF’s unit of account for its monetary reserves since then has been the Special Drawing Right (SDR) a ‘basket currency’ of the four leading national currencies weighted according to their strength in the global economy; the US dollar, the Japanese yen, the Euro and The UK pound. Sometimes referred to as ‘paper gold’, since they effectively came to replace the use of gold in the IMF, SDR’s are, in fact, not directly comparable since they are a unit of account in the IMF (and some other IGOs) and not the basis for valuing national currencies. However, the SDR does provide a more stable form of liquidity (money for governments to balance their books) than relying on one national currency.

The ‘World Bank’ is also a misleading name for the fact that it is not a single institution but, actually, a cluster of institutions, better referred to as the ‘World Bank Group’. Over time, as the focus of its work has shifted, the International Bank for Reconstruction and Development, set up at Bretton Woods, has been joined by three other partner organizations, exclusively focussed on the financing of projects in the developing world.

Box 17.2 Profile- the World Bank Group in 2010

Location: Washington

Member-states: 186 (same as IMF)

Head: President Robert Zoellick (US)

Key functions: lends money for economic development projects

The International Bank for Reconstruction and Development- gives loans to ‘middle-income’ states.
International Development Association- gives long-term interest-free credit to the poorest states.
International Finance Corporation- gives loans to private businesses to locate in Less Developed States.

As is explored in the next chapter, the IMF and World Bank have become more distinct over time with the latter becoming more socially-oriented and focussed on development in a wider sense than just economic growth. The World Bank is still, however, subject to criticisms similar to those targeted at the IMF, summarized in box 17.3.

Box 17.3 debate- for and against the IMF

Criticism	**Defence**
Unfairly dominated by the Global North	*Those who pay the money should decide where it goes*
As can be seen in box 17.1, the world's richest states far outweigh the rest in quotas allocated for decision-making. Constitutional changes require an 85% 'supermajority' giving the US (or EU acting collectively) a veto. Defenders of the decision-making system, however, posit that this is fair since the weightings are in accord with how much money the states' contribute to the IMF coffers.	
Conditions for loans are too harsh	*Loans should be conditional*
The most prominent criticism of the IMF is that the conditionality attached to its loans exacerbate problems and poverty by insisting on 'Structural Adjustments' to cut government expenditure. It is widely held that the IMF worsened the 2001financial crisis in Argentina by insisting on the privatization of state utilities which saw unemployment rise as foreign firms bought up local industries. In Less Developed Countries the effects of Structural Adjustment have been consistently controversial (see Chapter 18). Defenders of the IMF, however, observe that not insisting on measures to ensure governments do not waste or embezzle funds- as has been known to happen- would be irresponsible. Some governments- such as the 'Asian Tigers' (e.g. S.Korea) and post-Communist transition states of East Europe (e.g. Poland) have successfully used IMF funds to kick-start their economic development.	
Secretive and politicized decision-making	*Governments want a global monetary facility and need some secrecy*
IMF decision-making is complex and far from transparent. As a consequence a lot of horse trading and arm twisting goes on behind the scenes, adding to concerns about poorer countries being dominated. Critics observe that decisions to lend money to countries are often made on a political, rather than strictly economic, rationale. An example sometimes cited is the 1999 agreement to give loans to Russia, which many felt ignored issues of financial prudence in order to improve strained relations between Moscow and the Western powers in the context of the war against Kosovo. However, nearly every state in the world is a member of the IMF and, even if flawed, most seem to accept the need for a global organization to promote financial stability. Some observe that if the world did not have an IMF it would have to invent one and that, for all its flaws, the current model 'is better than nothing'.	

On the face of it the World Bank can similarly be charged with a US or Global North bias, given its location, leadership and decision-making structure, but, beneath this, the staff and culture of the group have evolved in as clear as case of institutional change as you can see in international relations. As the remit of the World Bank shifted towards development in the Global South, so too did the personnel within the group and the way that it operated. Even under the stewardship of some highly Conservative US appointed Presidents, the prominence of Development Studies and Social Policy specialists amongst its experts has ensured that the World Bank has acquired a social conscience in its operations and taken steps to ensure that development projects it sponsors do not benefit just a small sector of a country at the expense of others or harm the environment. Hence critics of the Bretton Woods system have tended to focus their attention on the ‘ugly sister’ of the pair.

International Trade Organizations

Box 17.4 Profile- the WTO in 2010

Location: Geneva

Member-states: 153 (Russia, Iran and Ukraine are amongst non-members)

Head: Pascal Lamy (France)

Key functions: Implement the General Agreement on Trade and Tariffs (see chapter 17), resolve trade disputes and promote free trade.

Decision-making: Overall Steering by a biannual WTO Ministerial of all member-states. Regular decisions taken by the General Council (which also meets in the guise of the Trade Policy Review Council or the Dispute Settlement Body). All decisions are by ‘consensus’- i.e. need to be accepted by all member-states.

As described in the previous chapter, the World Trade Organization was born in 1995 as a reincarnation of the International Trade Organization, stillborn at Bretton Woods half a century earlier. The emergence of this 'GATT with teeth' signified a new era of economic globalization but has been, from the start, beset with controversy and difficulties both in terms of its functioning and its role in the world. It has not been able to oversee the successful completion of the 9th GATT Round as new policy has been paralyzed by the reluctance of many states to liberalize agricultural trade. Many developed countries have been unwilling to lessen measures protecting their farming industries from foreign competition, much of it from the Global South. The 1999 Seattle Summit, intended to launch the 9th Round, was abandoned amidst scenes of rioting protestors and it was instead launched two years later at Doha in the desert of Qatar, inaccessible to all but the most intrepid members of the new anti-globalization social movement. The next summit in 2003, at Cancun in Mexico, was most notable for a mass walk out of delegates from Less Developed countries in protest at the failure of developed states to deliver on promises of agricultural liberalization made at the 8th GATT Round. At the fourth WTO Ministerial in 2005 in Hong Kong internal and external protests were less prominent but the impasse continued and the Doha Round could not be completed. Tellingly, what was supposed to be the fifth Ministerial in 2007 never even took place since it was accepted that progress was impossible.

Within the WTO a lot of business and negotiation is done outside of the Ministerials and General Council meetings in *caucus groups* whereby government's coordinate their positions with likeminded states in order to give themselves a chance of being heard in the inevitable noise and complexity of 153-way debate. The most powerful of these loose, unofficial coalitions is 'the Quad', comprising the European Union (itself, of course, already a large grouping of states), the US, Japan and Canada. If this grouping can reach common accord it greatly enhances the likelihood of achieving consensus. The Quad have held many formal and informal meetings prior and adjacent to WTO Ministerials allowing them, for example, to advance intellectual property rights (patents protection) on the agenda. Less Developed country delegations at the WTO have coordinated their positions in three fluid and overlapping groupings. The most influential industrializing Less Developed states, such as Brazil, India and China, have operated in the grouping G20 at WTO Ministerials, pushing aggressively for agricultural liberalization (confusingly, this is not the same 'G20' of leading industrialized states which later formed containing some of the same countries- this is highlighted later). G33 is a grouping of Less Developed states with a common interest in securing special exemptions for products that they are particularly dependent upon. Prominent members include Indonesia and Malaysia seeking exemptions to tariff cuts for products such as rice and rubber which are seen as critical for their economic well-being. G90 is a more residual grouping of the world's Less Developed states, banded together for strength but concentrating more on ensuring the protection of their infant industries, rather than taking on the 'big boys' in the way the G20 has done. The desire to open up the agricultural markets of some countries is not uniquely a concern of Less Developed countries and, from the Uruguay Round, developed major food exporters, like Australia, Argentina and

Canada (in this instance switching allegiance from the Quad) have cooperated in a caucus known (after the Australian town in which they first met) as the Cairns Group.

Box 17.5 debate- for and against the WTO

<table>
<tr><th>Criticism</th><th>Defences</th></tr>
<tr><td>Dominated by the Global North</td><td>Decisions are consensual</td></tr>
<tr><td colspan="2">As with the IMF and World Bank, a prominent criticism of the WTO is that it is another vehicle for hegemony and provides a post-colonial means for the states of the Global North to dominate those of the Global South by compelling them to open up their economies, providing the North with new markets and cheap labour forces. In defence it can be pointed out that the WTO’s decision-making structure is egalitarian since, with no majority or weighted voting, any state is free to block a new proposal it disapproves of. In addition, many WTO decisions have ended restrictive trade practises in powerful Global North states. Critics respond by observing that consensus, far from empowering the weak, actually reinforces hegemony since the large WTO delegations of the Global North countries, having coordinated their own positions in caucus meetings outside of the formal decision-making structure, are able to lean on the small delegations of Global South countries and stifle opposition.</td></tr>
<tr><td>Undermines state sovereignty</td><td>Restraining governments is in the public interest</td></tr>
<tr><td colspan="2">In addition to concerns that the WTO favours rich countries over poor, many critics have also voiced fears that the organization is fundamentally undemocratic since its rules often overturn popular domestic laws. Perhaps the chief grievance of the whole anti-globalization movement is the view that a ‘democratic deficit’ has emerged in which global rules are being codified and enforced by a secretive and unaccountable body serving the interests of big business and over which ordinary people have no real influence. Defenders of the WTO, and globalization in general, contend that freeing up trade is in the common human interest and, if we want to reap the benefits of this collective good, we need to have a global body powerful enough to stop governments acting in their own, rather than their citizens’, best interests.</td></tr>
<tr><td>Puts profit before people</td><td>The WTO is about trade- it is up to</td></tr>
</table>

The volatile short history of the WTO can be interpreted very differently. The riots, walk outs and overall political impasse can variably be seen as evidence of failure and disillusionment with the Liberal International Economic Order or as the inevitable consequence of having a robust global body which facilitates debate from all quarters. The mantra ‘no deal is better than a bad deal’, which has been adopted by some developing state delegations and sections of global civil society in relation to the Doha Round, can be read as either signifying the death knell of the WTO or, conversely, the fact that this is a forum in which the developing world is able to make itself heard and not be sidestepped.

Outside of and predating the WTO, a number of other intergovernmental organizations have served to coordinate the positions of groups of states in the International Political Economy.

- *OECD*- The Organization of Economic Cooperation and Development was established in 1961 as a permanent intergovernmental organization with headquarters in Paris to promote economic growth through the cooperation of its membership of the world’s most advanced industrial states. It evolved from the Organization for Economic Cooperation in Europe, set up in 1948 to coordinate Western European economies and administer the US’ ‘Marshall Plan’ of post-war reconstructive aid to that region. The OECD today has a membership of thirty states and an annual budget of just over $500 million based on subscriptions weighted according to the economic size of the participants. OECD meetings, which include annual Ministerials and a range of other fora, have produced non-binding ‘soft law’ agreements on issues, such as the 1976 Guidelines for Multi-National Enterprises setting out principles for businesses to observe in Less Developed Countries and the 1999 Anti-Bribery Convention.

- *UNCTAD*- The United Nations Conference on Trade and Development was set up in 1964 to focus on the development implications of international trade and particularly the **GATT** regime. Despite its name, UNCTAD is an organization- a programme of the UN- with a permanent secretariat in Geneva. It was a focus of ‘Third World’ radicalism in its early years but declined in influence in line with the decline of the Third World as a bloc in the 1980s (see Chapter 18) and since then has come to be somewhat marginalized by the emergence of the WTO. Whilst developed states have continued with their membership of UNCTAD, their interest in its meetings and research has become limited and it has occasionally been suggested that the acronym for the organization should actually now stands for: ‘under no circumstances take any decisions’.

- *G7/8*- the Group of Seven evolved from the Group of Five, formed in 1975 between The US, UK, France, Germany and Japan which was later expanded to include Canada and Italy. Meetings now also usually include an eighth member, Russia, although the seven continue to meet without the Russians when dealing exclusively with financial matters. G5 was inspired by the oil crisis (see below) of the 1970s which focussed minds in the world’s wealthiest states on the need to keep the Liberal International Economic Order together and resist the challenge presented by the newly emboldened oil exporting states of the Middle East. G7/8 is not a formal Intergovernmental Organization and has no headquarters or decision-making structure, but it has developed a model of working based on annual summits and other regular ministerial meetings chaired and hosted by each member in turn in a rotating Presidency. Tackling transnational organized crime and fraud has become an increasingly important focus for meetings, with the involvement of Russia particularly useful in this regard, given the international prominence of the Russian mafia.

- *OPEC***-** As introduced in Chapter 12, there are a number of intergovernmental organizations that are *cartels*; groups acting to coordinate the pricing of a particular international commodity that they are prominent exporters of. Essentially this is the practise of coordinated price-fixing, illegal for private businesses in most capitalist countries reproduced by governments in international trade, where there are no such restrictions. Price fixing is clearly against the free trade spirit of GATT/WTO but such is the sensitivity of this subject it has largely been ignored. Governments engaging in such practices are typically from the Global South and argue that they are not exploiting a monopoly but merely safeguarding their development through protecting a crucial export. The most influential cartel has been the Organization of Petroleum Exporting Countries (OPEC), which was set up in 1960 and initially comprised five states: Saudi Arabia, Iran, Iraq, Kuwait and Venezuela. The OPEC countries produce around 45% of the world's crude oil and represent around 55% of exports. The organization shot to prominence in the early 1970s when its members began to take control of the North American and Western European Multi-National Corporations who had been dominating their oil extraction and petroleum manufacturing industries, giving it the means to raise prices.

box 17.6 Profile- OPEC in 2010

Location: Vienna

Member-states: 12 (Algeria, Angola, Ecuador, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates, Venezuela).

Head: Secretary-General Abdalla Salem El-Badri (Libya)

Key functions: To coordinate the price of oil exports.

Decision-making: OPEC conference made up of government ministers meets twice per year and decides on membership applications and overall policy direction

Crucial to OPEC, as with many economic organizations, is the hegemonic role played by one of its members, Saudi Arabia. The Saudis' oil exports are three times that of the next biggest exporters, Iran and Venezuela, allowing it to call the shots. OPEC sets quotas for oil production amongst its members so that it can control the supply vis a vis the rest of the world's demand and so manipulate the price in their favour. The flaw in such a strategy is the temptation likely to present itself to any of the members to break ranks and exceed their quota in order to sell more and make a quick profit- an example of the **collective goods problem**. The Saudi government are in a position to sanction that by being able to flood the market with oil if any country does fall out of line, an action they have taken on several occasions.

OPEC have continued to be an influential actor in IPE but have yet to relive their 1970s heyday when they effectively held the Global North to ransom and many of its members underwent rapid economic growth on the back of burgeoning oil prices. From the 1980s the Global North countries coordinated their position as oil consumers, looked to alternative supplies, such as Mexico and Azerbaijan, and learned to be more efficient with their consumption, reducing the OPEC's control of the oil supply.

However, OPEC are far from a spent force and it seems inevitable that they will rise again in prominence as the world's oil supply starts to shrink. There are alternatives at present for Northern consumers but OPEC control around 80% of proven oil reserves which means they cannot be avoided in the not-so long run. Despite the emergence of alternative power sources in Europe overall demand for oil is rising, due to the growth of markets like China, India and Brazil. Additionally, OPEC have developed an increasingly close relationship with prominent non-member exporters Mexico and Russia and would be likely to absorb any other state that happened to strike it lucky and start exporting oil.

Multi National Corporations (MNCs)

Multi National Corporations are businesses with significant operations in more than one country. Like other international organzations, a small number of MNCs existed before the mid 20th century but it is since then that they have grown both in number and influence. There are currently around 77,000 MNCs operating in the global economy, carrying out roughly two thirds of all of the worlds exports (Kegley & Raymond 2010 164-5). If the oft quoted maxim 'money is power' is correct then the presence of MNCs in today's world is huge. It is frequently asserted that the largest multinationals outstrip the resources of some poor states but this is, in fact, an understatement. The biggest MNCs surpass *all* developing countries and many developed countries in their assets. In 2009 the MNC with the world's biggest turnover was the oil giant Shell,whose estimated value of $458 billion put it just

Formatted: Font: Not Bold

Formatted: Font: Italic

behind Saudi Arabia and ahead of Norway as the 24th richest actor in the world. US based shopping retailer Wal Mart is the world's 28th richest actor, ahead of Iran (Fortune 2009, World Bank 2009).

Formatted: Superscript

Formatted: Superscript

As with other non state actors, not all IR analysts accept that the rise of MNCs is necessarily indicative of declining state power in a globalizing world. Liberal pluralists from the 1960s saw the rise of MNC influence as contributing to interdependence and a diminished role for the state. As independent entities with significant economic clout MNCs can influence IPE in their own right. In the oil crisis of the early 1970s Western oil companies were often at odds with their home governments since they stood to gain from price being forces up by their host governments. Similarly, when UN economic sanctions were imposed on the racist governments of South Africa and South Africa in the 1970s many Western based MNCs acted against their governments and the international community by continuing to operate in those countries. However, on the other side of the debate, neo-Realists, at much the same time as the Pluralists, began to see MNCs in the global economy as giving renewed vigour to a state-centric power politics approach to understanding the international political economy. In particular, neo-Realists pointed out that MNCs often serve as a means of projecting the power of their home country government. The US government, notably, had used American MNCs as an arm of their Cold War strategy of containing the USSR, by giving them incentives to set up in geopolitically significant states in Western Europe and Asia in order to prop up capitalism and gain military influence.

Since the Cold War the political debate on the role of MNCs has been principally focussed on the politics of development and whether or not it is in the interests of Less Developed Countries to invite corporations in to boost their economies. For Economic Liberals MNCs are the key agents of development, for Marxists are the agents of dependency. The key dimensions of this debate are summarized in box 17.7.

box 17.7 for and against MNC investment

<table>
<tr><th>Criticism</th><th>Defences</th></tr>
<tr><td>They syphen out resources to the home country</td><td>They bring financial and technical investment</td></tr>
<tr><td colspan="2">Critics of economic globalization focus much of their anger on the role of MNCs in the Global South, arguing that they represent the key means by which the Global North can can secure resources they cannot produce in their own countries- like bananas or cocoa. In opposition to this those with a more benign view of economic globalization see MNCs as the means by which crucial investment can be secured by developing countries; citing the likes of Singapore and South Korea, who successfully kick-started their development with the aid of US multinationals.</td></tr>
<tr><td>They exploit workers in the host country</td><td>They bring employment to the host country</td></tr>
<tr><td colspan="2">MNCs are often accused of engaging in a ‘race to the bottom’ in which they seek out countries with the cheapest labour costs or laxest safety standards in order to maximize profits. The world’s worst ever industrial accident, at Bhopal India in 1984, was at the plant of a subsidiary to the US chemical MNC Union Carbide where standards were much lower than in the home country. In defence it could be said that disasters such as Bhopal, along with incidences of poorly paid labour, are the fault of inadequate governance in the host country rather than the multinationals. In developing countries governments are keen to attract MNCs because they boost employment and people want to work for them because they usually pay better than domestic firms.</td></tr>
<tr><td>They undermine local industries</td><td>They provide better value and choice for consumers</td></tr>
<tr><td colspan="2">Rather than giving a helping hand to local enterprise critics point to cases of MNCs throttling industries in Global South host countries. In recent years Ghana’s major cocoa industry has oriented itself so much towards exports that its domestic industry has collapsed and it now even imports chocolate products made in the North from its beans. A more positive perspective on the impact of MNCs notes how consumers across the world have benefited from being able to shop in a global rather than just a national marketplace and from prices being forced down by greater competition.</td></tr>
<tr><td>They produce cultural colonialism</td><td>They help bring people together</td></tr>
<tr><td colspan="2">Critics lament that MNCs contribute to the bland homogenization of the world undermining local cultures with Western fast food, clothing and entertainment. In defence globalists maintain that MNCs are a key element of a positive cultural interdependence, contributing to us all getting to know each other better through common cultural reference points and the sharing of each others foods and styles.</td></tr>
</table>

Formatted: Font: Not Bold

Formatted: Font: Bold

Formatted: Font: Not Italic

Formatted: Font: Not Bold, Italic

Formatted: Font: 12 pt, Italic

Formatted: Font: 12 pt

Formatted: Font: 12 pt, Italic

The influence of MNCs increasingly can be measured not only *vis a vis* their home or host country government but also at the global level. MNCs are powerful lobbyists at the WTO and other IPE arenas, either directly or banded together into specially-designed lobby groups like the Global Crop Protection Federation, which represents pesticide manufacturers. In this way we can see the global economy developing a form of politics more like that which is well established in developed democracies, with businesses lobbying for influence alongside non-profit organizations representing consumer and worker interests. Pressure groups like OXFAM and CAFOD are also influential lobbyists and contribute to a burgeoning global civil society for international economic matters which has manifested itself in movements like Jubilee 2000, which campaigned for the writing off of debt in the worlds poorest countries and Make Poverty History which has mobilized considerable public support for a restructuring of global trade laws to allow Less Developed countries to export agricultural goods more freely to the developed world. Not everyone subscribes to this view of an increasingly pluralistic international political economy, however, as is considered in the next section.

Formatted: Font: Italic

Theoretical perspectives on the Actors of IPE

The present and future significance in international relations of the various IGOs considered in this chapter can be viewed in very different ways, in line with the rival theories of IR / IPE.

- *Realists / Mercantilists*

In line with the traditional **Realist** view that the significance of IGOs and of globalization in general is exaggerated, some analysts have suggested that the IMF, World Bank, WTO and other IPE actors are not as influential as many suggest. With the WTO the most common illustration of its impact and defence of its success is the unparalleled growth of international trade that has occurred under the watch of the GATT/WTO regime. However, could this be what is referred to in philosophy as a post-hoc fallacy? Does it necessarily follow that the increase in trade must be *due* to the rules introduced by GATT/WTO or could this be coincidental? A much cited empirical study by the Economist Andrew Rose observed that many states increased their volumes of trade whilst they were outside the GATT/WTO regime, as much as their members and concluded that overall this was more the result of trade blocs and bilateral deals than global rules (Rose 2004). For the sceptics IPE is and will continue to be dictated by states and IGOs represent no more than convenient vehicles for the expression of state interests.

- *Marxists*

The anti-globalization camp view the organizations of IPE as rotten expressions of a rotten system which needs to be completely replaced. Most contemporary **Marxist** analysts of IPE are not, however, advocating some form of global replication of centralized, state-centric Soviet Communism but the emergence of a much more devolved system in which power is localized again.

> 'The Socialism that seems most likely to emerge out of the global capitalist system is not going to come about as a result of a revolutionary seizure of state power (this method has failed miserably wherever it has been tried), but as a result of a successful period of social experimentation in which the hegemony of global capitalism is increasingly and effectively challenged by a combination of local and transnational democratic social movements' (Sklair 2002: 325).

In this vision 'localization' should replace globalization through re-empowering the state, or some other local political entity, over global organizations and rules through the increased use of protectionist measures and controls on foreign businesses and transnational capital flows (Hines 2000).

- *IPE (Economic) Liberals*

The pro-globalization camp defend the record of the IMF, World Bank, WTO and multinationals and point out that the current era of the Liberal International Economic Order is one that has witnessed the greatest increases in trade and overall prosperity the world has ever seen. The intergovernmental institutions are essential for propping up that system by providing safeguards against governments lurching back to economic nationalism, which history shows has happened when the global economy is unregulated. In the 1920s and '30s states devalued their currencies and raised tariffs at will and such short-termist and short-sighted practises culminated in the Great Depression and then the Second World War. The IPE institutions both compel governments to desist from resorting to damaging acts of protectionism whilst also offering them a lifeline when the going gets tough.

- *IR Liberals ('alter globalists')*

A growing middle ground perspective finds much fault in the global IPE actors but still believes that the world needs such organizations and focusses on the need for reform rather than abolition. Epitomizing this worldview is former World Bank Chief Economist Joseph Stiglitz (see Chapter 18, box 18.8) who in 2009 was put in charge of a UN Commission of economists, academics and politicians to come up with proposals for reforming global economic institutions so as to learn lessons from the 'Credit Crunch' depression. The 'Stiglitz

Commission''s report advocated significant reform in the governance of the global IPE actors, so as to involve developing states more, but not their abolition. Instead the report's main recommendation was to create a new, powerful institution 'The Global Economic Council' on a par with the UN Security Council. The Global Economic Council would be an inclusive and genuinely global forum for all IPE issues linking together the IMF, World Bank and WTO more effectively and equitably than currently exits with the myriad intergovernmental fora. The most appropriate overall steering mechanism for global economic governance, the Report argues, is not a G7 or G8 but a "G192" (UN 2009). In spite of a growing consensus in favour of institutional reform and more multilateral approaches in IPE, the future is more likely to be about making the corridors of power less exclusive but still far from globally inclusive.

Case Study- the Rise of the G20

The hitherto obscure ‘Group of 20 Finance Ministers and Central Bank Governors’ suddenly emerged as a key actor in IPE amidst the backdrop of the ‘Credit Crunch’ global recession in 2008-9. This G20 was not the same as the G20 WTO caucus group of the most powerful developing states, referred to earlier. It includes the following 19 states: US, Japan, UK, Germany, France, Canada, Italy, Spain, Russia, Australia, China, Brazil, India, South Africa, Mexico, Argentina, South Korea, Turkey, Indonesia and its 20th member is the EU. G20 was set up by G7 in 1999 in response to the Asian financial crisis in order to coordinate monetary planning with key economies affected by the downturn (which spread to Latin America). Once the global economy began slumping in 2008, however, low key annual meetings of finance minsters and the heads of the Central Banks became high profile twice yearly summits inclusive of heads of government.

G20 is not an intergovernmental organization- the meetings are chaired and hosted by its members in a rotational ‘Presidency’- and it has no formal criteria for membership. However, the fact that it contains members accountable for 85% of global GDP and 80% of global trade and the need for a more universal means of coordinating policy has thrust the group into the spotlight. G20 has emerged from relative obscurity to become an overall political steering mechanism for the global economic system. That this grouping, rather than just the G7, had come to be seen as necessary to consider measures to get the world out of recession and debate the future of the Bretton Woods system was indicative of a significant shift in the balance of world economic power.

Key G20 proposals to have emerged from its recent summits include the following:

- Increased funds for the IMF and reformed decision-making for the fund and the World Bank with greater input from newly-emerging economies, particularly China.
- An expansion, in role and membership for the ‘Financial Stability Forum’- a little known organization set up in 1999 by the G7. China joined the forum in 2008 and its role was expanded in an effort to increase transparency and have more oversight of where risks existed in the global financial system
- Coordinate national policies to limit the level of bonuses paid by banks to financiers and the sums they are able to lend. A financial stability board was established to oversee this.
- Coordinated sanctions to be imposed on tax havens that refuse to reveal bank details.
- A commitment to complete the Doha Round of GATT/WTO trade liberalization and the Millennium Development Goals (see Chapter 18).

REFLECTION- If you ruled the world would you a) abolish, b) radically reform or c) retain in broadly the same form the IMF, World Bank and WTO?

Conclusions

The arena of International Political Economy has become increasingly crowded over time as the actors in the system have multiplied. Intergovernmental organizations have proliferated, hundreds of trade blocs of various shapes and sizes with overlapping membership have emerged (see Chapter 14) and thousands of non-state actors with financial muscle and access to the levers of global power have together created a complex system.. In additionin the next chapter we will see how pressure groups like OXFAM and CAFOD are also influential lobbyists and contribute to a burgeoning global civil society for international economic matters which has manifested itself in movements like Jubilee 2000, which campaigned for the writing off of debt in the worlds poorest countries and Make Poverty History which has mobilized considerable public support for a restructuring of global trade laws to allow Less Developed countries to export agricultural goods more freely to the developed world.

Central to IPE, however, are the three global IGOs of the Liberal International Economic Order (LIEO), the IMF, World Bank and the WTO. Although frequently attacked, the IMF and World Bank are close to universal in their membership, whilst the WTO has expanded its membership rapidly in its short history, with most non-members queuing to join its ranks. The Credit Crunch depression re-invigorated attacks on the LIEO trio but no serious prospect of abolition has emerged in the discourse of mainstream international diplomacy. The IMF was beefed up rather than slaughtered in response to the downturn, with greater say given to newly-emerging economic powers in this organization and the World Bank. The spectre of the 1930s Depression, exacerbated by government protectionism, has served to knock heads together and make the completion of the Doha Round more rather than less likely. Hence the shock of the 2008-9 depression has been the catalyst for evolution rather than revolution with the major international organizations surviving but coming more to reflect the new realities of the economic balance of power. A system fashioned by US hegemony has started to evolve into a far more multi-lateral form withof intergovernmental organizations and businesses from a growing band of developed countries managed by an ever-widening concert of great economic powers.

ESSAY QUESTIONS

- Is it fair to say that the world would be better off without the International Monetary Fund (IMF)?
- Why have the World Bank and International Monetary Fund attracted controversy and how far have they modified their policies in response?
- Why is the World Trade Organization so often the focus of anti-globalization sentiment and is such sentiment justified?
- Assess the case for and against a developing country attracting Multi National Corporations in order to aid their economic growth.

RECOMMENDED READING

Richard Peet, *Unholy Trinity: the IMF, World Bank and WTO,* (Zed) 2009.

A highly critical analysis of the three global IPE actors which provides evidence that they exist purely to serve the interests of big business and also that, with the rise of global discontent and economic crisis, their time maybe nigh.

Ngaire Woods, The Globalizers: the IMF, the World Bank and Their Borrowers (Ithaca USA, London : Cornell) 2006.

Woods presents an 'alter-globalization' analysis of the Bretton Woods institutions that is critical but reformist rather than revolutionary.

USEFUL WEBSITES

WTO website, http://www.wto.org/

IMF website, http://www.imf.org/

World Bank, http://www.worldbank.org/

OECD, www.oecd.org/

UNCTAD, www.unctad.org/

OPEC, http://www.opec.org/home/

Bretton Woods Project, http://www.brettonwoodsproject.org/ *a site set up by activists and journalists from many prominent Pressure Groups and media sources which monitors the activities of the IMF and World Bank, producing regular critical articles, reports and data.*

BBC, 'Beat the World Trade System' *Try your own hand at international trade negotiation with this online exercize*

http://news.bbc.co.uk/1/hi/business/6183887.stm

BIBLIOGRAPHY

Fortune (2009) *Global Fortune 500 Survey*

http://money.cnn.com/magazines/fortune/global500/2009/ (accessed 2.3.10)

C. Hines (2000) *Localization- A Global Manifesto*, (London: Earthscan).

C. Kegley & G. Raymond (2010) *The Global Future. A Brief Introduction to World Politics*, Boston: Wadsworth.

A. Rose (2004) 'Do We Really Know that the WTO Increases Trade', *American Economic Review* 94(1) pp. 98-114.

L.Sklair (2002) *Globalization. Capitalism and Its Alternatives,* (Oxford: Oxford University Press)

UN (2009) *Draft Report of the Commission of Experts of the President of the UN General Assembly on Reforms of the International Monetary and Financial System*, prepared for the UN Conference on the World Financial and Economic Crisis and its Impact on Development, (held at New York 24-6 June 2009) .

World Bank (2009) *World Development Indicators 2009* , New York: World Bank Publications.

Formatted: Font: Not Italic