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**THE POLITICAL ECONOMY OF INTERNATIONAL ORGANIZATIONS
AND THE NEW WORLD ORDER: NORTH-SOUTH RELATIONS
FROM A SOUTHERN PERSPECTIVE**

A Thesis
Presented to the
Faculty of
California State University,
San Bernardino

In Partial Fulfillment
of the Requirements for the Degree
Master of Arts
in
Interdisciplinary Studies

by
Alaadin M. Elgendy

December 1994

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CHAPTER ONE

Introduction

The focus of this thesis is the study of North/South relations (developed/underdeveloped countries) as they exist within the United Nations (UN), World Bank (WB) and the International Monetary Fund (IMF). Special attention will be placed on the transitional period following the collapse of the Soviet Union in 1989 and the Gulf War of 1991, or what is frequently referred to as the New World Order (NWO).

Hypothesis

The Huge Economic, Political and Social Gap Between the North and the South is Likely to Increase in the NWO.

In view of the current disparities existing between North and South, the basic working hypothesis of this study will focus on the assumption that, today, the South is in a very disadvantageous position. The South depends on the North economically, politically and socially. The most important economic and political activities of the globe are carried out in the rich and powerful states of the North. Still, the South is the main supplier of primary products, e.g., agricultural goods, raw materials and fossil fuel, to the North.

The task of this paper is to provide a greater level of understanding of the seemingly institutionalized economic, political, and social disparities which currently exist between the North/South countries in the NWO. The poverty

gap can create a global confrontation between the North and the South. Finally, the 1990's threaten more hardship for the people of the South and even greater instability for their countries.¹

This will be demonstrated by offering different arguments in each of the seven chapters in the thesis to support the hypothesis. The basic argument in chapter two will show through descriptive analyses, that the "South" or the "Third World," a term that is typically used to describe economically underdeveloped nations in Africa, Asia and Latin America, is dependent economically, politically and socially on the developed rich North; and the dependence is likely to increase in the NWO. Chapter three argues that South-South economic and political cooperation will not be effective in the post cold war era. Chapter four focuses on the imposition of Northern styles of economic and political reforms by international organizations. Chapter five shows the negative effects of structural adjustment programs in selected countries (Uganda, Tanzania, and Chile). Chapter six argues that the NWO created an environment where there are more border disputes, more ethnic wars, and a rise in religious fundamentalism. Chapter seven demonstrates the importance of linking political openness and economic liberalization with getting economic assistance from the IMF and WB. The final chapter offers a prescriptive analysis for the South, namely, that democracy is most successful when a liberal,

economic development process is functioning. In this light, a Korea-Singapore style of "democracy" as a guide for economic development in the South is examined. In conclusion, the NWO era will eventually create a confrontation between the rich North and the poor South.

Operational Definition: The New World Order

With the demise of the Soviet Union and the end of the cold war in 1989, essays have been appearing with increasing frequency in scholarly journals and newspapers which seek to provide a perspective for the post-cold war era. According to former US President George Bush, the NWO is a new way of thinking about other nations, peaceful settlement of disputes, solidarity against aggression, reduced and controlled arsenals, and just treatment of all people.² However, Joseph Nye argues that the term "New World Order" as described by President Bush is used in two different ways. First, the "neorealist" and second, the "reassertionist" point of view. Although Nye did not provide a clear definition of the terms, what follows is a brief definition and operationalization of both, and how they impacted the underdeveloped countries.

The core idea behind neorealist thinking is the protection of vital geopolitical interests, namely the security and independence of the great industrial (North) states of UK, western Europe and Japan.³ On the other hand, reassertionism stems from the then perceived need to deemphasize

Soviet-American relations except for the area of arms control: having declared that America had shed its, "inordinate fear of Communism."⁴ As a reassertionist, President Jimmy Carter tried to build a new foreign policy consensus by creating post-cold war foreign policy. Carter's policy focused on promoting human rights, scaling back the arms race and working with developing nations to create a new international economic order.

Nye argues further, that the NWO as envisioned by President Bush combines two important points of view. First, the NWO is based on distribution of power and order is a product of stable sovereign states. Second, in the tradition of Presidents Carter and, before him, Woodrow Wilson, the NWO arises from global democracy, human rights, and economic development.

Against this Northern view, and as a preliminary definition, the North refers to the developed World of the US, western Europe, and Japan with an average GNP of \$14,580 per year in 1991. The South, here, means the economically underdeveloped nations of Africa, Asia and Latin America with an average GNP of \$720 per year. The South views and defines the NWO quite differently. Given the disparities, they seek a wider role for international organizations such as the United Nations. Starting with the Gulf War of 1991, the United Nation's Security Council saw unprecedented success in terms of cooperation among the permanent members

(US, Russia, UK, France and China). According to a prominent Chinese scholar, Li Luye, the NWO means participation and promotion of the interests of all sovereign states. NWO requires massive international cooperation while it is characterized by the disintegration of both the political ideology and the State.⁵ Communism and socialism are two ideologies that will no longer be used.

There are efforts by some Southern countries like China to try to exert a voice in the World reshaping the NWO. For example, China in 1991 proposed the establishment of a NWO on the basis of three major principles: The sovereign equality of all states; that all states shall refrain in their international relations from the threat or use of force to settle disputes; finally, international organizations such as the UN shall not intervene in domestic matters.⁶ These principles have not been adopted by the major powers nor the UN, which is very cautious about resorting to mandatory measures for suppressing acts of aggression which might undermine World peace and security. Therefore, it is safe to assume that the North is struggling to create a system of institutions and relationships between nations and regions that will be effective in the NWO, however, it has not happened yet. What has happened is that a kind of economic and political vacuum has arisen with the breakup of the Soviet Union, in which the US has the greatest power: power in the sense that it can command the international system.

Finally, the NWO can be defined as a cliché phrase usually used to indicate that a fundamental set of changes in the balance of power and other international security arrangements (including economic matters) are underway. However, President George Bush used the term to describe, but not identify, the changes in World politics following the collapse of the Soviet block in 1989. To date, the NWO has no consensual or tangible meaning.

Operational Definition of International Political Economy (IPE)

According to Jan Lane and Svante Ersson, the term IPE is defined as the study of how politics and economics are interrelated. The principal focus is on the distinction between the public and the private sectors and its implications for the polity and the economy. In addition, political economy deals with how the state is involved in the economy of a society and the economic consequences of the size and structure of the public sector.⁷ Robert Gilpin defines IPE as the study that focuses on the market and its relationship to the state because the World market economy is critical to international relations in the modern era.⁸

Three Perspectives of Political Economy and Their Relevance in the NWO

Prior to offering working definitions of the three main perspectives of political economy, a definition of the term "ideology" as it relates to IPE is in order. According to

Robert Heilbroner, ideology refers to

systems of thought and belief by which individuals and groups explain how their social system operates and what principles it exemplifies.⁹

The three perspectives of political economy are liberalism, nationalism and Marxism. The liberal perspective on political economy can be found in the discipline of economics as it has developed in the US, the UK and western Europe. Liberal thinkers, like Adam Smith, have shared a coherent set of assumptions and beliefs about the nature of human beings, society and economic activities. According to Charles Lindblom, liberal economic theory is committed to free markets and minimal state intervention, while liberal political theory is committed to individual equality and liberty.¹⁰

Nationalism is the second operative perspective found in political economy. The central idea behind the nationalist perspective is that economic activities are, and should be, subordinate to the goal of state building and the interests of the state.¹¹

The third perspective found is the Marxist ideology of political economy. Marxism believes that capitalism is driven by capitalists striving for profits and capital accumulation in a competitive market economy.¹²

The discussion of each perspective as summarized above will be applied to subsequent discussions and arguments of specific issues such as those of economic development in the

South, state intervention in the economy versus hands-off approach adopted by the international financial organizations, and the importance of economic trading blocks in the NWO.

Three Characteristics of the New IPE

There appear to be three characteristics operating in the IPE. The first characteristic of the new IPE is that in the wake of the end of the cold war in 1989 and the demise of Communism, economic growth in the developing World will be closely tied to the overall investment behavior which may be affected by government. For example, the US and Egypt are interdependent on many fronts, e.g., terrorism, drugs, trade and diplomacy. Across the Mediterranean, there is more complex cooperation and interdependence among the nations of Europe in the form of the EC and North Africa on the issues of pollution, immigration and trade and investment. Western Europe is looking east towards eastern Europe to create closer economic and cultural ties among the previously divided continent.

The second characteristic is the rise of economic trading blocks. The World economy in the post cold war era will be strongly shaped by the three major trading blocks of North American Free Trade Agreement (NAFTA), European Community (EC) and Asian Economic Block (APEC). However, the developing nations of the South are trying to find ways to join one block or another. There are some efforts on the

part of the Europeans to reach out for Southern countries to expand the EC and form a Mediterranean economic trading block that will include the nations of North Africa and southern Europe.

Finally, the role of the Southern states in directing economic development is becoming restricted at some levels. The State as an independent entity is losing its sovereignty to the UN, IMF and the WB. These organizations are becoming a tool in the hands of the North.

The Current State of the South

Almost all of the countries in the South achieved independence from colonial rule since World War II. Generally, countries in the South are poor and politically unstable. Today, there are three and one-half billion people, or three quarters of all humanity live in the South. These countries account for more than two-thirds of the earth's land.¹³

The South exists on the periphery of the developed countries of the North. Industrialization cannot be achieved here to improve the standards of living and eliminate poverty. While the North has enjoyed prosperity and progress, the South suffers from all kinds of economic deficiencies. Yet, these commonalities among Southern countries give the South a shared sense of identity, all which could become a potential threat to the North. The obvious threats being South-North mass migration, the flow of natural re-

sources like oil and other minerals will be affected and state-sponsored terrorism directed to the North.

The widening disparities between the North and the South can be seen in a wide range of issues. For example, the infant mortality rate in the South is over one-hundred deaths per thousand, while in the North it is less than fifteen per thousand. Life expectancy in the South is just over fifty years, while in the North it is over seventy years.¹⁴

Another way to show the disparities between the North and the South is to look at the gross national product (GNP). GNP is defined as total output of goods and services in a country per year.¹⁵ According to United Nations statistics, the per capita GNP of the South was US \$170 in 1969, while that of the North was US \$2,530 or 1:14.9. By 1989, the ratio became 1:20.2. The average GNP in the Southern countries is about US \$720 per year, while the average GNP in the North is about US \$14,580 per year.¹⁶

As Wu Ninggeng points out, in 1950, one-third of the World's population lived in the North. By the year 2000, the number will be less than one-sixth as population increases in the South. In terms of poverty, now more than one billion people are starving in the South. Between 13-18 million people die of starvation each year alone.¹⁷ If one assumes that GNP is the only measure of progress, then it will be quite difficult for the South to close the gap.

Estimates based on World Bank figures confirm this point. If current rates of growth in the South continue, the closing of the income gap with the Northern nations would take, for example, Thailand 365 years, China 2,900 years and Mauritania 3,224 years.¹⁸

Yet there are some bright spots in Southern countries such as China, Sri Lanka and Southeast Asian countries. For example, their per capita income is still low, but other indicators like infant mortality, literacy and employment numbers all show real improvement.

The underlying factor in this NWO or, as some would say, disorder, is that power and wealth are controlled by only a few nations in the World. The rich, developed North continues to get richer and more developed, while the poor South stays poor. In the last decade countries in the South have seen their standards of living decline. The income and technology gap between the North and the South is getting wider all the time. The NWO, as described by former President George Bush, calls for equality and democracy as the main themes.

CHAPTER TWO

The Huge Economic, Political and Social Gap Between the North and the South is Likely to Increase in the NWO

During the early 1980's the industrial countries of the North were experiencing the most serious economic crisis since World War II. The crisis was caused by a deep recession created by high inflation, high interest rates, and a decline in wages. To resolve the problem, the North reduced the prices of primary products and raised the prices of finished products.¹⁹ This led to a worsening of trade terms for the South. Export revenue for the South was reduced and deficits shot up.

The Economic Situation in the Southern Countries Deteriorates as the Price of Raw Materials Drop

According to World Bank statistics, between 1980 and 1988, the average price of non-fuel, primary products dropped in real terms by 35 percent to the lowest level since World War II while the prices of finished industrial products going to the South increased by an average of 17.5 percent.²⁰ As a result, the price gap between primary products and industrial, finished products has increased. In addition, forecasts for the 1990's and the next century provide a grim picture for the South's main exports. With the increased development of science and technology and improvement of manufacturing techniques, the price for primary products is not favorable. Economists predict that

primary product's prices will not increase significantly.²¹ Under these circumstances, North-South economic relations will suffer as a result and conflict may arise in the future because of worsening trade conditions.

GNP Measurement

Further evidence to demonstrate the gap which exists between the North and the South is reflected in Gross National Product (GNP). As suggested above, GNP refers to total goods and services produced by an economy per year. According to Wayne Nafziger, the World Bank divided countries into three categories on the basis of GNP per capita. In 1990, these categories were low income countries with GNP less than \$450, middle income countries with GNP between \$450 to \$6,000, and high income countries with GNP more than \$6,000.²² According to another study published by Peter Dicken, the median income in the thirty-five lowest income countries (GNP less than \$450) was a mere \$290, approximately one-eleventh of that of the middle income countries and one-fiftieth of that of high income (North) economies.²³ In this category or classification, the low income countries (the South) represent the World's most poverty-stricken areas. With very few exceptions, the South is the least industrialized in the World today.

The South suffers from a number of problems that cause poverty and deprivation, while the North is better off in almost every field starting with income and standard of

living. For example, GNP per capita of India is about \$290 per year, while US GNP per capita is about \$17,480.²⁴ This example clearly defines post cold war economic disparities between the North and the South. On the other hand these differences continue to exist, even though there is more focus on political democracy and economic development.

Protectionist Measures by the North

All the problems in the South cannot be attributed to lack of motivation or absence of discipline. The North, on its part, has placed various restrictions on the South's economic growth. When convenient or economically expedient, agricultural and manufactured exports from the South cannot find their way to the North's market. Restrictions take the form of trade protection measures, which in turn slows economic growth and has increased market competition mainly among developed countries. Some of the North's trade protection measures against the South include the Omnibus Trade Act of 1988. Among the goals of the Act are the addressing of "unfair" trading practices by other nations. The Act authorized the President of the US to identify nations that have trade surplus against the US.²⁵ In addition, this Act will prevent foreign countries from buying US enterprises when necessary and tighten exports of high technology products. On January 1, 1989, South Korea, Taiwan, Singapore and Hong Kong were removed from the list of nations enjoying preferred status with the US.²⁶ This came about as a result

of the Omnibus Trade Act.

The Political Situation in the Southern Countries

Looking at the current political situation in the South, there are many deficiencies among which coherence and cooperation are virtually non-existent. In the meantime, the North is highly coordinated and united in its economic and political policies vis-a-vis the South. The disagreements among different countries in the South have contributed to its declining role in the World arena. Southern countries now appear to be more concerned with dealing with international economic organizations such as the IMF and the WB because these organizations represent the back door for South access to improve its economic and political situation with the powerful industrial North. This in turn creates problems among and between Southern states.

During the 1970's the South was pushing toward economic and political influence in the World but the 1980's saw the deflation of these hopes. The shock of high interest rates and the debt crises all destroyed any hope of a long-term recovery. In the 1980's heavily indebted countries in Latin America and sub-Saharan Africa experienced the worst decade since the Great Depression.²⁷ The debt crisis of the 1980's made it quite clear for the South that no economic adjustment would be implemented without servicing the debt first. In the post cold war era, the South has to deal directly with the international economic organizations such as the WB

and the IMF, however, the South must first align itself politically, to the North. Without such an alliance, the South's position will be weakened during economic negotiations with International Organizations (IO).

Political Alignment with the North is Necessary for Economic Reforms

In the post Cold War era that started in 1989 with the breaking away of eastern European states from Russia, political and economic relations between the North and the South moved to the center stage. The role of IO's has strengthened. According to Craig Murphy, IO's have encouraged the economies of the South to remain directed towards the ends identified by the classic writings of imperialism.²⁸ Therefore the core idea behind capitalism and free trade is the domination of the rich North over the poor South economically and politically.

Traditionally, the South has been encouraged by the industrial nations to maintain significantly low wage sectors providing primary commodities used in the North. Therefore, most of the North's aid and investments in the form of IMF and WB loans, made little or no difference in the economic development of the South. As a political characteristic of the NWO, IO's might be considered the key coercive institutions of North-South political relations.²⁹ The objective of IO's is quite clear. The role of IO's revolves around serving the North's economic and political

goals. However, most of the North's economic institutions have demonstrated little interest or time for the South's economic problems. The industrial North is looking towards the former Communist eastern Europe and Russia because of its vast reserve of raw materials, labor forces and increasing political stability. In fact, after the collapse of Communism in Russia, most of the eastern European block nations are trying to join Western economic and political institutions like the IMF, WB, and G7 (the Group of Seven Nations). Economic and political dependency of the South on the North will continue to exist. The role of the UN for example, will likely be limited to solving conflicts where the US does not want to get involved. In fact, Japan will probably specialize in building economic relationships with the South, and the Western Europeans will specialize in helping Eastern Europe.³⁰ In each case the South will not benefit in the NWO.

The Social Conditions in the Southern Countries

The social conditions in the South demonstrate the huge gap between the North and the South, even though limited successes have been seen in many countries in the South. Increase in infant mortality is evident in Africa. Rising malnutrition is still apparent in several countries in the South, such as in Rwanda. Education, specifically school enrollment, is declining while pupils are dropping out of school because their parents cannot afford to pay tuition

and other educational expenses. As a result, social stability in the South is being affected.

According to a study by Margaret Phillips and Richard Feachem, adults (individuals between 15 and 59 years of age) currently comprise 56% of the total population in developing countries. Their health is at extreme risk. The risk of a 15-year old dying before reaching 60 years of age is 25% for men and 22% for women in the South, while in the North, the figures are 12% and 5%.³¹

Health problems also impact on the economy as well. In fact, health problems affect most of those in society who are economically productive and responsible for the support of children and other dependents.

The Implication of Overpopulation in the South

Poverty in the South is directly linked to a number of other social factors. One of these factors is urbanization and population growth. According to J.I. Clarke, it is estimated that between the years of 1975 and 2000, two-thirds of all population growth will take place in urban areas. In 1950 about 16% of the population in the South were living in urban areas. In 1990 about 34% live in urban towns and the numbers will grow probably to be 40% by the year 2000.³²

Population growth in the South cannot be studied by looking solely at statistics, but by looking at various policy variables for controlling population growth. In the

South, society revolves around the family. Big families are encouraged due to the economic system and cultural beliefs. In the same view, population growth has been blamed for most of the economic problems in the South. While the population-economic stagnation relationship has not been confirmed, whether this is true or not, population in the South is, in fact, growing faster than the North. This basic argument is alarming to the North because population growth in the South can act as a leverage against the North in different arenas such as forming voting blocks in the UN.

The United Nations Developmental Program (UNDP), in 1990, calculated that there are 1.2 billion people living below the poverty line. The rate of population growth in the South is about 2.3 percent, while at the same time population growth in the North averaged 0.8 percent.³³ UNDP projects that from 1990 until the year 2000, this rate will continue to be higher in the South than the North, around two percent in the South, compared to 0.5 percent in the North.³⁴ This will lead to devastating results as population growth will far outstrip availability of food and health facilities. Most of the population growth in the near future will take place in the poor South and at the same time, population growth in the North will decline or stay the same.

Deterioration of the environment is another problem facing the South, as are the allocation of fresh, clean

water, and problems associated with soil erosion. Desertification is expanding at the rate of six million hectares per year. This means that the existence of 850 million people will be threatened due to a lack of food.³⁵ Problems of migration are directly attributed to poverty that exists in the South. People in the South migrate to rich nations in the World (the North) due to economic need. In the so-called NWO, the North does not need low-skilled labor in their domestic market since the World is moving towards economic blocks that will depend, on the highly skilled laborers from countries within the block. For the most part, the high rate of unemployment and the low rate of economic growth in the South has made it quite easy for people in the South to justify the idea of both legal and illegal migration. According to H.R. Jones, growing familiarization with foreign consumption styles leads to disdain for domestic products and growing dependence on expensive foreign imports.³⁶ Therefore, it is a fact that underemployment and unemployment in the South is linked to poverty, while the high rate of the labor force growth in the South continues to exert enormous pressures on the domestic labor market.

CHAPTER THREE

Can South-South Cooperation Exist Within the New World Order?

South-South relations first began as political cooperation. The Afro-Asian conference at Bandung in 1955 was the first indication that the South has politically evolved in terms of responding to change like gaining independence in post World War II. The founding of the Non-Aligned Movement in 1961 and, in 1964, the Group of 77 (consisting of Third World countries) marked the start of collective action by the South in advancing common interests.

The South as a whole was fighting one common enemy. Colonial powers, like Britain and France, were claiming most of the South as their colonies in the nineteenth century. The idea of liberation from colonial powers was the basic principle for collective action and promoted the idea of cooperation among the Southern countries. After decolonization took place, the South was trying to assert its position in the World arena, while at the same time the East-West conflict was dominating international politics and economics. The South was faced with a dilemma. On one hand, the Super Powers were exerting a great deal of pressure on the South to accept political alliances with one of the Super Powers. By accepting such an alliance, the South would adopt the political, social and economical systems of that Super Power. On the other hand, cooperation with other

Southern states that belong to the other camp was virtually impossible. Therefore, the South was trying to create its own system apart from the Cold War alliances.

South-South Political Cooperation - Non-Aligned Movement

The first significant group that represented the South was the Non-Aligned Movement. President Sukarno of Indonesia, President Nasser of Egypt and President Tito of Yugoslavia met in 1961 to declare the creation of the Non-Aligned Nations Organization. Initially, there were twenty-five members. The movement grew to almost one-hundred members with yearly meetings of foreign ministers and summit conferences of heads-of-states every three years. Some of the principles arrived at were: (1) mutual respect for each others' territorial integrity and sovereignty, (2) non-aggression, (3) non-interference in each others' internal affairs, (4) equality and mutual benefits and, (5) peaceful coexistence. The movement was designed for development of a platform for giving voice to the new diplomacy of positive neutralism or non-alignment.³⁷

The most notable disagreement within the movement came about in a 1979 conference in Havana, Cuba. Most of the members tried to persuade Cuba, Angola and Vietnam to change their pro-Soviet position in their foreign policy.³⁸ However, the final declaration of the Havana Conference condemned the United States for its colonialism practices in Puerto Rico. Despite the desire of most members in the movement to

think of themselves as a powerful group representing the interests of the South, these disagreements led to disunity between members of the Non-Aligned Nations.

Regional Economic Organizations of the South

The emphasis in the early days of South-South cooperation was on political cooperation, but economic cooperation became the real focus in South-South relations in the early 1960's. Latin America and the Caribbean founded the Latin American Free Trade Association (LAFTA) in 1960. However, LAFTA was replaced in 1981 by the Asociacion Latino Americana de Integracion (ALADI). In Africa, the Union Economique et Economique d'Afrique Centrale (UDEAC) was created during the 1960's, at the same time, the Association of South-East Asian Nations (ASEAN) was being created.³⁹

One important strategy employed by the South to promote cooperation among its states was the formation of regional economic organizations, where a group of countries in a geographically homogeneous area tried through economic cooperation and political alliance, to improve its overall economic position relative to the economically advanced rich North.

Prior to proceeding with this analysis, a clear distinction between the important concept of compatibility and incompatibility of regional and universal organizations needs to be made. According to Minerva Etzioni, compatibility is defined as the relationship between two organiza-

tions, by which the activities of one do not undermine those of the other and vice versa.⁴⁰ This is important because in case of conflicts, some countries rely solely on the UN which is considered a universal organization while other countries in the region do not want to relinquish their sovereignty and rely on regional organizations to solve the problem. For example, in the first days of the Gulf Crisis, Egypt called for an emergency summit of the Arab League to discuss the invasion of Iraq in Kuwait. Egypt advocated an "Arab solution" to the crisis. If this would have occurred, then the conflict could have been resolved utilizing the Arab League, which is a regional organization; but President George Bush coined the term NWO and the US utilized the UN to legitimize its war against Iraq. This supports the notion that IO's will only get involved in a crisis, if the interests of the US are involved.

The Organization of American States (OAS)

The OAS was created in 1890, with its headquarters in Washington D.C. The OAS operates through a general assembly which meets annually and is designated as the supreme organ. Its annual budget is in excess of \$90 million.⁴¹ Since the US is the dominant member of the organization, political and economic cooperation among Latin American states has tended to serve the purpose of US hegemony. For example, as in any other organization, the mutual defense initiatives adopted in its charter only serve as a warning device against exter-

nal aggression that might threaten states within the Western hemisphere. During the cold war, the OAS adopted a series of resolutions urging safeguards against the spread of Communism in Latin American countries.⁴² For example, the OAS suspended Cuba from membership and declared Communism incompatible with the principles of the OAS. Official US government policies demonstrates, clearly, that the US is using the organization as a tool for US foreign policy. According to Ronald Sheman, US policies have done a lot of damage to the concept of inter-American cooperation. The US ignored a set of crises in the hemisphere, the Malvenas, Grenada and other trade issues.⁴³ In the post cold war era the organization is trying to resolve different conflicts in the area. Collective action was called upon to restore democracy in Haiti, which is one recent example of mutual cooperation among its members, but, again, the focus now is on creating one economic block to compete with Europe and Asia. At the end of November, 1994, President Clinton invited the President of Chile to let his country join NAFTA with the US, Canada and Mexico as members. As suggested above, the focus of US foreign policy is on economic cooperation. The OAS is moving towards becoming a complete economic block. This serves the US foreign policies in order to compete and dominate the World economy. Therefore, more countries in Latin America will have the opportunity to develop economically as long as they adhere to market-ori-

ented economy.

The Organization of African Unity (OAU)

Another important, regional organization representing the interests of a major portion of the South is the organization of African Unity (OAU). The OAU was created in 1963. The organization's charter does not permit non-African states to join. The purposes of the OAU include the promotion of unity and solidarity among the African states and cooperation and coordination efforts to achieve a better life for the peoples of Africa.⁴⁴ Since 1963, the OAU has survived several crises that have threatened to dissolve the organization. Again, disagreements among its members to solve conflicts have caused deep splits to occur. The disunity in the OAU is due in large part to internal as well as external factors. Africa is the most underdeveloped region in the World. Conflict between African states runs high due in part to the artificial borders that were arbitrarily drawn by colonial powers. This fact, in addition to industrial and technological deficiencies, inevitably exerts a negative impact on creating an environment conducive to cooperation between African states.

Studies conducted on the OAU by Thomas Imobighe, suggest that there are three main sources of threats to the organization's unity. Internal threats are the most prominent, followed by threats from fellow African states, and lastly threats from exterior African quarters (Super Pow-

ers).⁴⁵ The first threat is the most important because internal conflicts, which are caused by a lack of national unity, encourage intervention by other African states as well as foreign powers. The internal threat to the unity of the African states includes political intolerance, religious and tribal conflicts, exploitation of natural resources by the elite, and a dissatisfied Army which may attempt a coup d'etat when the civilian government is threatening the interests of the elite.

Without real economic development and political stability in Africa, the internal threats will continue to exist. However, the external threat by foreign powers in African affairs, like in Somalia, will not prove feasible in the future. As in the past, the cold war advocated intervention to protect the interests of the two Superpowers: at this writing it is not cost effective for the US or its European allies to go in and try to intervene in a civil war without a clear national security objective.

The Organization of Petroleum Exporting Countries (OPEC)

Another form of South-South cooperation is the formation of commodity cartels. The Organization of Petroleum Exporting Countries (OPEC) is an example of a commodity cartel. OPEC has forced a dramatic improvement in the terms of trade for oil-producing countries in the developing World. The success of OPEC as a model for a powerful organization representing the South came about when the 1973 War

broke out between the Arabs and the State of Israel. The initial success of the Arab armies, led by Egypt, prompted the Arabian gulf states, led by Saudi Arabia, to impose an oil embargo against the West, and the US in particular, for supporting Israel militarily and financially. The decline of OPEC began with the 1986 collapse of oil prices. The price of oil before 1986 was \$35/barrel, and after 1986, the price of oil was as low as \$12/barrel. This was due in large part to the success of conservation measures in the North, the entry of new non-OPEC producers like Mexico and Great Britain, and global recession and management failures within OPEC.⁴⁶

Again, disagreements among OPEC members was and will likely be a major force eroding the organization's unity. In the early 1990's, countries like Kuwait opposed a price increase above the \$18/barrel price range. Saudi Arabia, in contrast, wants relative price increases above the \$18/barrel, as does Venezuela.⁴⁷ Such differences have produced deep divisions within the organization. Political instability in the region additionally has encouraged disunity. The widening gap between the so-called oil rich Arab countries and the poor Arab countries gave rise to extremism in the region. Ambitious countries in the region like Saudi Arabia and Iraq, which are positioning themselves to play a dominant role in the Middle East, often exacerbate differences during OPEC meetings.

The political and economic changes in the World today have brought new pressures on OPEC. The demise of the Soviet Union prompted the US and Europe to explore and use the largest oil reserves in the World. This is due to Russia and other breakaway republics' need for foreign investment to move from command economy to more market-oriented economy. Another important factor that will affect OPEC's position in the future is the US national interest. Following the oil shocks of 1973 and 1979, the US government established incentives to promote energy conservation. These include the 55 MPH speed limit, the use of natural gas instead of oil, revitalizing nuclear power and encouraging the use of alternative vehicular fuels.⁴⁸ These measures or incentives will lessen US demand for imported oil. Therefore, it is safe to argue that the market for oil in the future will remain weak because there is so much surplus around, and political instability will force OPEC members to consider low prices to encourage more consumption in the face of higher production by non-OPEC members.

As suggested above, achieving South-South cooperation is extremely difficult, especially in the post cold war era. The economic and political conditions vary considerably among countries in the South. Oil exporters, like Saudi Arabia and Kuwait, are enjoying relatively prosperous standards of living, while other countries in Africa which are dependent on exports for their raw materials, are suffering

a great deal due to the decline of manufacturing output in the North. The most notable collective action by the South was a call by the Group of 77 for a new international economic order in the early 1970's.⁴⁹ As usual, the North rejected Southern appeals for a greater access to Northern capital and technology, or any attempt for the redistribution of wealth or an increase in aid. This demonstrates, at least in part, that the North will reject advancement of South-South cooperation. This, it can be argued, is intended to increase the dependence of the South on the North.

One of the major reasons why South-South cooperation will not be effective in the post cold war era is the lack of organization. The vulnerability of individual developing countries vis-a-vis the North has made it impossible for the South to take a firm stand. National interests take priority over issues that confront the South as a whole. Many regional conflicts have further stripped the South of its ability to stand on its feet.

The most important Southern organizations, such as the OAU and the Non-Aligned Nations and OPEC, will play a limited role in the post cold war era. Disagreements among members as well as ideological differences will contribute to their decline in the future thus further undermining of the South and its ability to react collectively. South-South cooperation during the cold war period has not produced a significant improvement in the standard of living

for the people of the South. This is due to ineffective cooperation, and, in most cases cooperation was based on political objectives not economic concerns. Another factor why South-South cooperation will fail is the policies of the North to develop Eastern Europe and Russia both economically and politically. This in turn will divert the attention of the North from the prevailing issues the South faces. These recent developments will further a weakening effect on the South.

The only condition under which the South-South cooperation could exist effectively is if bipolarity returned. This is highly unlikely because the World today is moving into multi-polar systems which advocate economic blocks. The growth of regional economic blocks in the North, such as the North American Free Trade Agreement (NAFTA) and the European Community (EC), and APEC in Asia, will create an environment of protectionism and competition. Therefore, South-South cooperation cannot exist in the post cold war era. Only a hand full of Southern countries, like Singapore, Malaysia, Indonesia, Mexico, Chile, Israel, and South Africa, will be allowed developing to a predetermined economical level that is not threatening to the US and to regional powers. The economic development in those countries can be successful only if they adopt political and economic measures which are, at minimum, compatible with those of the North.

CHAPTER FOUR

The Role of International Organizations in the Post Cold War Era

Analysis in this section will focus on the role of International Organizations (IOs) and certain interventionist methods used to impose Western styles of economic development in the South.

The first sign that the NWO was in place was the collective action that occurred in the Security Council of the U.N. in the first days of the Gulf Crisis in August, 1990. The invasion of Iraq and its annexation of Kuwait on August 2, 1990, was the clearest indication that the UN for the first time could intervene in a conflict with the blessings of the two superpowers. The response of the UN was effective and immediate. It took only a few hours to adopt Resolution 660 in the Security Council which condemned the invasion.⁵⁰ In addition, and up to Iraq's surrender in the Spring of 1991, the Security Council approved fourteen resolutions in connection with the Gulf War. The collective action by the superpowers enabled the UN to respond effectively to a dangerous global challenge. During the first Gulf War of 1980-1988, between Iraq and Iran, the cold war played a major role in halting an effective UN action to stop the War. The US and its Arab allies were supporting Saddam Hussein with weapons, money, and intelligence. Arab countries feared that if Iraq was to lose the War, there was

a danger of spreading Iranian "Islamic fundamentalism" across the Arab World, which in turn would undermine moderate regimes in the region. For the US, the situation was quite similar. It feared domination by the fundamentalist Iranian regime in the Gulf region, which would further put the oil sources in the area under the control of a unfriendly country. The Soviet Union, meanwhile, supplied weapons to both sides just to balance the American activities in the region. The collapse of the Soviet Union allowed the UN to act swiftly and effectively during the Gulf Crisis of 1990-91. Unlike previous actions, the UN realized that when there is only one superpower in the World it will utilize the UN as one of its tools to achieve foreign policy objectives.

However, the UN will not be able to effectively intervene if the interests of the US or other powers are not involved. The example of Bosnia-Hersgovina is clear: the US does not want to get involved in a messy ethnic, civil war which would cause serious American casualties. The role for the UN in Bosnia is limited to humanitarian aid, and nothing more.

The UN Will Be Playing a Major Role in Reshaping World Affairs

While the US and its allies legitimized UN actions against Iraq, the Kuwaiti Crisis accelerated the development of a UN system that will depend more or less on the action

of the permanent members of the UN Security Council (the US, Russia, China, Britain and France). According to Paul Taylor, the experience of the UN in the Gulf Crisis represented a transition from a period of ineffectiveness in the area of international security, to one of solid achievement.⁵¹ Taylor's statement does not represent the whole picture, however. The role of the UN in pursuing security and peace in the World has been strengthened since the end of the cold war, but it is doubtful that the UN will or can act effectively if the US, or the lesser powers represented in the Security Council, acted against the sovereignty of an independent Southern State. Concerns focus on the notion that the UN will be representative of the North's economic and political objectives only. This will deny the South a chance to set its own agenda. From a Southern perspective, the UN will only act decisively if the interests of the US are involved. Therefore it is important for more and more Southern countries to align themselves politically with the US, or at least not to vote against US resolutions in the UN.

In fairness, the UN can be effective in solving less politicized problems, such as population growth, immigration and environmental pollution. However, the problems of maintaining global security will still come first in the UN's agenda. The NWO created an environment in which the UN Security Council will have the authority and the political

will to prevent wars and other global conflicts before they start. The basis for such a system, can be based on the common interest of avoiding conflicts. It is apparent, at least on the surface, that this is the role the UN should be playing in the future.

Another important role for the UN in the post cold war period is the deployment of peacekeeping forces. For example, the Security Council has developed for broad purposes of stabilization and administration, a plan to bring peace and security to Cambodia by using peacekeeping forces, both military and civilian.⁵² This act is a clear indication that the role of the UN has strengthened dramatically since the end of the cold war. However, the deployment of a major force in different hot spots in the World will depend heavily on help from the US as the only military superpower. The US will not agree to put its forces under the command of foreign commanders. Therefore, one should expect a smaller contribution of US troops to any peacekeeping operation in the future. According to the UN Secretary General Boutros Boutros Ghali, the 1990's have given peacekeeping another new task, the protection of the delivery of humanitarian supplies to civilians caught up in a conflict.⁵³ This new task allows the UN to be in a position of establishing some kind of authority where there is no government present. With the end of the cold war came the disappearance of some states and the creation of others. As states in the former

Soviet Union became independent and joined the UN, like the Balkan states of Estonia, Latvia and Lithuania, it signaled more empowerment to the UN, as well as the ability to draft principles that are globally accepted, without the interference in domestic affairs. This is the ultimate goal for the UN to achieve in future World affairs.

The Imposition of Western Style Economic Development on the South by the IMF and WB

Specialized economic organizations such as the International Monetary Fund and the World Bank, will definitely play a major role in the international political and economic arena. Many Southern states are continually faced with difficult domestic and international problems. On the home front, most of the South is trying to fight poverty and other economic ills; but in order to do that, governments in the South have to depend on technical and other forms of aid from the IMF and WB. Analysis in the next few pages focuses on the pressures to adopt short-term solutions provided by the IMF and WB organizations. In some cases the underdeveloped countries are encouraged to substitute less costly developmental schemes for more costly and less beneficial solutions.

The IMF and the WB were created at the end of the second World War in 1944. A conference consisting of the winning states took place at Bretton Woods, New Hampshire. It established the International Bank for Reconstruction and

Development (IBRD), or the World Bank. Its original purpose is to serve as a source of loans to reconstruct the European economies after World War II. Later this institution became the main source of loans for the Third World. Closely linked to the WB is the IMF. The IMF coordinates international currency exchange, balance of international payments and national accounts.⁵⁴ Each member state deposits financial reserves with the IMF. Upon joining the IMF, a state is designated a quota for such deposits, made up partly of hard currency and partly of the state's own currency. The quota is based on the size and strength of a state's economy. A state can then borrow against its quota to stabilize its economy in difficult times, and repay the IMF in later years.⁵⁵ However, while this system works effectively for temporary imbalances in internal monetary policies, it is not effective in severe, chronic ones.

The internal voting mechanism of the IMF and the WB works differently than the UN General Assembly or the Security Council. The IMF and the WB use a weighted voting system where each state has a vote equal to its quota. Thus, the rich G7 nations, the US, Britain, France, Germany, Italy, Japan and Canada, control the IMF and the WB financially. Immediately after World War II, the mission of the WB and the IMF was to promote economic growth and prosperity in western Europe and Japan. Starting from the 1960's, the two organizations focused on the development of the South;

but since the end of the cold war in 1989, the focus has shifted from the Southern countries to eastern Europe and Russia. The IMF and the WB are trying their hardest, with the blessings of the US, to integrate the former command economics into the World capitalist or "free" economy. However, it is too early to assess the outcome of such efforts.

The IMF and the WB, with their large supply of capital, can exert a lot of pressure on Southern governments to adopt specific economic policies. These two organizations scrutinize the Southern States' economic and political policies. They can withhold loans until the "right" economic policies are in place. Then they make loans to help the countries to sustain those policies or related programs. According to Thomas Biersteker, an agreement to loan IMF funds on the condition that certain government policies are adopted is called a conditionality agreement.⁵⁶ In order for the South to get any kind of loans, they have to enter into such an agreement. It's usually painful for both the government and the poor population of the country.

The IMF demands that inflation be brought under control, which requires the state to reduce subsidies for food and other important commodities. This, in turn, often creates massive unemployment. Capital surpluses must be used to service debt and invest in new capital accumulation.⁵⁷ The IMF wants to ensure that the loan they are

giving is wisely spent. It also wants to ensure that inflation does not eat most of the future economic gain. Because of these austerity measures, any kind of agreement with the IMF and WB tends to become unpopular in the Southern countries. National politicians see that the only way to develop is to achieve an open market economy, despite the fact that the IMF and WB policies create an unstable environment where the poor people in the streets will not see any progress in their standard of living for a long period of time. It is quite common to see riots in many southern States, the rioters demanding their governments not to bend to external pressures. The form of pressure applied here is simple. Adopt a free market economy, but first cut food subsidies, cut government spending, cut inflation and in response, politicians have no choice but to convince their people to understand that economic conditions will get worse before they become better.

The Development of Paradigms Toward Policy Reform

Privatization of State-run enterprises is considered the primary step in implementing an IMF and WB adjustment policy. However, privatization results vary from country to country. The problem with privatization in the Third World, is that the economic environment is not conducive to allowing for more privatization in every sector to take place.⁵⁸

Privatization has many deficiencies. Most economies in the South are characterized by high inflation, a limited

private sector, and poor infrastructure. All of these factors invite us to question the effectiveness of forced privatization. For example, privatization in Malaysia, and specifically of Malaysia Airlines Systems, was significant in reducing government ownership from 90 percent to 42 percent. However, privatization did not result in increased competition or significant changes in the operation of the company. This came about because the Malaysian government was given veto power over implementing structural changes such as layoffs that were left intact.⁵⁹

Generally, the financial and economic consequences of privatization can have unwanted effects in a developing economy. Most of the South is already strapped for cash and most countries cannot ignore the high costs of restructuring their economy. The principal issue here is that privatization, according to a Western style of economic development, has many enemies. The latter pose a major obstacle to many of privatization supporters that include the national government, donor countries, indigenous elites, the IMF and the WB.

Third World debt represents one of the major issues in today's international political economy. To deal with it the IMF and the WB have to impose different interventionist methods on Southern countries. The IMF advises the North on whether or not they should invest in the South. Policies pursued by the IMF are simply part of policies endorsed by

major international economic and political powers in the World today. Even though most countries in the World are official members of the IMF, only six countries control 44.71 percent of all votes in the IMF. The US has 19.29 percent, United Kingdom 6.69 percent, Germany 5.84 percent, France 4.85 percent, Japan 4.56 percent and Saudi Arabia 3.47 percent.⁶⁰ Therefore, it is no surprise that the US controls the IMF according to its contribution to the institution.

To solve the problem of indebtedness, the Southern countries have to accept certain strict monetary policies. Governments in the South are instructed to lessen their involvement in the national economy (hands-off approach). The larger purpose is to get national governments to reduce their involvement in society. Furthermore, the IMF and the WB stress the benefits of adopting a Western style of free market economy. By doing that, foreign investments will flow into the country. Although the IMF and WB knew the risk of implementing such painful programs, they justified their actions by arguing that these policies would enable the South to pay off its debt and experience prosperity and growth. Even if the South experiences economic growth, most of it will be used to service the huge interest on the debt. Structuring the national economy according to Western economic policies is like an external medicine which the body cannot easily absorb.

IMF policies create an environment where two major conditions will happen simultaneously. The reduction of government spending means cutting off subsidies and other welfare programs aimed at the poor, thus creating only two classes in society; the rich or the elite and the poor including the educated strata of society. The other important condition is that the IMF and the WB policies make the South still more dependent, economically and politically, on the West. This will hinder any kind of home-grown economic development.

Economic Reforms and Its Effect on Political Stability

Different studies have sought to determine the effects on Southern countries of participating in the IMF and WB economic adjustment programs. One study found that merely participating in the Structural Adjustments Loan (SAL) program appeared to raise risks to regime stability. For example, 27 percent of political regimes that undertook SAL's collapsed during implementation of the program in the late 1970's and 1980's, while only nine percent of the political regimes of non-SAL participants did collapse.⁶¹ Those governments in the South implementing SAL programs had already been weakened by these economic measures which further eroded their political base. But, one cannot ignore the social costs of SAL programs, i.e., unemployment, closure of state-run and subsidized plants and cutbacks in subsidies, all of which are more visible than before.

As noted above, the US contribution to the IMF and WB is about 19.6 percent. This leverage creates a favorable position in which the US can exercise its political muscle over these organizations. When the WB proposes a general capital increase, the US Congress must approve it first. For example, the most recent general capital increase left the US with \$1.8 billion of paid in capital and total subscriptions of \$24.9 billion.⁶² The WB borrows extensively on private capital markets to finance its operations, while the IMF relies much more heavily, to finance its operations, on its paid in capital. Of the total IMF subscriptions of \$90.1 billion as of April 30, 1990, Special Drawing Rights (SDR) paid 68.8 billion in capital. At this time the WB had taken loans worth more than \$75 billion, which the IMF had borrowed only about \$3 billion.⁶³ This statistic shows how much these two organizations are dependent, financially, on the major powers of the world such as the US. The US is highly supportive of the IMF and the WB. As of June, 1991, the cumulative US subscriptions and contributions stood at \$18.1 billion, while the total contributions from all other members was about 65.9 billion.⁶⁴ In addition, the US pays its dues on time. However, in some instances Congress delays its approval for funding increases for the IMF and WB.⁶⁵

To summarize, Western styles of structural adjustment economic policies will impede economic development in the

South. The IMF-imposed conditionality has a negative effect on economic growth and performance. IMF and WB austerity measures affect the quality of life and the social fabric of countries in the South. Therefore, the only way the South can develop is to finance their development through greater indebtedness. It seems that the IMF and the WB do not want the South to stop getting in debt because then the superpowers cannot exert pressure on the South to fundamentally change their economies towards a Western style free market economy. The only feasible argument is that the NWO has allowed for increased involvement by the IMF, WB and the UN and as such, will continue to play a major role in the World arena.

CHAPTER FIVE

Failures of International Organizations in the Development of Selected Countries and Regions

The harsh conditions imposed by both the IMF and the WB upon developing countries are having a negative effect on the economic development in the South. The poor in the South are the hardest hit under the structural adjustment programs imposed upon the South by IMF and the WB. The principle of "conditionality" under which the IMF makes loans is applied regardless of the hardship it may inflict on Southern countries. In IMF terminology, "conditionality" refers to the policies the fund expects a member country to follow in order to avail itself of credit from the fund.⁶⁶

Some countries in Africa and Latin America, like Egypt, Zambia and Chile, which follow IMF terms to adjust their domestic economy may experience instability while Structural Adjustment Loan programs (SALs), can actually impede economic development in the South. In this section, further analysis will focus on the failures of the IMF and WB in economic development in different Southern regions. In addition, examples will be provided from selected countries to show the pattern of economic development in each.

Basically, the WB makes loans for specific projects, like infrastructure investments. The purpose of these loans is to stimulate local and foreign private investments to flow into the country. The WB undertakes thorough feasibil-

ity studies before granting loans to a country. At the same time, the WB closely monitors how effective the loans are being used. Like any private or official creditor, the WB also sees to it that its loans are repaid. The problem lies in the SALs. Evidently, and unrelated to project loan functions, these adjustment loans became the center of attention and were widely debated as a major source of friction between the North's financial institutions and the recipient South. The SAL has been in place to improve the efficiency of debtor countries' economies. For example, they are meant to facilitate fiscal reform so that budget deficits may be reduced.⁶⁷ Experts from the WB itself have written extensively against adopting SAL in its current form. According to a 1990 WB publication, and due to the pressures to reduce public sector deficits, many governments substantially reduced their investment programs. Such reductions of public investment in infrastructure and human capital seriously jeopardize private investment.⁶⁸

Sub-Saharan African Region

Despite its enormous natural and human resources, Africa is, today, considered the poorest continent in the World. Africa represents a clear example of exploitive practices by the IMF and the WB in terms of economic and political development. Countries in Africa which adopted SAL policies imposed by the IMF and the WB are worse off than they were before they started. Typical average every-

day Africans oppose these international institutions because, for the local people, the North's financial organizations made their life miserable. By the end of the 1980's, SALs, which had been adopted by more than 30 sub-Saharan countries in Africa at various times, were in trouble. Real annual growth in GOP averaged only 0.8 percent in 1988 compared to 4.8 percent before the start of the SAL. In addition, Africa's debt was growing at an annual rate of 12 percent from 1980-1989, when it reached \$139,624 million.⁶⁹

Few reform programs have achieved the targeted growth rate or increase in per capita industrial and agricultural production set by the IMF and/or WB. The failures of the IMF and the WB's economic policies in Africa stem from the imposition of Western style of development. These two institutions, for example, promote the idea of exporting goods to the Northern capitalist markets. However, export promotion is a misconceived concept because commodity markets in the rich North remain soft while many developing countries in Africa specialize in the same primary commodities. When commodity prices fall, so do national revenues. This is true in Africa where the whole economy is based on the production of primary products that can be manufactured easily in the North.

Another reason why IMF and WB economic policies failed is due to the massive debt acquired during the late 1970's and early 1980's. According to Richard Sandbrook, Africa's

payment on its massive external debt also hobbled economic recovery. On the other hand, the major trading partners, aid donors and creditors in the North have not supported the painful economic reforms with the required level of financing and improved trading conditions.⁷⁰

Failures of International Financial Organizations in the Economic Development of Uganda

The example of Uganda serves as a good example of SAL failure to develop an efficient economy in Uganda. In the case of Uganda, external, internal and social developments have combined to create a crisis of major proportions. The terms of trade dropped sharply from 158 points in 1977 to only 45 points in 1981. Similarly, the purchasing power of exports dropped from 184 in 1977 to 42 in 1981.⁷¹ These trends forced the government to adopt its first IMF reform program in 1981. In the first of the two IMF programs from 1981 to 1983, the real minimum wage in Uganda declined by 26.4 percent annually. In 1986, the International Labor Organization (ILO) dubbed Uganda's annual decline of real minimum wages, the sharpest average annual decline in ILO registered rates in 1986.⁷² Ironically, the IMF ordered the Ugandan government to implement the same policy of limiting wages in the second reform program of 1987. In August 1988, the Ugandan Minister of Finance ordered each ministry to cut its wage bill for group employees by 30 percent, whether by lay offs or by redistributing wages so that employees re-

ceived lower salaries.⁷³ Labor and trade unions decided to oppose the arrangement, describing it as a dictatorship. Nonetheless, the second IMF Program of 1987 began with the same notion, that dismissal of government employees is the best solution to decrease government spending. The second IMF program seems to be emulating the first phase of the Reform Program of 1981, emphasizing balancing the budget not by increasing revenues, but by reducing expenditures.⁷⁴

The real attraction of the IMF programs to the African governments is the promise of more funds coming in if these particular reforms are to be implemented. However, the implementation of the programs in every instance has seen a sharp increase in foreign debt. The figures for Uganda clearly illustrate this tendency. Uganda's debt service ratio was 18.9 percent in the year before the first IMF program began in 1985. This figure has increased to almost 55 percent. Latest figures record the debt ratio for 1989-1990 at 59.6 percent.⁷⁵ In this case Uganda's experience parallels that of most African countries, which by 1986 were said to be paying back more to the IMF than they were receiving in new loans. On the other hand, the alternative solution for the debt crisis has been to reschedule debts. Yet, according to Sudan's experience, the rate applied to reschedule debts (about 18 percent) was considerably higher.⁷⁶ With this sort of record, it would not be an exaggeration to say that Uganda seems to be following the lead of

other countries in Africa like the Sudan, Zambia and Mozambique, which are now servicing their debts, which runs at a ratio of one hundred percent of their GNP.

Additional setbacks were recorded for Uganda's stabilization program. During 1988-1990, the currency was devalued by more than 25 percent in foreign currency terms. Inflation has reached 55 percent, and there was enforcement of the 100 percent export receipts retention scheme to all non-coffee exports.⁷⁷

Most of the IMF and the WB economic policies are short-term policies. My analysis is that these institutions overlook deficiencies that exist in the South in general and Africa in particular. The IMF ignores the lack of markets that need to be created in order to have a free market economy. The problem is simply not to free the existing domestic market, but to create a market that can expand and absorb more supplies. This analysis is relevant due to the fact that most short-term economic solutions cannot be applied on the level to every country despite its market size. According to the concept of sustainable growth, an important component of adjusting public finance is by imposing user charges for education, health care and sanitation.⁷⁸ Using neoclassical reasoning to insist that wages must be equal to the marginal (profit) productivity of labor. However, sustainable growth largely neglects the relationship of physically and socially reproducible wages to pro-

ductivity. The IMF and the WB take the view that "wage floors" prevent lower market clearing wages at full employment. This was true when the IMF imposed reform policies to the agriculture sector in Uganda. Agriculture production and accumulation cannot exist hand-in-hand without the creation of an adequate market system. In Africa, force has been an integral part of the peasant production. There are three institutions that have been central to the operation of the market system in Africa. The first, is the system of chiefship which was reorganized during the colonial period to represent the State power in the countryside. The second is the land system, where a few landlords control vast amounts of land. The third system is the cooperative system where the peasants struggle against middlemen exploiters.⁷⁹

It is clear that in the Ugandan case economic development needs the creation of new markets for mass consumption. The SAL Programs implemented by the IMF depend mostly on the European recovery experience after World War II. However in Uganda the story is different. The market in Uganda is small and confined to the supply and demand of the monied elite. The vast majority of the people (mostly peasants) are not a major source to affect consumption in the domestic market, unlike the middle class in the United States and Europe whose consumption patterns make up real demand and a significant market for domestic entrepreneurs. Thus, to the people who run the local economy in Uganda, peasants are

simply a source of export crops. This is the reality that the IMF and the WB ignored for so long not only in Uganda but in Africa in general. It is the peasant who must be raised to a middle class status if successful SAL is implemented, thus IMF reforms need to be directed toward the average person in the street. Yet, no economic reform program will be successful unless the political environment is conducive and a strong and decisive state can act to intervene in the economy to serve SAL objectives. Accordingly, under present SAL approaches, there will be no way out for any country in the South from its economic troubles. It should be clear from the examination of both Uganda's experiences and that of other African countries, that the State can in fact direct the IMF's SAL Program towards its intended goals, thus minimizing the negative effect of such reform programs.

The Effects of IMF's SAL Programs in the Country of Tanzania

Uganda is not the only country in Africa suffering from the IMF's SAL Programs. Tanzania is another example of the failures of the IMF economic reform policy. In Tanzania, the real minimum wage continued to decline during the 1980's. Between 1981 and 1986, when the government of Tanzania came to terms with the IMF the wage level fell by an additional 50 percent and by a further 33 percent from mid-1986 to the end of 1988. In May, 1988, the minimum wage could only purchase 1.3 kilograms of maize meal per day,

roughly 40 percent of the caloric requirement of a family of five.⁸⁰ According to Aili Mari Tripp, the amount spent on food for an average family of six, was eight times the minimum wage. Those in Tanzania who kept their day job did so to acquire working capital to renew their Miradi (Projects) each month.⁸¹ In other words, the formal sector employment was not an end by itself, but merely a cover for other informal activities that can produce profits to its owner. The example of Tanzania even though it is brief, showed clearly the negative effects of the reform program even to the average African worker.

The Latin American Region

This section will be dedicated to the study of the Latin American region. Focus will be placed on the SAL economic Programs and their negative consequences for the livelihood of the average person as well as to the domestic economy as a whole.

Since 1982, when Mexico announced that it could no longer meet its international debt obligation, that year marked the beginning of the worst financial debt in Latin America's history. According to Edwards Sabastian, what was initially thought to be an isolated case of temporary liquidity soon spread to most of South America and the developing World.⁸² Now, in the mid-1990's and after several years of Mexico's announcement and the eruption of the debt crisis, most of South America is still struggling to get

back on its feet. That is why there are more trading blocks being formed to increase economic output and competitiveness among the Latin American region. The North American Free Trade Agreement (NAFTA) presents a clear example of Mexico's successful economic transformation.

The structural adjustment approaches implemented by most of the highly indebted countries can be best described as emergency or shock stabilization programs. Basically these SALs are geared towards generating very large trade balance surpluses in a very short period of time. Countries with huge debt problems who are trying to adjust their economies have suffered as a result. The adjustment policies implemented by the government with the help of the IMF and WB generated declines in real income and increases in unemployment. Real per capita GNP in a number of Latin American countries in 1987 was below 1970 levels.⁸³

During the 1980's the World economy was characterized by an increase in interest rates, the decline of primary commodity prices, and a slow economic growth in Northern economies. In addition to external factors, there were other internal problems as well, such as the adaptation of inadequate exchange rate policies. Most of the countries that experienced payment difficulties on their loans allowed their real exchange rates to become overvalued during the early 1980's. Since the start of the Latin American economic adjustment process in the early 1980's, we can clearly

see the negative effect it had on the countries involved in this process. For example, in the 1970's Latin America had a rate of economic growth of more than five percent annually. Between 1981 and 1986 the average annual rate of growth reached only one percent. Therefore, the 1980's have been called "a lost decade for Latin America." Even terms of trade decreased from above levels of 100 points in 1980 to 85.5 points in 1987. Thus, in the 1980's Latin America's terms of trade fell by almost 15 percent.⁸⁴

Another characteristic of the adjustment program is that trade surpluses have systematically fallen short of their interest payments. Sebastian argues that the prospects for the 1990's are grim. Terms of trade will continue to fall in addition to the potential decline in trade surplus. IMF and WB economic adjustment policies is the reason for the decrease in trade surplus.⁸⁵

The IMF focuses mainly on macroeconomic matters and its goals to stabilize the balance of payments and control inflation. The World Bank, on the other hand, focuses on microeconomic matters like stimulating investments and thus, economic growth. These goals are important because the aims of these organizations were not fulfilled during the implementation of the Latin American SAL Programs. The confusing part here is that the WB has introduced macroeconomic policies (IMF structural role), making it difficult to distinguish between the IMF and the WB's structural programs.

Moreover, the WB adjustment programs have generally been applied to those countries in Latin America where an IMF program was already in place. This created a double conditionality effect on countries implementing the SAL Program. For example, to have an annual rate of growth of five percent, a Latin American country needs an average investment, in relation to the GDP, of 20 percent. Furthermore, it needs a savings rate of 24 percent in order to finance this rate of investment and to meet the interest payments for its foreign debt, which amount to four percent of the GDP.⁸⁶ The above data is relevant due to the fact that some countries in Latin America implementing IMF and WB structural programs, have to service two kinds of debts, with two different conditions. This process of double conditionality can, in fact, impede economic growth.

Structural adjustment can, in principle, promote economic growth. It is widely accepted that SAL Programs signed with Latin American countries and the IMF have, in fact, reduced the external pressure from commercial banks, however, they have also brought many problems with it as well.

IMF macroeconomic adjustment requires considerable reduction of a country's fiscal deficit and decrease in the ratio of growth of domestic credit. But as we saw before, a decrease in the internal deficit has a negative impact on the financing of investments, because funds dry up. Accord-

ingly, the SAL Programs for most of the Latin American countries have not been able to provide incentives for growth.

The Effects of Economic Adjustment Programs in the Country of Chile

The Country of Chile presents a clear example of SAL's impact on the poor population in this country. Before discussing the IMF economic policies in Chile, we have to identify the main factors that led to the weakening of the Chilean economy. Christian Moran identifies four factors as the main policies that set the stage for Chile's economic problems. First, the simultaneous adoption of a fixed exchange rate and a wage indexation formula linking nominal wages to past changes in inflation. Second, the privatization process that facilitated the emergence of highly-leveraged financial conglomerates. Third, financial liberalization created excessively permissive banking legislation, and finally, the government's response to these events was slow and ineffective.⁸⁷ All these factors came together in the late 1970's and early 1980's to create an unstable economic environment in Chile.

As fragility of the economy became increasingly evident, an enormous crisis was eventually set off. By 1985, the government of Chile recognized the severity of the economic problem at hand. In response, it initiated a three-year adjustment program supported by the IMF. In

August 1985, the IMF approved \$750 million in special drawing rights (SDR) and three consecutive World Bank programs totaling also \$750 million. Both financial packages shared the goals of a more efficient public sector, better budgetary and institutional controls and an open export-oriented economy. Besides specific fiscal, monetary and reserve targets, the IMF program stressed the phasing out of the preferential exchange rate system for U.S. dollar debtors, a lower budget deficit and a major reduction in Chile's need for new commercial funds.⁸⁸

The WB and the IMF adjustment package emphasized several measures to strengthen the economy. The first action was to have the Chilean government devalue the currency (the Peso). Supposedly the government had to maintain a real exchange rate that could promote new (non copper) exports. This implied adopting a nominal exchange rate according to the difference between domestic and foreign rates of inflation. However, in practice, devaluations exceeded these differences, and thus the real effective exchange rate depreciated substantially. On the other hand, two new debt rescheduling agreements were reached during this period. In 1985, Chile and its foreign creditors agreed to restructure \$5.7 billion of maturities during in 1985-1987. The banks agreed to provide \$1.1 billion of new money for 1985-1986. In 1987, Chile reached an agreement with its commercial creditors to postpone payments for \$12.4 billion of maturi-

ties due in 1988-1991, leaving an anticipated financing gap of \$650 million for 1987-1988.⁸⁹ Despite these enormous efforts, the short-term relief provided by these renegotiated agreements (on debts and devaluation of the Peso) imposed a heavy burden on the Chilean government and its people.

Chile's adjustment program permitted growth and stability in the economy. It also enabled the country to improve its terms of trade.

There are clear indications that the social costs of the adjustment program have fallen on those at the low income level. According to J.P. Arellano, profit rates increased significantly during 1980-1987, while real wages remained depressed. Average wages declined by five percent in real terms during 1980-1987 and by 13 percent during 1982-1987.⁹⁰ In addition, changes in wage distribution adversely affected low-paying jobs. Arellano's study shows that the minimum wage declined by 44 percent in real terms during 1981-1987. Additional indicators suggest that wages for domestic employees and construction workers declined by 25 and 33 percent respectively, during 1981-1987, compared with declines of 12 and 13 percent respectively, for wages in the financial sector of the economy.⁹¹ It is likely that there is a direct relationship between wage increase and economic growth in Chile, but real income for low-paying jobs declined dramatically. For example, real income for domestic employees and construction workers declined by

margins ranging from 3 to 50 percent during 1981-1987, while average real income for the economy as a whole increased by three percent during the same period. The apparent deterioration of the distribution of income is consistent with the economic adjustment program provided by the IMF and the WB. For example, Vito Tanzi pointed out in his article that the tax policy in Chile in particular, became more regressive as indirect taxes increased as a proportion of total tax revenue from 58 percent in the early 1980's to 82 percent in the late 1980's. By comparison, indirect taxes as a proportion of total tax revenues averaged 61 percent for a sample of developing countries with income levels similar to Chile.⁹²

The SAL program in Chile was not all failure. In fact, Chile can be an example of a somewhat successful economic adjustment program. But as noted, the negative effect of the program has been on the poor population of Chile. Statistics speak for themselves. As of the 1990's, wages and income for the poor have deteriorated since the start of reform program agreements between the government and the IMF and the WB.

Moreover, the economy of Chile today remains vulnerable. Its external debt is still enormous by any standards. In addition to the negative external shocks such as increases in international interest rates, declining terms of trade and increases in protectionism among its trading partners

especially the U.S., will further complicate the management of its external financial debt. Finally, Chile still needs to mobilize sufficient domestic savings (from local entrepreneurs) to pay its external debt and increase investments which still are way below international standards. In the economic climate of the NWO, it will be difficult for the government of Chile to sustain the implementation of economic adjustment policies in the face of strong pressures to increase domestic consumption and expenditures in the social sectors.

CHAPTER SIX

The Political Characteristics of the Post Cold War Era

There is a need to emphasize certain facts about the nature of the post cold war era. The disintegration of the Soviet Union suggests, among other things, that the Super Power conflict that most people grew up with is definitely over. The US emerged victorious from the cold war. It became the World's only economic, military and political superpower. We cannot ignore other potential powers like Japan and Germany, but only the US possesses all the ingredients to become the global master of the World.

Another important assumption regarding the NWO is the emergence of the International Political Economic issues (IPE) over military matters. In other words, global conflicts in the future will be over economic hegemony not military or political domination. In previous years (pre-NWO) political and diplomatic strategic issues had been most important in international relations. However, in the post cold war era, things like international trade and finance, banking and multi-national corporations (MNCs) will have a greater impact on the World's politics. Former Defense Secretary, Caspar Weinberger, gave us a basic understanding of what the NWO is. According to Weinberger, President Bush's resolution to initiate a NWO was appropriate as a means of establishing global law. All free nations must participate in World law enforcement and offenders should be

punished immediately, and military force should be used only as a last resort.⁹³

The end of the cold war era may signal the start of increased regional conflicts around the World. International relations and politics will begin to take a different shape as ethnic wars in different regions of the World begin to exhibit new emerging forms of nationalism. In contrast, while the potential for a nuclear war is not probable, the use of nuclear weapons in a regional conflict is likely, since many developing countries like India, Pakistan and Israel, can in fact, possess nuclear weapons.

Many countries in the South believe that the UN will be their savior. There is no doubt that the UN is playing a more active role in the post and cold war era, settling disputes and sending peacekeeping forces to several hot spots in the World; but the UN is guided by money and power. Southern people, who most need help, have limited access to UN help. Therefore, as suggested in the previous sections of this thesis, the UN will play an effective role only in those areas when it is serving the goals of the Super Powers. Its role in the Gulf Crisis of 1990-1991, is a clear example of the UN ability to act decisively.

Events that Led to the Reshaping of the Present Era

The post cold war era is shaped and characterized by different events, but the most important, single event that took place in the post cold war era was the Iraqi invasion

of Kuwait. The NWO created an environment for the expansion of regional conflicts. This is exactly what happened with the Gulf Crisis. Iraq thought the US would not react, militarily at least, against its forces. While the Iraqi leader imagined he could depend on the former Soviet Union to back him up against any attempt to withdraw from Kuwait, in fact, Saddam's calculations were all wrong from the beginning. It was unthinkable before the end of the cold war for such an invasion to take place. The Iraqi invasion of Kuwait is relevant due to its economic implications. Therefore, the US and other Western powers were alarmed at the idea that Saddam could hold sixty percent of the World's oil reserves in his hand. It was clear then that the War was primarily based on oil and World trade. Economic interdependence is indeed the main agenda for the future.

When Iraq did not withdraw from Kuwait by the UN's set deadline of January 15, 1991, the US and its allies were authorized by the UN's Security Council to force Iraq to leave Kuwait. But the US-led coalition did not occupy Iraq or overthrow its government. The US's aim in doing that, was to set a valuable precedent for the future. From now on, the post cold war era would be based on the punishment of aggression by a coalition of forces, (mainly US and Nato forces), the reaffirmation of sovereignty, integrity of states, and to implement various UN's Security Council Resolutions. The War between Iraq and the Coalition Forces

was a clear indication that the cold war had come to an end.
The Disintegration of Countries in the South is Taking Place

Following the Gulf War of 1991 between Iraq and the US-led Coalition Forces, the Soviet Union collapsed. The fifteen republics of the former Soviet Union began breaking away from a weak central government in Moscow. This process of disintegration, however, created a wide range of problems in the former Soviet Union. For example, civil wars took place in the State of Georgia, and border disputes like in Azerbaijan and Armenia over Nagorno-Karabakh were important events that identified several characteristics of the post cold war era. The Gulf Crisis of 1990-1991, suggests the US is exercising leadership in World affairs, because before the demise of the Soviet Union, Soviet policies towards the Third World were an important factor in determining US activities in a certain region. During the cold war, the two superpowers tried to keep a balance of power in the Third World alive. For example, during the Iran-Iraq War of 1980-1988, Iraq was supported militarily by the US while Iran's military hardware was delivered from the ex-Soviet Union. Most notably, the post cold war era will remove the competitive economic and political global ideologies that existed before, such as Communism and Socialism. Competition can now be described in pure economic terms. Political leadership in the South has to measure success with economic development and the rise in GNP rather than looking at how

many tanks the regime possesses. The end of the Soviet Union was a result of a failing economic and political ideology which was Communism.

The NWO Created an Environment of Need for Southern Countries to Align with the West

The Soviet Union's collapse transformed the international political system from bipolarity to unipolarity. Following the Gulf War of 1991, many scholars suggested that the post cold war era will allow for a multi-polar World to exist; however, it is a grave mistake to think in these terms. The US will not let regional and global powers threaten its hegemony. This became apparent in March, 1992, when the initial draft of the Pentagon's Defense Planning Guidance (DPG) for Fiscal Years 1994-1999 was leaked to the New York Times.

The document stated that the US must account sufficiently for the interests of the large industrial nations to discourage them from challenging our leadership or seeking to overturn the established political or economic order and that the US must maintain the mechanisms for deterring potential competitors from ever aspiring to a larger regional or global role.⁹⁴

There is, then, clear evidence to suggest that the DPG accurately reflected US official views about unipolarity. For example, according to Christopher Layne, a summer study was organized by the Pentagon's Director of Net Assessment in 1991, which was dedicated to trying to define a manageable World as one in which there is no threat to America's

Super Power role. In addition, the main risk to American security, the study argued, is that of Germany or Japan disconnecting from multi-lateral security and economic arrangements and pursuing an independent course.⁹⁵ From at least one perspective it is safe to argue that the US will not give up its global hegemony for a multi-polar World. In addition to potential Southern powers like Brazil, South East Asian countries, Egypt and India, the US is even trying its best to control other Western-developed nations. The US views a multi-polar World as unstable and dangerous. Therefore, it is in the best interest of the South to align themselves with the US, since the unipolar World will revolve around the US.

Can the Western Style of Democracy be Adopted Effectively in the South

There are widespread concerns today in the South about American dominance in World politics and economics. The South is now faced with a dilemma. American style democracy has to be adopted, otherwise dictatorial regimes in the South cannot implement effective economic transformation from a closed to open-market economy. This transformation requires the help of international financial organizations which are funded, in large part, by the US and other industrial nations in the North.

When former President George Bush called for the establishment of a NWO, he made a commitment to project or force

American democratic and human rights ideals into world affairs. As a result, countries in the South as well as in the North (mainly Japan and Western Europe), feel there is a deliberate attempt on the part of America to compel them to adhere to US policies. This is one of the characteristics of the post cold war era. For example, in a February, 1991, address to the New York Economic Club, President Bush said that because the US had taken the leader's role in the Gulf militarily, America's renewed credibility would cause Germany and Japan to be more forthcoming in their economic relations with Washington.⁹⁶

The leverage strategy that calls for the US to use its military force to compel other states in the North or the South, is also one of the political sides of the NWO. The strategy employed here is not new to the US. During the cold war, the US used its military and political leverage against foes and friends alike. Other countries found it irritating, but now these same strategies are quite threatening in a unipolar World. The uneasy feeling regarding American leadership in the new, unipolar World, is being expressed in the South. Although the South is trying not to alienate the North, and the US in particular, fears confirm that unipolarity is not accepted and is even challenged by the "insignificant" South.

At the September, 1992, non-aligned nations movement meeting, Indonesian President Suharto warned that the NWO

cannot be allowed to become a new version of the same old pattern of dominations of the strong over the weak and the rich over the poor. At the same time, the UN Secretary General Boutros Boutros Ghali warned that the temptation to dominate whether Worldwide or regionally, remains.⁹⁷ In the cold war era, most revolutionary movements were kept under tight control by the regimes in the Third World. The fear of US-Soviet confrontation made it impossible for certain countries to disintegrate into many mini-states. According to Lyman Sargent, nationalism is a complex word. He defines it as a national conscience, national identity and patriotism.⁹⁸

In the post cold war era, conflicts in the former Soviet republics and the crisis in the former Yugoslavia, are clear examples that nationalism and ethnic conflicts are the wave of the future. For the South, the continued economic and political disintegration of their countries is being influenced by indigenous forces. During the cold war, superpower rivalry allowed for more protection against "evil" nationalistic movements belonging to the other camp. Violence and civil wars today are considered a home-grown phenomena. For example, the civil war in Yugoslavia is mainly between the Christian Bosnian Serbs and Muslim Bosnians. The civil strife in Sri Lanka and the Punjab shows that even without US involvement, internal conflict can be prolonged and bloody, as does the religious violence in the

name of Islam in Egypt. All these examples can serve to provide us more data about the World's political situation during and after the cold war. In the absence of competing political ideologies and according to Western-style democracy, transitions from authoritarian regimes to more democratic ones involve two analytically distinct, but empirically interrelated, phenomena. Russell Bova illustrates that, on one hand, there is the task of creating new structures to take their place. In pursuing the transition, the stated goal of many transformers is to provide for a more democratic process of government.⁹⁹ This observation is important because some Southern governments like Egypt, Jordan and Mexico, are trying to implement some kind of democracy, whether by adopting parliamentary and presidential elections or by improving their human rights record.

Political Power will Depend More on the Level of Economic Development

Can Western or American styles of democracy be effective in the South, especially without parallel economic development? The answer according to available evidence suggests no. There are quite a few examples to support this hypothesis. Among them South Korea is an example of how to develop economically without adopting Western-style democracy. The political regime in Korea is very repressive by nature. However, economically speaking, Korea is considered a fierce competitor to the World's leading industrial pow-

ers. As suggested above, Western style political systems are not the savior of the World's ills. When we look at the example of the former Soviet Union, it was under "glasnost" that the reformist spirit of the Gorbachev era was first introduced. "Glasnost" or "openness" referred to a policy aimed at increasing access to information, thereby reducing the veil of censorship and secrecy that had long surrounded the Soviet society.¹⁰⁰ While glasnost and perestroika did create an increase in the flow of information and liberty, it was the Soviet leader, Gorbachev who maintained a tight control over it. This was typical during the transformational period from authoritarianism to a more open and somewhat democratic society. Some believed that glasnost shared some ideals with Western democracy like the "freedom of information act" in the US, freedom of political expression, and tolerance toward political activity. The example of Gorbachev's perestroika is relevant because the South is going through the same kind of transformation, from authoritarian government to a more democratic system, but without taking some precautions, many countries in the South will disintegrate like the Soviet Union. Gorbachev could not control the opposition, thus creating a whole society calling for his ousting, even though he was the main force behind perestroika.

In their study of Latin America, Guillermo O'Donnell and Philippe Schmitter found that in every case, the transi-

tion began with a period of openness. This liberalization, is often referred to as decompressao (decompression) or abertura (opening). They mean strengthening of the civil rights and liberties of individuals and groups and guarantees of protection from State power.¹⁰¹ This seems to be what the South is going through in the post-bipolar era. While there is a clear sign of departure from old political practices, liberalization of the political systems in the South is definitely not democratization in the Western sense. Democracy involves more than letting people have some access to information. Democracy means holding rulers and leaders accountable to their people and allows for the peaceful removal of governments from power. As Adam Przeworski has noted,

rulers must live with the fact that political competition is uncertain and unalterable except through another round of equally uncertain democratic political struggle.¹⁰²

In conclusion, the post cold war era has established a link between a free market economy and democracy. This is quite clear. For some the new definition of democracy in the post cold war era will be in terms of allegiance: South to the West (North) and what methods of trade are involved (capitalism). However, in some instances, repressive rule is needed to maintain the stability of a free market economy. For example, while under the one-party rule, China has the fastest growing economy in the World. This is to say

that the post cold war era is based on American dominance.
At the same time economic development will determine relative political power for centuries to come.

CHAPTER SEVEN

The Economic Characteristics of the Post Cold War Era

Governments in the South face exclusion from the new International community if they don't adopt democratic principles and liberalize their economies. At the same time, countries with closed economies, like Vietnam and China, cannot get access to international financial organizations such as the IMF and the WB. With the collapse of Communism came the collapse of command economies that followed the Soviet model. Leaders in the poor countries of the South are under pressure to adopt certain international norms like economic liberalism and political democracy.¹⁰³ The warning is clear. Keep the state from intervening in the domestic economy and open the economy to international markets, otherwise, obtaining credits and loans from the IMF, the WB and the US will be extremely difficult. Therefore, the main economic characteristics in the present and future era is that sovereign states are challenged by imposing the concept of Western style democracy and capitalist free market economy. National or domestic interest must now compete with the interests of countries and firms outside a state's borders.

Why is There a Need on the Part of the Southern Countries to Join Economic Blocks?

The World is moving rapidly toward the formation of economic blocks. Three main blocks exist today. The Euro-

pean Community (EC), the North American Free Trade Agreement (NAFTA) with the US, Canada and Mexico as its members, and the Asian Block (APEC) dominated by Japan with the potential of other newly-industrialized countries like South Korea, Singapore and Malaysia joining.

Within these blocks, national economies are becoming more integrated, with a tendency for the economic significance of political boundaries to diminish. The end result of such a process, would be integration so the political boundaries would no longer possess economic significance.¹⁰⁴

To understand the importance of global economic integration and interdependence, the levels of international capital mobility will give a clear picture of where things stand in relation to past decades. According to Jeffrey Frieden, net International bond and commercial bank lending was \$440 billion in 1989, up from \$180 billion just five years earlier. Capital outflows from the thirteen leading industrial countries in the North, averaged \$444 billion in 1989, with almost two-thirds consisting of portfolio investments compared to \$52 billion in the early 1980's. In addition, two-thirds of these investments consisted of Foreign Direct Investments (FDI). Capital outflows were equivalent to 15 percent of the World merchandise trade in 1989-1990, in contrast to seven percent earlier in the decade.¹⁰⁵

These data suggest that technology has made it possible

for money to travel across international borders. For example, in April, 1989, foreign exchange trading in the World's financial centers averaged about \$650 billion a day, equivalent to nearly \$500 million a minute. This is forty times the amount of World trade a day.¹⁰⁶ Although the numbers are impressive, they do not amount to full international capital mobility. The post cold war era created an environment that will facilitate the elimination of barriers to investments, since most governments in the developing World, as well as the developed World, are adopting almost the same financial measures in order to join in the rest of the international community. This implies that for countries in the South, implementing economic liberalization, will benefit them because they will then be able to borrow capital at reduced rates of interest. Industrial production in the South will grow as foreign finance pours in with the correct economic liberalization policies.

The NWO Created an Environment in which the South Will Lag Behind the North Economically

There is little doubt that in the post cold war era or the NWO, the economic gap between the North and the South will increase. The North sees wealth creation and accumulation in the South as the only way out of poverty. Another view stresses the need for national governments to intervene in the economy and to play a role in redistributing wealth. However, both views lack the international and domestic

political implications for the South. In this view, Joshua Goldstein provides a typical Northern view of how economic development should be conducted in the South. According to Goldstein, economic development is based on accumulation and the creation of wealth (capital) such as buildings, roads and so forth. In order for human populations and their capital to grow, they must provide an economic surplus by using capital to produce more capital.¹⁰⁷ But what this view ignores is the fact that most Southern countries, like in Africa, lack sufficient infrastructures to begin with. Southern countries borrow heavily just to provide for the creation of an infrastructure. Yet as we have seen this kind of spending does not necessarily provide profit. Often enough, more debt is simply incurred just to pay off the original debt for non-profit infrastructure projects.

Basically, the South will continue to lag behind the North economically, even though economic growth rates continue to be higher in the South than the North. This is due to the large accumulation of wealth in the North that allows for more efficient investments in a stable financial and political environment.

Dependency Theory

Many economists argue that the increased gap between the rich and the poor is due, in large part, to the fact of Southern economic dependency. Dependency theory refers to the development in the Third World (the South) is dependent

on the development in the already developed nations.¹⁰⁸ This notion of economic dependency gives rise to the importance of international economic integration; a concept emphasized in the post cold war era. Dependency theory has been around for decades.¹⁰⁹ Its special importance is clear to identify patterns of development in the South. Celso Furtado, a Brazilian economist with the UN Economic Committee for Latin America, was an early contributor to the Spanish and Portuguese literature on dependency theory in the 1950's and 1960's. According to Furtado, new international divisions of labor in which the peripheral countries of Asia, Africa, and Latin America (the South), specialized in primary products which are controlled by foreigners, while importing consumer goods from the West (the Core). From the early days of the post-colonial era, there was a clear warning from the emerged consumption patterns that had taken effect accompanying the Third World economic development. Many developmental plans in peripheral economies only benefitted the elites and the North in the form of MNCs. The result is "peripheral" capitalism, a capitalism unable to generate innovations and dependent upon decisions from the outside.¹¹⁰

Unfortunately for the South, the economic characteristics of the post cold war era will direct capitalist development production to serve external, rather than domestic, needs, i.e., encourage peripheral capitalism. Moreover, the North will continue to exploit the South and will intervene

militarily, as we have seen during the Gulf War Crisis of 1990-1991. But to blame dependency for underdevelopment of the South is not entirely correct. There are also internal factors that contributed to underdevelopment in the South, mainly weak political leadership, corruption, and a lack of natural resources like oil.

It is easy for the average individual in Cairo or Bombay to blame the US for his/her economic misfortune, but this is not the whole story. Individuals in southern countries see capitalism as an evil process that is taking away his/her standard of living, while giving rise to a new layer of society.

Economic Liberalization and Its Effect on South-South Relations

In the South, the NWO created an environment in which political openness is closely tied to economic liberalization. The Southern economies are going through a historical transformation. Barriers to Foreign Investments (FI) and foreign products are diminishing at a very rapid rate. Countries that used to be classified as peripheries are now aspiring to become core states. South Korea, Taiwan, Singapore and Malaysia's new economic status will be taken seriously by the original core states of the North. While many changes are affecting the state and the system in the South, the degree of transformation will definitely face resistance from its poor populations. The post cold war era, with the

aim of enforcing full political alignment with the West, will only help a few countries develop economically.

Economic liberalization in the Middle East will not only bring internal conflicts, but external conflicts with other Southern countries as well. For example, after achieving full peace in the Middle East among Israel and all of the Arab countries, there will be a need to create a Middle Eastern Economic Block. However, problems may arise due to lack of water in a specific region or lack of enforcing labor laws on expatriot laborers. That is why a lack of a peaceful mechanism to solve economic disputes can hurt South-South economic relations. In the case of the North, General Agreement on Tariffs and Trade, which are commonly known as GATT, provides a framework for settling economic disputes.

Here the security issues have to be addressed. The post cold war era created an environment in which the North will settle international economic disputes, mainly with the South, using force. Military force will remain a valued means for influencing outcomes. That is why the South has to understand the threat of resisting economic and political transformation.

Southern Governments Should Intervene in the Economy to Direct Economic Development

Foreign investments are the other form of pressure facing the leaders in the South. Today, one form of econom-

ic development is being applied to every Southern country regardless of their economic, political or cultural backgrounds. The results should be no surprise, religious fundamentalism in the Middle East, civil wars in Somalia, Sudan, Algeria and elsewhere. However, in the NWO, the door is left open for countries in the South to start focusing on economic development. There is a wide spread belief among non-official or non-governmental organizations that domestic governments in the South should intervene and play a major role in directing economic development. The IMF and the WB insist that government intervention in the economy is "bad," and the development process should be left to market forces.

But as Robert Wade from the Economist argues, the East Asian dragons (Singapore, South Korea, Taiwan and Hong Kong) have proved that interventionist methods in industrial policy and trade protection have been the key to the dragon's success, leading to low inflation, competitive exchange rates, and a highly-open trade regime.¹¹¹ Intervention is critical during the early phases of economic transformation; but government intervention will only guide, not replace, the market. It uses price and non-price methods to channel investments into productive projects and not towards investments that will only increase consumption habits for the elite. Additionally, intervention will expand Research and Development (R&D) capacity, strengthen links with foreign firms, and give subsidies to infant industries so they can

compete globally.

The new international political economy in the post cold war era will allow government intervention to be based on patterns of trade and international relations, which promote integration of today's World economy. That is, Southern governments must not subsidize non-competitive industries in the form of tariff rebates, fiscal incentives and others. Subsidies are solely to be based on performance and profitability. The government of Taiwan offers a clear example of successful government intervention policies. It has used an array of mutually reinforcing measures to help selected parts of selected industries. For instance, under certain conditions, the tariff on imports of machinery and equipment was rebated. These rebates included the requirement that the machinery would be used to make products that met performance standards.¹¹²

The early part of the post cold war era (1990's) will be a testing ground for the future. International financial organizations are pushing the South to adopt American styles of capitalism, that advocate government non-intervention. Non-intervention on the part of Southern governments is very risky, though economic development cannot be sustained by having cheap labor and resources. Yet intervention will only succeed if it is a part of a larger economic strategy, which looks at the complete process of development. The NWO will create an environment in which more and more countries

will industrialize. This economic integration will encourage rapid economic development regardless of its social impact.

Social Problems and Its Relationship to the Economic Characteristics of the Post Cold War Era

Migration to the North

One of the immediate social problems facing both the North and the South is the problem of migration. Poor people of the South will migrate to the North due to economic need. They will be searching for a better life and better economic opportunities in the North. The number of refugees or illegal immigrants in the World grew from three million in 1976 to 17 million in 1990.¹¹³ Today's immigrants are described as economic immigrants. The political effects of immigrants has been demonstrated very clearly since the start of the post cold war era. After the Gulf War of 1990-1991, Iraq's persecution of Kurdish rebels sent large numbers of Kurds to Turkey. In turn, Turkey closed its borders to avoid dealing with the burden. Most countries in the North, like Germany and France, tried to limit immigration from the South. However, most of their efforts were unsuccessful, due to the large number of immigrants and the alleged human rights violations in many countries in the South. As a result of the large number of immigrants, a growing sense of resentment starts to appear among different groups of people in the North. In fact, the only way to

solve Southern immigration to the North is by addressing social and economic problems in the South.

International interdependence will have a direct effect on the World's natural resources and the environment. Cooperation among states is needed to preserve our environment, for example, fishing in international waters dominated by non-state actors such as the MNCs. With global environmental problems, politics play a major role. Again, collective solutions will have to come from the industrial North since the North offers money and other technical assistance to exploit Southern resources, rather than providing solutions to face environmental degradation.

Environmental Problems

The UN conducted the largest summit meeting of State leaders to discuss global environmental problems. The conference, held in 1992 in Rio de Janeiro, Brazil, was called the Earth Summit. At the Summit, its major theme was sustainable economic development which refers to economic growth without the depletion of natural resources. The Earth Summit produced an overall plan, called Agenda 21, whereby large third-World states promise to industrialize using environmentally sound policies, while industrialized states promise to funnel aid and technology to the South to assist in that process.¹¹⁴ The Earth Summit established the Sustainable Development Commission. The Commission will monitor state compliance with the promises they made at the

Earth Summit and hear evidence from environmental Non-Governmental Organizations (NGOs), like Greenpeace.¹¹⁵ Again reflecting the supremacy of state sovereignty over super national authority, it lacks powers of enforcement over national governments. Unfortunately, the most highly-industrialized country in the World, the US, did not sign the treaty because of the fear of increased costs to American MNCs and the limitation on US patent rights. Therefore, the recommendations made at the Earth Summit go against free trade principles.

It has been difficult for the UN to impose cost quotas to preserve the environment. Politically, the environment is the last frontier after military, political and economic intervention, by which the North can coerce the South to accept certain trade policies. For example, the US had some trouble penetrating Mexico and Venezuela's domestic markets. The US, in 1990, banned imports of tuna from Mexico and Venezuela. The US unilaterally requires, in the Marine Mammal Protection Act, that "dolphin safe" methods be used for tuna sold in a US territory.¹¹⁶ These countries could not comply with the US laws as easily as the US tuna industry could. As a result, Venezuela's tuna fleet was reduced to less than one-third of its former size.

The main economic characteristics of the post cold war era suggest the need for the Southern countries to join economic trading blocks. More and more countries are join-

ing in regional arrangements that involve closer economic integration. From a Southern perspective, trading blocks give rise to discriminatory trade policies against countries outside the block. That is why Southern countries have to create their own economic blocks. For example, there is a potential to create a Middle Eastern Economic Block. There is also talk about creating a Mediterranean Economic Block that includes North African and Southern European countries like France, Italy, Greece and Spain.

Trading blocks bring positive results for countries in the North however. Southern products such as agricultural and manufactured products, will not be able to penetrate the developed markets of the North, due to high tariffs and increased competition with the economic block.

The political economy of the post cold war era South will depend on political and economic alignment with the West and the US in particular. In order for the South to survive economically, American-style capitalism will have to be in place before providing any kind of monetary or technical assistance can be provided by the IMF and WB.

CHAPTER EIGHT

Policy Recommendations for the South: How to Prosper in the NWO

People in the South have to realize that their economic and political development and welfare are closely tied to an improvement in the South's relationship with the North. The South needs the North as a market for its potential exports like raw materials, while the North is the only supplier of essential imports like machinery, technology and capital for domestic production and consumption.

The period of post cold war and the NWO promote two main themes, the spread of political democracy and free market economy ideals all over the world. However, for the South it is dangerous to adopt American style of democracy before the economic development process is functioning. Therefore, political reform must precede economic adjustment and liberalization, to ensure social stability in Southern countries.

Alternative Political Solutions

Six prescriptive solutions will be introduced for the problem of the development of the South in the NWO.

1. There is a need for a strong political leadership in the South characterized by a heavy-handed and "clean" government. The NWO created an environment in which countries, especially in the South, are on the verge of disintegration. In Africa, for example, the concept of the sovereign state

is very fragile where the country's population is composed of many different ethnic, tribal and religious groups. That is why there is a need for a strong leader and government to be in place.

2. Political leadership in the South has to implement and enforce strict laws against political and financial corruption. Immediate presentation and stiff penalties, like the death sentence, are needed for individuals who have taken advantage of their political positions and economic status to rob the people. This may be desired to create an environment of justice among the people in the South. Corruption in the South has many explanations. Over centralization of economic activities in the hands of the government; civil servants have limited administrative capabilities, and unenforced tax laws, provide fertile conditions for corruption in the South. Higher standards of integrity in public life on the part of the government workers could enhance the confidence of the people in their government.

3. Political reforms in the South must be representative of the people's views and aspirations. Opposition groups have to be allowed to participate in a political dialogue with the government with the basic understanding that unity and national integrity have to be preserved. This, in turn, will encourage popular participation in the country's political process. This is contrary to popular belief that consultation and discussion will impede effective decision

making.

4. There is a need to implement a far-reaching program to modernize the Civil Service sector, a major employer in the South. Greater emphasis should be given to the training of qualified administrative and professional civil servants. Bureaucrats are the backbone of any kind of political or economic reform. With an inflated and inefficient public service sector, decision making from the top will discredit the whole concept of government planning and intervention as an effective tool of social management.

5. Development of a mechanism or a framework to address government accountability to the people and the state will lead to decentralization of government, thus placing power into the hands of independent bureaucrats. Reforms along these lines can help the political leadership in the South gain mass support for its economic reforms that will follow.

6. Political leadership in the South has to be careful when introducing democracy to their people. The regime must commit itself to rapid economic development. However, democracy is most successful when an economic development process is functioning. Thus, democracy has to be introduced in stages and according to the degree and level of economic progress that will ensure political and economic stability in the country. For example, democratic systems were restored, in the late 1980's, in some Latin American countries like Chile, Peru, Venezuela and others. However

these new democracies were left to face very severe economic problems, such as the debt crisis, which placed considerable pressure on the democratic governments of Latin America.

As previously argued, Western-style democracy is not the solution for the problems in the South. Some Southern countries have attempted political liberalization outside the Western model. Algeria, for example, tried to open wide its political system without giving enough attention to the recommendations suggested above. Elections were held in 1992 and the Islamic Salvation Front (FIS) won the election. This party is mainly controlled by individuals professing Islam as a guide to power. Were fundamentalist religious movements throughout the Middle East to take power through democratization, it is certainly a possibility that they might not permit elections to take place in the future. This is a contradiction because Islam emphasizes consultation (Shura) as a means of governing people. The post cold war era has helped give rise to separatist and extremist movements, many of whom will exploit the democratic process and then enforce a dictatorship on the people of the country.

In conclusion, political reforms must precede economic reforms. Economic development and industrialization in the South will depend, in large part, on how successful the government and political leadership implement political reforms. The transformation period from the one party

system to multi-party system and political liberalization, is the most crucial element for the stability in any Southern country. The masses need to be educated concerning their duties and rights. The political leadership's next step is to search for a group of well-educated and qualified candidates to provide stability and sense of continuity to the process of political and economic reforms.

Alternative Economic Solutions

With the increasing international exchange of goods and services, the North is trying to find new customers. The only way for Northern companies to expand is to penetrate untapped markets of the South. Therefore, it is in the best interest of the North that there is an increase of economic development in the South, since the stability of the North cannot be sustained over the long run without solving poverty and underdevelopment in the South.

The new IPE of the NWO offers two contradicting economic trends. One trend is toward a closer integration of the industrial North (G7 Nations which include US, Japan, Germany, UK, France, Italy and Canada). The second trend is the potential division of the North into three competing economic trading blocks (NAFTA, EU, and APEC). Each block is internally integrated, but membership is not open to other countries outside a specific block. As the South is not included in these arrangements, economic development will depend on Southern solutions. With this in mind, Southern

economic development will have to follow a well-defined macroeconomic strategy of reform. What follows, is a six-part prescriptive economic program for development in the South.

1. Governments in the South will have to start selling of State-Run Enterprises (SRE) that are losing money. According to Malcolm Gillis and Dwight Perkins, a state enterprise consists of an enterprise where government is the principal owner or where the state can appoint or remove the Chief Executive Officer. In addition, SRE produces or sells goods or services to the public, where revenues are to bear some relationship to the cost.¹¹⁷ SRE are common in many Southern states like China, India, Egypt and Brazil. Most SRE are in large-scale manufacturing, public utilities (electricity, telephones, gas and water), and transportation.

In the developing South, SRE were initially created to serve specific objectives such as providing employment and economic development and avoiding private monopoly over a specific sector in the economy, like oil. However, SRE have functioned well below their potential of achieving rapid economic development. The state failed to generate adequate internal resources to finance the expansion of basic services such as medical care, education and infrastructure. Therefore, privatization has led to greater efficiency, particularly, if the state's management capacities are severely limited. According to The Economist, Chile Tele-

communication Company (Telcom), doubled its capacity within four years of privatization.¹¹⁸ Government intervention in the privatization process should be limited to changing patterns of competition, regulating monopolies and easing employee fears of privatization by offering advice, in which unions can negotiate favorable terms for workers with the new management.

2. The tax system must be reformed in ways that would produce higher revenues for the government. The new tax system must be simple to understand by the common Southern individual. Then, broaden the tax system to include other sources, such as sales and property taxes, from which tax is collected. The new tax system must be applied in a fairer way among all groups of society. In the Southern countries, the bulk of the income tax revenues come from government employees, while businessmen or the elite take advantage of loopholes in the existing tax system to avoid paying their fair share in taxes.

Any reform of the tax system should aim for giving tax credits to small businesses (entrepreneurs), foreign firms, especially those working on labor-intensive projects like infrastructure and textiles. Also have the tax system encourage local processing of raw materials and export of processed products, since exports are the main source of earning hard currency for the government. Preserving the environment and promoting economical use of natural resourc-

es by the private sector should also be addressed when reforming the tax system.

3. Utilization of Non-Governmental Organizations (NGOs), is one way for Southern governments to limit the negative impact of some monetary policies of the IMF and WB in the domestic economy. According to Aubrey Williams, NGOs are those private, non-profit organizations that work with developing countries of the South to relieve suffering, promote the interest of the poor and protect the environment.¹¹⁹ These organizations, such as anti-poverty and environmental NGOs, can act as a watchdog over useless projects implemented by the IMF or WB. NGOs working in the South are independent from local governments and international organizations. NGOs have the ability to mobilize and organize people, especially the poor, around solving a specific social problem like poverty. Overall, NGOs can be a useful tool in the economic development of the South, because its ability to work at a grass-roots level and to operate in remote areas, gives them a special importance.

4. Southern governments must play an active role to encourage spending and investment on research and development (R&D). Southern countries must investigate the prospects of economic development through scientific and market research. However, in most cases, bureaucracy in the form of industrial licensing, restrictions on entry and exits, inadequate infrastructure (water, power, transportation and communica-

tion), and lack of funds, all weakened the environment necessary for new innovations to take place. In this case, government interference is necessary. The government must include a regulatory framework to ensure that innovations and R&D takes priority over red tape. In addition, there should be a link between receiving aid from the IMF and WB and aid for R&D, i.e., a given percentage of any aid package to Southern countries must go to finance R&D in the recipient country.

The development of new technologies in the South is directly affected by the liberalization of the economy. Openness to trade, investment, and ideas are critical in encouraging domestic producers to cut costs by introducing new technologies. In addition, economies of scale are not limited to the size of population in any particular country. Vinod Thomas argues that removing business to international trade means that a country's own population is not a constraint to achieve economies of scale.¹²⁰ Thomas used statistics to illustrate this point. Singapore with a population of 2.7 million, exports about \$35 billion worth of manufactured goods annually, nearly twice that of Brazil, with a population of 147 million.¹²¹

5. Governments in the South must maintain strict fiscal, monetary, and exchange rate policies to achieve high level of savings and investment, while avoiding large deficits in the balance of payments. Such economic policies are neces-

sary to assist the political leadership in making economic decisions, assist especially those related to where and how to invest in new industries. Also, there is a need to create commodity markets, security exchanges and credit companies to ensure economic growth and stability. The political leadership in the South should be aware of short-term consequences of fiscal and free exchange rate policies. For example, currency devaluations can lead, at least temporarily, to rise in unemployment, inflation and a decline in standards of living.

6. Emphasis should be placed on South-South economic cooperation. Trade barriers among Southern countries, at least in the same region, must be lifted. Some Southern countries, like the oil-exporting countries of the gulf, have to extend a helping hand to help poorer countries in the South. South-South cooperation can take the form of some Southern countries united in assisting other Southern countries in implementing SAL programs to negotiate effectively with the IMF and WB. Joint ventures among Southern states in strategic industries like oil, transportation and agriculture, can further enhance the productive potential of countries involved, and increase trade.

The North should view South-South cooperation as an opportunity, not a threat. When the South becomes economically and politically developed, there is certainly a possibility of a spill over which will contribute to prosperity

and peace in the North. In conclusion, economic development in the South, depends on a more active role for the government in the economy of balancing domestic needs with internationally-imposed norms and ideas.

GLOSSARY

| | |
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| South | The Third World. The less-developed World in Africa, Asia and Latin America. |
| North | The developed World. The United States, Western Europe and Japan. |
| NWO | The New World Order. |
| IPE | International Political Economy. |
| GNP/GDP | Gross National Product/Gross Domestic Product. |
| IO | International Organizations. |
| UN | United Nations. |
| IMF | International Monetary Fund. |
| IBRD | International Bank for Reconstruction and Development or commonly referred to as The World Bank [WB]. |
| OAU | Organization of African Unity. |
| OAS | Organization of American States. |
| OPEC | Organization of Petroleum Exporting Countries. |
| SAL | Structural Adjustment Programs. |
| LDC | Less Developed Countries. |
| MNC | Multi-National Corporations. |
| DPG | Defense Planning Guidance. |
| FI | Foreign Investments. |
| PQLI | Physical Quality of Life Index. |
| Glasnost | Increasing access to information and political openness in the former Soviet Union during the Gorbachev Era that started in 1985. |
| Capitalism | Private ownership of capital that relies on market forces to govern the distribution of goods. |

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| Socialism | The idea that workers should have political power. Favors the redistribution of wealth toward workers. Favors governmental planning and advocates State ownership of capital. |
| Communism | The extraction of wealth toward the center. The political philosophy is Socialism. It is a form of political control of the economy rather than workers' control. Only a limited number of countries in the World can still be called a Communist State such as China, Cuba, Vietnam, and North Korea. |
| GATT | General Agreement on Tariffs and Trade. |
| FDI | Foreign Direct Investments. |
| Peripheral | The underdeveloped countries of the South. |
| Core | The developed countries of the North. |
| R&D | Research and Development. |
| EU | European Union. |
| NAFTA | North American Free Trade Agreement. |
| ASEAN | Asian Economic Trading Block. |
| GF | A group of countries that include the most powerful industrial nations in the World. Member countries are the US, Japan, Germany, France, UK, Italy and Canada. |
| SRE | State-Run Enterprises/Public Sector. |

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