

Liberal Economic Internationalism and Developing Countries of the Global South: critique from international law and international relations contexts

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Abstract

The subject of liberal economic international (LEI) discourse has incited a debate within the academic-circles with implication on policy. The debate appears largely to centre on two divergent viewpoints; while on one hand, scholars from developed global-north, summarily argue that LEI agenda will help to reduce the resource gap in the LDCs, by improving the trade imbalance and encouraging a net capital inflow, eradicate poverty and improve economic-development of underdeveloped states. On the other hand, scholars from developing countries, summarily posit that LEI movement is a dilemma of development in the global-south created by the Westerners, MNCs, and IFIs which pretends the development of the global-south, but really is a way to penetrate the states and economies of developing countries in order to influence, control, and restrict their decision-making and development policies to favour them. This paper examines LEI from international law and international relations contexts. It uses theoretical, interdisciplinary, and critical-analytical approach, with empirical evidence from developing countries. It argues that LEI is in principle a good international development agenda that would have benefited the developing poor nations if it has been conscientiously implemented, but as it has not, it failed and continues to fail the developing countries.

Key Words: International Law, International Relations, International Law & Development, Liberal Economic Internationalism, Developed Global North, Developing Global South.

Section 1: General Introduction

It was Anne-Marie Slaughter, a Harvard Law Schools Professor who states that international lawyers seeking to develop integrated theories of international law and international relations must take the 'Liberal critique' seriously.¹ Scot also highlights that literature relevant to the relationship between developing countries and international law is necessarily located in more than one discipline, and can be found principally in International Law, International Relations, and International History.²

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¹ Slaughter, A. International Law in a World of Liberal States, (1995a) *European Journal of International Law*, 503-538.

² Scot, S. 'International Law and Developing Countries', In Denmark R; & Farrell, T (ed.), (2010) *The International Studies Encyclopedia*, edn. 1st, Wiley Blackwell, Malsen, MA. He argues that scholars

This for example, involves examining the ways in which liberal assumptions conflict with assumptions underlying traditional international law,³ including those principles of international law that accords the member states that right to self independent and development such as the Principles of Free Choice of Economic System (i.e. the right of every State to freely choose its economic system).⁴ This right of States to freely choose its economic system, which introduced the Declaration of Principles of International Law concerning friendly relations and cooperation among States as a component of sovereign equality has been reiterated, restated and, further elaborated in several important international legal instruments.

For example, the Charter of Economic Rights and Duties of States in its Article 1 provides inter alia:

Every State has the sovereign and inalienable right to choose its economic system, as well as its political, social and cultural systems in accordance with the will of its people, without outside interference, coercion or threat in any form whatsoever.⁵

Most of the works that have been written on the broad subject area of liberal international order appear to identify three primary versions⁶ – the first is attributed to the ideas of Woodrow Wilson and liberals of Anglo-American towards the post-World War international settlement – this version is more of philosophical oriented due to the philosophical ideas behind it;⁷ the second is the Cold War liberal internationalism of the post-1945 decades – this version is more of political oriented

writing on any field of international law – whether human rights, international humanitarian law, or state responsibility – may on occasion address the contribution of developing countries to international law or the reception of international law in developing countries or the impact of any aspect of international law on developing countries, Ibid.

³ Slaughter, A. (1995a), *Supra*.

⁴ See Bedjaoui, M. *International Law: achievements and prospects* 'UNESCO'. (Martinus Nijhoff Publishers, Boston, London, 1991), p.599.

⁵ See the Charter of Economic Rights and Duties of States – General Assembly Resolution 3281 (XXIX) 1974, Article 1; see also Bedjaoui, M. (1991), *Supra*.

⁶ For writings on versions of LEI; particularly see Ikenberry, J. Liberal Internationalism 3.0: America and the Dilemmas of Liberal World Order, (2009) *Perspectives in Politics*, Vol. 7/No.1, 71; see also, Slaughter, A. Liberal International Relations Theory and International Economic Law, (1995b) *American University International Law Review*, Vol. 10, Issue 2; Ambrosius, L. *Wilsonianism: Woodrow Wilson and His Legacy in American Foreign Relations*, (New York: Palgrave 2002); Abbott, K. Modern International Relations Theory: A Prospectus for International Lawyers, (1998) *14 Yale J. Int'L* 335; and Deudney, D. and Ikenberry, J. The Nature and Sources' of Liberal International Order, (1999) *Review of International Studies* 25: 179-96.

⁷ Most importantly the philosophy of Wilson's progressivism is the hallmark of liberalism within this period, see Way, A., The Progressive Conservative, USA, (2005) *An Online Journal of Political Commentary & Analysis*, Vol. VII, Issue No. 125, June.

because of the two divergent political ideological views that shaped it;⁸ and the third version is a sort of post-hegemonic liberal internationalism that has not completely manifested and whose full shape and logic remain uncertain; this version is more of economic oriented in its approach due to the economic strategies it employs in order to achieve its hegemonic liberal control internationally.⁹

This last (i.e. third) version which has partly manifested as, and aligns to the liberal economic internationalism (LEI) is the concentration of this paper.

Section one, in addition to the above also covers briefly the historical antecedent of liberal economic international order, including consideration of liberal theoretical views and assumptions of liberal international legal order. Section two looks at international law, liberal economic internationalism and the global south; and section three dealt on liberal economic internationalism and international relations of the global south, before the conclusion. This paper sought to examine liberal economic internationalism from international law and international relations contexts. It uses theoretical, interdisciplinary, and critical analytical approach with empirical evidence from developing countries. It argues that liberal economic internationalisation (LEI) is in principle a good international development agenda that would have benefited the developing poor nations of the global south if it has been conscientiously implemented, but as it has not, it failed and continues to fail the developing countries of the global south.

1.1: Brief historical antecedent of liberal economic international order (LIEO)

Immediately after the Second World War the United States sought to create a new liberal international economic order (LIEO); an effort attributed partly as a response to its own individualistic or isolationist behaviour in the inter-war years, which had contributed to international economic disharmony and the destruction of the first

⁸ The liberal internationalism of the post 1945 era was influenced by the political ideological wars between the West and the East; see Doyle, M. *Liberal Internationalism, Peace, War and Democracy* (2013) Nobelprize.org at http://www.nobelprize.org/nobel_prizes/themes/peace/doyle/ (28/4/2015).

⁹ This could be seen in the economic strategies adopted to coerce or rather integrate the developing countries into the liberal internationalism of this period; see also Ikenberry, J. (2009), *Supra*.

LIEO set-up by the British in the 19th century.¹⁰ Though, there were crucial distinctions in the mechanisms or tools employed by the USA and the British that is, the two imperial powers in creating their LIEOs, certain features were identified. The 19th century LIEO was fashioned or hinged on five factors: free trade, laissez faire, the gold standard and free mobility of capital, free labour mobility, and international property rights. In the interwar years this LIEO unravelled. This was primarily because of the imposition of the Smoot-Hawley tariff by the United States that marked the end of free trade, which was the major characteristic of the British LIEO. Then emerge the promulgation of the Blue Sky laws, which banned U.S. banks from lending to foreign governments and the collapse of the gold standard into a whole host of unstable interventions in the payments regime that subsequently ended the free mobility of capital. The rise of welfare states ended free labour mobility, and immigration controls became common and tighter as welfare states created property rights in citizenship — with a citizen having the right to reach out to the pockets of his fellow citizens.¹¹

The international legal order, which was as a result of hard work put together by a series of treaties in the 19th century, broke-down with the rise of the Bolsheviks in Russia and Kemal Attaturk in Turkey, who discredited and breached any international property rights in the name of national sovereignty. Laissez faire became a victim to the growing dirigisme in Europe at the turn of the 19th century and in the United States with Roosevelt's 'New Deal'.¹²

After the Second World War, at Bretton Woods, the United States tried to resuscitate three of the pillars on which the 19th century LIEO had been built: free trade, the gold standard, and free capital mobility. But, whereas the British Empire had fostered these by example, treaties, and direct and indirect imperialism, the United States instead created trans-national institutions: the General Agreement on Tariffs and Trade

¹⁰ A succinct, but precise account of the historical development of Liberal International Economic Order could be seen from the work of, Lal, D., *The Threat to Economic Liberty from International Organisation* (2005) *Cato Journal*, Vol. 25, No.3. Fall.

¹¹ See Lal, D. (2005), *Ibid*

¹² The New Deal was a series of domestic economic programmes enacted in the United States between 1933 and 1936; this involved laws passed by Congress and President and was in response to the great depression. It focuses on what economic historians' term as the '3 Rs' – Relief, Recovery and Reform. See Berkin, et al, *Making America*, Vol. 2, *A History of the United States: Since 1865*, (Cengage Learning 2011), 629-32.

(GATT) followed by the World Trade Organization (WTO), the International Monetary Fund (IMF), and the World Bank. But, there was no hope of resurrecting free mobility of labour with the spread of welfare states in all the industrialized countries, or of restoring laissez faire with the ensuing expansion of the state. Likewise, with the explosion of economic nationalism in the Third World due to the large economic wide-gap between the later and the Western World, aided and abetted by the U.S. Wilsonian anti-imperialist moralism that also scuttled the ill-fated Suez adventure of the British and the French in 1956 to prevent Nasser's nationalization of the Suez Canal. There was no way in which the new nation states could be thwarted in the assertion of their national sovereignty against any purported international property rights.¹³

Indeed, what later emerged was the use of international financial institutions (IFIs) and economic policies which the IFIs propose to penetrate into the economy of developing countries of the global south in order to propagate the principle of liberal economic international order. The rationale behind this is that these IFIs and economic policies will help reduce the resource gap in the Less Developed Countries (LDCs) of the global south, by improving the trade imbalance and encouraging a net capital inflow, eradicate poverty and improve economic development of underdeveloped states, reduce conflict and entrench peace.

1.2: Liberal theoretical overview and assumptions of liberal international legal order

Liberalism and realism emerges from distinct belief that is fundamental within the international system; this was based on their perceived expectations on the identity of major playing-actors within the international system, the existing relations of those players to State institutions, and the inter-relationships among the States.¹⁴ In the early part of the 20th century, liberal order was viewed in the context of independence of State and the building of an international legal order that strengthened norms and regulations behind non intervention and sovereignty of State. In the early part of the 21st century, the perception of liberal order changed. It became an expanding order

¹³ See Lal, Deepak (2005), Ibid.

¹⁴ Slaughter, A. Liberal International Relations Theory and International Economic Law (1995b) *American University International Law Review* Vol. 10 Issues 2, Article 5.

notable for its progressively extensive, intricate and complicated arrangements of international cooperation that deteriorate that already existing sovereignty of State and redistribute on a global level the sources and basis of political authority.¹⁵

The primary distinctive aspect of liberal international relations theory is that it allows a kind of unacceptable distinction among different types of States based on their existing domestic political set-up and ideological orientation. A number of evidence suggests distinctive quality of relations among liberal democracies, including those attempted to explain the established empirical phenomenon that liberal democracies hardly go to war with one another.¹⁶ As argued, the United States was the major champion of the liberal international project in the 21st century; though, that in different stages, their specific roles within the order has differed. It is clear that the ways in which America's pre-eminent geographical position has simultaneously facilitated and impeded the operation of an open, rule-based liberal order is a critical aspect shaping the character and logic of liberal order itself.¹⁷

The championing of liberal international order by the USA created and hastened the very idea of a division between liberal and non-liberal States that proved distasteful to many. This may be highlighted by the recall of the 19th century distinctions between civilized and uncivilized States, which was encapsulated in the rhetoric of Western political values and institutions. Such distinctions summon images of an exclusive clique created by the powerful to justify their dominion over the weak.¹⁸

The liberal assumptions and imaginations are plethora or could be said to be vast, and their set-ups, designs, and contrivances for liberal international order are equally, uniquely extraordinary and broad-ranging. Liberal internationalism at its most basic platform, presents an enticing vision and mission of open and unbiased rule-based approach in the international system in which states engage in trade relations and

¹⁵ Ikenberry, J. (2009), *Supra*

¹⁶ See Schleicher, D. Liberal International Law Theory and the United Nations Mission in Kosovo: Ideas and Practice, (2006) *Tulane Journal of International & Comparative Law*, Vol. 14, No. 2. See also Ikenberry, J. (2009); Slaughter, A (1995a).

¹⁷ Ikenberry, J. (2009), *Supra*.

¹⁸ See Gainsborough, M. *Liberal Internationalism and the Global North: the Case of Britain's Inner Cities* (2012) SPAIS Working Paper No. 11-11 University of Bristol.

cooperation in order to actualise mutual benefits.¹⁹ Another assumption of the liberals is that the major and primary actors in the international system are individuals and groups acting in domestic arena and international civil society.²⁰ That is to say, whereas the realists recognises the primacy and overwhelming character of State power, the liberals emphasis on the manners in which cooperation and interrelationships among individuals and groups provide a platform for exerting pressures on national government within the global system.²¹

It is also the assumption of the liberals that the masses and governments have deep-rooted common interest in the establishment of a cooperative and united world built around principles of restraint, reciprocity, and sovereign equality.²² There is a great level of optimistic assumption encircling liberal internationalism on the possibility of States to surmount challenges and relate cooperatively to overcome security issues and dilemmas, work collectively, and create an open and stable system and peaceful global society.²³ The liberals also assume that the nature, character and forcefulness of State preferences is driven by the aggregation of the desires or choices of individual and group actors represented in a particular State, usually influence and determine the outcome of State interactions. Therefore, whereas the realist approach of strategic direction and reaction is centred on fixed State preferences; liberals aims to pursue, establish, and maintain the nature, character and strength of those preferences as a function of the interests and purposes of domestic and global actors in the international system.²⁴

There is also an optimistic assumption that powerful states will act with restraint in the exercise of their power and find ways to credibly convey commitments to other states. Across the decades, liberal internationalists have shared the view that trade and exchange have a modernizing and civilizing effect on states, undercutting illiberal

¹⁹ Ikenberry, J. (2009), *Supra*.

²⁰ See Moravesik, A. *Liberalism and International Relations Theory*, (1992) Center for International Affairs Working Paper, Harvard University.

²¹ See Mead, W. *Liberal Internationalism: The Twilight of a Dream* (2010), posted in American History, Anglo-American Project, Energy & Environment Essay, U.S. Foreign Policy at www.theamerican-interest.com (02/12/2013).

²² Ikenberry, J. (2009), *Supra*.

²³ See Pattnaik, J. Critique of Neo-liberal Development and Alternative, (2008) *Mainstream Vol. XLVI No. 26*.

²⁴ Slaughter, A. (1995), *Supra*.

tendencies and strengthening the fabric of international community.²⁵ Liberal internationalists also share the view that democracies are—in contrast to autocratic and authoritarian States—particularly able and willing to operate within a open, rule-based international system and to cooperate for mutual gain. Likewise, liberal internationalists have shared the view that institutions and rules established between States facilitate and reinforce cooperation and collective problem solving.

Liberals equally assume that the State interacts with individuals, groups and governments as actors in the international system in an intricate pattern of both representation and regulation. Governments are assumed to represent some subset of individual and group actors. The fact and process of representation, however, entails regulation of the activities of all social actors, both those represented and those that are not represented.²⁶ The general assumption is that the liberals are generally optimistic about human progress, cooperation and peace. Most of these views and assumptions have actually been criticized. It has been argued that human nature is violent and everyone, including those States that champion the liberal economic international movement are self-centred pursuing their own interests. Everyone and every State are political.²⁷

Section 2: International law, liberal economic internationalism and the global south

Notwithstanding these philosophical principles and theoretical views underlining liberalism and, assumptions of liberal economic internationalism; there has never been a time when economic progress in developing countries of the global south through the much popular international economic liberal movement has been taken seriously.²⁸ Rather the movement, including the liberal economic policies that

²⁵ See Doyle, M. Kant, liberal legacies, and foreign affairs. (1983) *Philosophy and Public Affairs* 12: 205–35, 323–53.

²⁶ Slaughter, A. (1995), *Supra*.

²⁷ See Mead, W. *Liberal Internationalism: The Twilight of a Dream* (2010), posted in American History, Anglo-American Project, Energy & Environment Essay, U.S. Foreign Policy at www.the-american-interest.com (02/12/2013). Also, international organizations have failed to safeguard the interests of militarily weak countries such Iraq. States like Kashmir and Palestine are denied justice since long. The increasing complexity of international life combined with the world's cultural differences make global institutions less and less useful for handling international business as nobody likes the idea of having global institutions interfere with one's local or domestic affairs (e.g., Libya); see Tariq, W. *A Critique of Liberal Internationalism* (2011) at <http://www.youthkiawaaz.com/2011/02/critique-liberal-internationalism/> (30/11/2013).

²⁸ The forcefulness which the developed countries in Europe employed in tackling the Euro-zone crisis and financial, political and moral support accorded to countries such as Italy and Greece cannot be

influence international economic law regime is championed and controlled by the Western countries through the auspices of international financial institutions, which initiate and implement liberal economic policies and actions that continue the underdevelopment of the developing countries of the global south.²⁹ Since the third world States were assumed not to have personality in international law, their interest ab initio has continued to suffer because they did not have a role to play in shaping the norms of the earlier international legal order, which to a great extent has been influencing the present international legal order, particularly in the realm of economic liberalisation of the third world states.³⁰ In this context, liberal economic international order has been one key instrument used to manipulate the meaning of sovereign States by reallocating the hitherto sovereign economic powers of developing States to international financial institutions. This to a large extent limits the possibilities of these States to pursue independent, meaningful and self-reliant economic development.³¹ As Sornarajah argues, ‘the espousal of economic liberalism by the World Bank, the IMF and the WTO ensure that these institutions will not favour collective rights such as the right to development’.³²

The liberal economic international agenda is one of the major powerful policies pursued by the Westerners through the auspices of the international financial institutions and multinational corporations, in order to continue maintaining the subjugation and control of developing countries.³³ The Western justification for the liberal economic international agenda is that it will help: to reduce the resource gap in

compared with the lacklustre attitudes or attention being given to poverty, underdevelopment and other crises confronting developing countries of the global south. It can be argued that if poverty were terrorism, the Western rich countries would have eliminated it three-fold or completely or to the barest level. The amounts of resources and energy being devoted to the war against terrorism in the last 10 years have been tremendous. In fact, scholars and practitioners argue that the resources, which suppose to be for development aids were diverted from the war on poverty, and was instead channeled towards the war on terrorism; See for example, Tadjbakhsh, S. in the presentation of the 2005 *Human Security Report: War and Peace in the 21st Century* – Human Security Centre, The University of British Columbia, available at <http://www.peacecenter.sciences-po.fr/conflicts-ip-st.htm> (12/10/2013), and SIPRI statistics in 2001.

²⁹ See Ikejiaku, B. Africa Debt Crisis and the IMF with a Case of Nigeria: towards theoretical explanations, (2008) *Canadian Journal of Politics & Law*, Vol. 1 No. 4

³⁰ See Gathii, J. International Law and Eurocentricity (1996) *European Journal of International Law*, Vol 9, 184-211.

³¹ Chimni, B. (2006), Third World Approaches to International Law: A Manifesto *International Community Law Review*, 8: 3-7, 3.

³² Sornarajah, M. *Power and Justice: Third World Resistance in International Law* (Singapore Year Book of International Law, 2006), 19-57.

³³ See Ikejiaku, B. International Law is Western Made Global Law: the perception of third world category, *African Journal of Legal Studies*, In press (forthcoming).

the Less Developed Countries (LDCs), by improving the trade balance and encouraging a net capital inflow,³⁴ and to eradicate poverty and improve economic development of underdeveloped states.³⁵ Thus, the growing importance of international organisations such as the G7, IMF and World Bank is indicative of the influence of liberal economic internationalism in the post-Cold War period.³⁶ Hence, the granting of aid and loan to the poorer communities, as a means for the elimination of hunger and disease in the developing countries of the global south become the primary aim which these institutions based their activities. However, it has been critically argued that these institutions – from the UN and its development agencies to the World Bank and the International Monetary Fund, have resolutely placed their faith in the emancipatory qualities of western modernity and progress. Moreover, they have displayed a distinctly liberal capitalist bias towards the role of the State in the economy: “the third World States were not expected to intervene in the economy to the prejudice of First World economic interest”.³⁷

However, argument has been put-forward that, events in the developing world provide us with some critical reasons why attempts made in redressing the situation (of transparent inequality between the Westerners and Third World as a result of exploitations and injustices by the later) through the encouragement of increased foreign borrowing made possible by the liberal economic international policies have

³⁴ Biersteker, T. *Dealing with Debt: International Financial Negotiation and Adjustment Bargaining* (Oxford: Westview Press, 1993).

³⁵ Sornarajah, M. (2006), *Supra*. As argued above (see *Note 27*), in spite of the liberal assumptions, the human nature is violent and everyone, including those States that champion the liberal economic international movement are self-centered pursuing their own interests. Everyone and every State are political; for example, the current immigration policy in the UK being implemented by the Conservative government which is aimed at reducing the numbers of immigrants by all means. Most of these immigrants work hard in the UK in order to help reduce the poverty levels in their various countries by sending hard currencies home. Poverty cannot be reduced in developing countries with a policy of this nature. During the period of dislocation in the capitalist economic expansion in Europe, some of the European countries sought expansion externally by force through colonising most of the developing countries where, according to TWAIL scholars they acquired extensive wealth through ‘exploitation of third world countries’ – See for example, Anand, R. *International Law and Developing Countries: Confrontation or Cooperation*: Dordrecht (Kluwer, 1987); Anghie, A. *Imperialism, Sovereignty and the Making of International Law*. (Cambridge: Cambridge University Press, 2004); Chimni, B. “International Institutions Today: An Imperial Global State in the Making” (2004) *15 E.J.I.L. 1*; and Rajagopal, B. *International Law from Below: Development, Social Movements and Third World Resistance*. (Cambridge: Cambridge University Press, 2003). The West is expected to reciprocate this gesture by putting up policies that favour poor developing countries.

³⁶ Biersteker, T. (1993), *Supra*.

³⁷ See Rajagopal, B. *International Law From Below: Development, Social Movement and Third World Resistance*, (Cambridge University Press 2003), p.35; see also Review by John Renolds, *The Palestine Yearbook of International Law*, (2009) Vol. XV, 434.

contributed to the problem of debt crisis in the third world by increasing the resource gap even further.³⁸

These powerful transnational bodies which embody free trade liberalism as their governing ideology, however, impose free market strictures on developing societies. Since they are the primary organisations which formalise and institutionalise market relationships, including the international economic legal norms guiding States; they tied and lock peripheral states into involuntary agreements which force them to lower their protective barriers (GATT and NAFTA for instance), thereby preventing developing countries of the global south from developing trade profiles which diverge from the model dictated by their supposed 'comparative advantage'.³⁹

Good evidence is the nature of obligation accorded to the adoption of the agreements comprising the Final Act of the Uruguay Round of Trade Negotiations that lacked transparency. There is a clear suggestion that developing countries of the global south gained little or virtually nothing from the Uruguay Round agreements.⁴⁰ The IMF and the World Bank being guided by the ideas of liberal economic internationalism make the provision of finance (or more accurately design 'debt') to the developing societies conditional on their unilateral acceptance of free market rules for their economies, the conditionality of the so called - structural adjustment programme 'SAP' in many third world countries.⁴¹ For example in Africa SAP failed the majority of Nigeria; particularly it brought mass unemployment.⁴² Kenya also continues to express its displeasure at the IMF and the World Bank for forcing these policy changes on it.⁴³ In the early 1980s, Uganda was rocked by weeks of demonstrations, as industrial workers and students took to the streets to denounce President Milton Obote's IMF-imposed economic programme and in 1990, Matthew Kerokou of the Benin Republic in West Africa was removed from power following a wave of anti-SAP riots.⁴⁴

³⁸ See Ikejiaku, B. (2008) *Supra*.

³⁹ Scot, B et al. *Theories of International Relations* (London: Macmillan Press Ltd, 1996).

⁴⁰ Chimni, B. (2006), *supra*.

⁴¹ See Onimode, B. *The IMF, the World Bank and the African Debt, the Economic Impact* (London: Zed Books Publication, 1989).

⁴² African Forum on Network and Development, *Nigeria: Foreign Debts Stolen Wealth, IFIs and The West, A Case Study* (AFRODAD, 2007).

⁴³ Wayande, P. *State Driven Conflict in the Horn of Africa* (USAID, 1997).

⁴⁴ Dare, S. *A Continent in Crisis, Africa and Globalisation* (Dollars and Sense Magazine, 2001) July/August; see also Ikejiaku, B. (*forthcoming*), *Supra*.

It is therefore not surprising and understandable while notable scholars, such as Sachs is critical about these financial institutions and thus, lambastes the IMF and World Bank for imposing draconian budgets to support SAP, which had: ‘little scientific merit and produced even fewer results’⁴⁵ It could rightly be argued that it is no coincidence that government that continued to operate quite well (e.g. Botswana) never had to subject themselves to the painful cure of SAP.⁴⁶ The poor countries are therefore, constantly de-capitalised and their economies remain largely upon decision made by Westerners in New York, London, Paris and other metropolitan centres, and implemented through the international institutions that operate and function under the philosophical tenets of liberal economic internationalism.⁴⁷ As Chimni totally agrees, ‘the economic and political independence of the third world is being undermined by policies and laws dictated by the first world and the international institutions it controls’.⁴⁸

The activities of these financial institutions guided by the norms of liberal economic internationalisation were more or less to maintain the nature of neo-colonialism in the poor developing societies.⁴⁹ This view becomes glaring when it is understood that the IMF was initially a pure European establishment. During the first period of its existence, the IMF gave the impression of certain efficiency as it helped to re-establish the convertibility of European Currencies (1948-1957); then helped European economies adjust (1958-1966). From 1967 on however, the fund failed to maintain stability despite the creation of Special Drawing Rights (SDRS); parity adjustments were numerous after this date: devaluation of the Pound and the Franc, revaluation of the Mark and the Yen, floating of the price of gold etc. The adoption of the General system of floating currencies in 1973 may be considered to mark the end of the Breton Wood’s mandate. At a point, the continued existence of the IMF was called into question. The institution survived by taking new functions: Management of unilateral structural adjustment in developing countries of the global south, and, from

⁴⁵ Sachs, J. *The End of Poverty: How can we make it happen in our life* (Penguin, 2005) 198.

⁴⁶ Hyden, G. Hastings W.O. Okoth-Ogendo & Bamidele Olowu eds. *African Perspective on Governance* (Trento, NJ: Africa World Press, 2000).

⁴⁷ Hosti, K. *International Politics: A Framework for analysis* (New Jersey: Princeton International inc, 1995).

⁴⁸ Chimni, B. (2006) *supra*, 3.

⁴⁹ Okafor, C. *Neo-Democracy and Poverty Management in Africa* (Awka: Mercury Bright Press, 2004).

the end of the 1980s, intervention in many developing countries with the goal of ensuring the re-incorporation of these countries into the international monetary system using the mechanism of liberal economic international policies.⁵⁰

Imperatively, and drawing from the above revelations, one might be tempted to ask why an institution (IMF) which once failed to deliver in Europe was drafted to take the lead in the economic recovery of Africa and other developing world? Surprisingly, and as if oblivious of the question of incompetence on the part of the IMF, the Western governments moved to implement the recommendations of the institution by granting of loans/aids to any third world countries that follows the IMF's economic liberalization policies.

Section 3: Liberal economic internationalism and international relations of the global south

The liberal economic international movement has been introduced and professed in the global south from distinct fashion. Due to the internationalisation of global market, the dilemma of development in developing countries is created by Multinational Corporations (MNCs) and International Financial Institutions (IFIs) that implement the philosophies behind the LIEO. Just as Sornarajah argues, 'the espousal of economic liberalism by the World Bank, the IMF and the WTO ensure that these institutions will not favour collective rights such as the right to development'.⁵¹ Through the investment of Multinational Corporations in developing countries, not only can developed countries penetrate the state and society of developing countries, but they also influence, control and restrict the decision-making and development policies of them.⁵² There is further submission that these financial institutions working in line with the liberal economic international guidelines or policies created an easy or sophisticated means through which corrupt leaders in developing countries can use to stash their nations' wealth into tax havens; therefore, worsening the debt

⁵⁰ Amin, S. 'Fifty Years is Enough (Part1)' South African Political and Economic Monthly (SAPEM) Zimbabwe (1994) *SAPEM Trust. Vol. 8 No 2* Nov.

⁵¹ Sornarajah, M. (2006), *Supra*, 40.

⁵² Cardoso, Fernando Henrique and Enzo Felatto, (1979), *Dependency and Development in Latin America*, University of California Press: Berkeley.

crisis, and deepening the level of absolute poverty (scholars agree that this is one of the major criticism against liberal economic movement in the developing regions).⁵³

A critical analysis of liberal economic international movements in developing countries of the global south suggests that what is really taking place in developing countries is underdevelopment rather than development. The implication is that the underdevelopment of the countries in the periphery is the result of the manner of their integration of the world economic system; according to Sandbrook the historical incorporation of dependent territories into a global division of labour entailed a tendency toward economic stagnation in the colonies and neo-colonies.⁵⁴ Onimode argues 'sustained economic development in the periphery is incompatible with the international capitalist system.'⁵⁵ Hence, to the ruling class of North America, Western Europe and Japan, the drive for development in the satellite (periphery) countries appears profoundly subversive of the prevailing system of international domination; therefore, it has to be 'blocked, bribed or broken in order to preserve the exploitative capitalist system'.⁵⁶ Liberal economic international movement in the developing countries of the global south is one of the key instruments employed by the developed Western world through the auspices of international financial institutions to propel and maintain this exploitative and domination tendencies.

Accordingly, liberal economic internationalism pre-supposes that development can only be understood 'in connection with its historic insertion into the worldwide

⁵³ For example see, Guindja, P. and Christensen, J. 'The Africa Question: Where Do All the Profits Go?', (2005) *Tax Justice Focus*, vol. 1, No. 1, Spring edition; Christensen, J. *Africa's Bane: Tax Havens, Capital Flight and the Corruption Interface* (2009) Documento De Trabajo Working Paper, Real Instituto Elcano; Boyce, J. and Ndikumana, L. 'Africa's Debt: Who Owes Whom?', in G.A. Epstein, *Capital Flight and Capital Controls in Developing Countries*, (Edward Elgar, Cheltenham 2005); Azmi, R. *Thinking Aloud: Profligacy, corruption and debt*, (2005) Daily Times: Pakistan February, 10 2005. Hampton, M. *The Offshore Interface: Tax Havens in the Global Economy*, (Macmillan, 1997). Holsti, K. *International Politics: A Framework for Analysis*, (Princeton International Inc: New Jersey 1995).

⁵⁴ Sandbrook, R (1982), *The Politics of Basic Needs*, Heinemann: London pp.33-34; note, though developing is different from underdevelopment, but for the purpose of understanding the development stages of the developing countries, the history or knowledge of what caused their underdevelopment becomes relevant, since all these countries in the past have poor economies and were underdeveloped, and presently, still have some characteristics of underdevelopment.

⁵⁵ This is because the wealthy become more isolated from the poor with sustained underdevelopment of the later, and they gained disproportionately from imperialistic practices, this also minimized the domestic peasant revolts and rebellions by the poor when the exploitation was internal before the establishment of global trade in the nineteenth century.

⁵⁶ Onimode, B. (1981), 'Imperialism and Nigeria Development', in Nnoli, O (1981), (ed.) *Path to Nigeria Development*, Zed Press: California p.76

political-economic system, which emerged or introduced with the wave of European colonisation of the world. This global system is thought to be characterized by the unequal but combined development of its different components.⁵⁷ In fact, once the imperialist rich nations establish formal control, it could not be easily removed, as they introduce new and innovative control instrument (e.g., liberal economic international movement) to replace the pre-existing dysfunctional ones (such as colonialism, imperialism and neo-colonialism). This control ensures that all profits in less developed countries are remitted to the developed nations by using certain established mechanisms, preventing domestic reinvestment, causing capital flight, impacting on poverty and thus hindering growth in developing countries of the global south.

Furtado has once called this a method of harnessing economic activities in the poor countries to the dictates of the prosperous countries, the structural elements of monopoly capitalism, which ultimately lead directly to deficit balance of trade and balance of payment for the less developed countries, such as some countries in Africa, Asia and Latin America.⁵⁸ This economic situation agrees with Theotonio dos Santos definition of dependency as ‘a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected’, the international hegemony or developed countries tend to have negative impacts on the underdeveloped countries, such as poverty and social disorder.⁵⁹

In addition Cardoso and Falleto propose an alternative interpretation to developing countries’ dependency from the perspective of international economy which is similar to the perspective of the liberal economic internationalism. As argued, due to the internationalisation of global market, the dilemma of development in developing countries is created by Multinational Corporations (MNCs) and International Financial Institutions (IFIs). Through the investment of Multinational Corporations in developing countries, not only can developed countries penetrate the state and society of developing countries, but they also influence, control and restrict the decision-

⁵⁷ Valenzuela, J. and Arturo Valenzuela (1978), op cit, p.544.

⁵⁸ See Furtado, C. *Development and Underdevelopment; Diagnosis of the Brazilian Crisis*, (Claredon Press: Berkeley and Los Angeles 1965).

⁵⁹ Dos Santos, cited in Seligson and Passe-Smith (2003), op cit, p.231.

making and development policies of them.⁶⁰ It can also be submitted that these financial institutions guided under the liberal economic internationalism created an easy or sophisticated means through which corrupt leaders in developing countries can use to stash their nations' wealth into tax havens; therefore, worsening the economic crises in developing countries of the global south, such as debt crisis and deepening level of absolute poverty. It is documented that the developed world contributed in Africa's capital flight, 'The poor countries are constantly de-capitalised and their economies remain largely upon decision made in New York, London, Paris and other metropolitan centres'⁶¹; for example, Zarian Mobutu, Abacha and Babangida in Nigeria have a record of embezzlement of more than \$5billion each and Kenyan Arap Moi \$1billion.⁶² Therefore, the reason why underdeveloped countries cannot develop and subsequently immersed in poverty is that they are subjected to the structure of the international political-economic system; and they are constrained by imbalanced relations dominated by advanced industrialised countries and their multinational (MNCs) cohorts which have applied the policies of liberal economic internationalism. In addition to the structure of the global political-economic system, there is an implication here that corruption by African leaders who have been immersed into the liberal economic international prescriptions affects the economy of African states.

International Development Forum informs us that the annual expenditure on health in the poorest countries average less than \$5 per person. In wealthier countries such as USA, Canada etc. health expenditure average \$400 per person.⁶³ This is because the poor are either entirely unemployed or underemployed. The situation is contrary to the decades before the liberal economic international movement reforms were introduced, and as the 1997 IMF Report has confirmed. According to it, in the decade prior to 1985, many third world countries in East Asia, South Asia and sub-Saharan Africa experienced annual growth rates of employment in excess of 5 percent with

⁶⁰ Cardoso, F. and Enzo F., *Dependency and Development in Latin America*, (University of California Press: Berkeley 1979).

⁶¹ Holsti K., *International Politics: A Framework for Analysis*, (Prentice Hall International, Inc: New Jersey 1995), p. 11

⁶² Azani, Razi. *Profligacy, corruption and debt*, (Daily Times: Pakistan February, 10 2005).

⁶³ Onimode, B. eds. *The IMF, the World Bank and the African Debt*, The Economic Impact (London: Zed Books Publication Ltd, 1989).

some as high as 10 percent per annum.⁶⁴ Again, the loans and aid administration from the developed to underdeveloped third world States remain economically retrospective. On this perspective, it can be pointedly contended that, one of the biggest stumbling blocks to developing countries development in modern times was the external debt crisis that accrued as a result of the manipulation of the global economic system by the international financial institutions. This is clear in a forward on Anighie's work:

The newly independent states...fought to develop new rules, even a new international economic order. But in the event the Bretton Woods Institutions triumphed, imposing their own view of development and a certain set of structures of governance on half the world's population and a majority of its governments. The outcome has been, on the whole, increased indebtedness and new forms of dependence.⁶⁵

Conclusion

The paper examines liberal economic internationalism from international law and international relations contexts. It argues that liberal economic internationalisation (LEI) is in principle a good international development agenda that would have benefited the developing poor nations of the global south if it has been conscientiously implemented, but as it has not, it failed and continues to fail the developing countries of the global south.

The paper finds that most of the views of the liberals and assumptions of liberal economic internationalism have actually faced serious criticism. This is because the human nature is violent and everyone, including those States that champion the liberal economic international movement are self-centred pursuing their own interests; and everyone and every State are political.

The paper finds that liberal economic international order has been one key agenda used to reshape the meaning of sovereign States by reapportioning the prior sovereign economic powers of developing States to international financial institutions; with the

⁶⁴ Ibid

⁶⁵ See Forward by James Crawford of the Lauterpacht Centre for International Law Cambridge University, on Antony Anighie's book, *Imperialism, Sovereignty and the Making of International Law* (Cambridge: Cambridge University Press, 2004).

implication of limiting the possibilities of these States to pursue independent, meaningful and self-reliant economic development.

The paper also finds that liberal economic international movement has contributed in the poverty, corruption, indebtedness and other crises that confront developing countries of the global south. This is by using IFIs to impose their own view of development and a certain set of structures of governance on developing countries.

The paper concludes that liberal economic international agenda was not honestly and effectively implemented, rather, it was a movement fashioned or conceived under self-interest.

Economic liberalism in the context of international relations means free trade and the free movement of capital and labor across borders. With respect to political liberalism, it depends on whether you mean libertarian liberals (who would be economic liberals) or nanny liberals (who would try to protect domestic workers and companies against foreign competition). Liberal International Relations Theory and International Economic Law. American University International Law Review. Volume 10 | Issue 2. 1995. Liberal International Relations Theory and International Economic Law. Anne-Marie Slaughter. Article 5.Â increasing international cooperation, resolving international conflict, preserving common resources, or advancing global prosperity. Altering. positive assumptions about who the principal actors are in the interna-tional system and about the motives that drive them gives rise to differ-ent causal statements about the source of particular problems.Â 18. See Anne-Marie Burley, Law Among Liberal States: Liberal Internationalism and the Act of State Doctrine, 92 COLUM. L. REv. The relationship between liberal internationalism and imperialism is complex. Some internationalists (including Mill) supported the idea that enlightenment could be exported to "backward" countries. However, many of the most-prominent liberal internationalists (including Spencer) were ardent critics of imperialism. Today, a common criticism of liberal internationalism is that it is a veiled form of Western imperialism.Â In the interwar period, internationalists focused on defending and then reforming the League of Nations and developing international law. World War II dealt a further blow to their ambitions, although the postwar fortunes of internationalism are mixed.