

QUESTION #4

What do you understand by the term International Political Economy? How it promotes economic dependency in the developing states?

ANSWER #4

"World has changed from Vertical command and Control to horizontal connect and Collaborate" - Thomas Friedman

INTERNATIONAL POLITICAL ECONOMY

Definition:

The term "International Political Economy" refers to the notion of intricacy between politics and economy. It gives us the intersectional dimensions of both politics and economy, and tells us how the mentioned intricacy gives birth to the North-South divide.

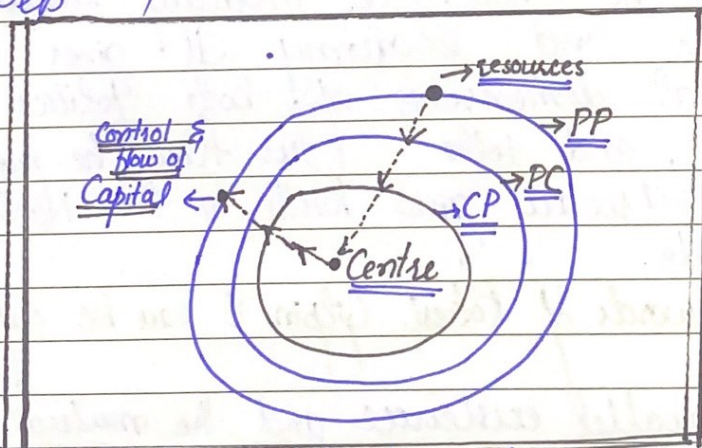
In the words of Robert Gilpin it can be defined as:

"The parallel existence and the mutual interaction of a state and the market in the modern world creates political economy"

PROMOTING ECONOMIC DEPENDENCY IN THE DEVELOPING STATES

Dependency Theory :

Raul Prebisch, in 1949, published a paper after observing the key economic trade and their traits between developing and developed countries. A careful observation result by Raul Prebisch concluded that there is a "division of labour" and "division of industries" between the developed and the developing world. According to Prebisch, this division gives birth to the key economic traits of the states on the Global map. The concept illustrated as a spider web



As the above illustration elucidates, there are 4 types of states. Those states are termed as

Periphery of the Periphery → States providing the resources and raw materials.

Periphery of the Centre → States with partial or basic manufacturing capabilities.

Centre of the Periphery → Advanced level manufacturing

Centre of the Centre → Providing services and packaging

Thus, according to Prebisch, the resources flow from bottom to top - Periphery to the centre - while the control of capital and its flow goes all backward - from the Centre to the Periphery - making the Peripheries dependant on the Centre and the Centre of the Periphery for the earnings.

Furthermore, the scholar emphasizes that the world economic order is built consciously in a way to keep the Peripheries as Peripheries and to keep dominating them, in order for the Centre to be the sole dominating power. Therefore, Paul Prebisch's Dependency Theory of "Neo-Neo Imperialism" proves that the International Political economy system serves as the basis of the North-South divide.

World Economic Institutions And the deepening dependency :

United states of America serves as the centre of the Centre in the proposed model of Raul Prebisch. US funds the largest amount to IMF and other economic institutions such as World bank, and therefore, controls the outflow of money towards the Peripheries such as Congo, Sudan, Ethiopia, Bangladesh, which are majorly dependent on these institutions.

Peripheries of the Centres such as Brazil, India and others, perform the basic manufacturing and move the resources semi furnished to the Centre of the Peripheries; Germany, Japan etc. This intricate web of dependency, thus, deepens overtime tightening the suffocation around the neck of the developing ~~and~~ states.

The developing states, if ought to, jump out of the vicious dependency trap, are then bottled through another intricate web, according to Raul Prebisch. The scholar explains that a capitalist class in each of the developing and developed state share harmonization in their interests. The Capitalist class in each developing state, therefore, serves

as a tool to keep the dependency of the state alive while at the same time ensuring the satisfaction of the Capitalist class and their interests.

ASIAN TIGERS AND THE HOPE OF FREEDOM FOR THE DEVELOPING COUNTRIES

The question of emerging out of the dependency trap is addressed by the Asian Tigers; Turkiye, Singapore, China, Indonesia, Malaysia etc, through exemplification. The said ~~are~~ states emerged out of dependency during their struggle against neo-neo imperialism in the era of Cold war. Some scholars suggest that it could only take place due to the super power busy in the ideological warfare.

However, the Asian Tigers still serve as a hope for states like Pakistan to lessen the dependency on IMF by pursuing the necessary structural and economic reforms. For a state, to come out of the discussed dependency, Political will is the first and the foremost tool to adopt.

CONCLUSION:

International Political Economy being the indicay between Politics and Economy, thus, serves as a tool for the Global Powers to keep the developing states in their control. Paul Robusch in his proposed model of Economic dependency, therefore, explains the process and the methods used to suppress and control Capital flow. However, Asian Tigers serve as an outstanding example of emergence out of the dependency web, through economic structural and political reforms.