

ECONOMIC LIB IMPERIALISM: FACT OR FICTION?

OUTLINE

1- Introduction

- Economic imperialism refers to the de facto lack of economic control and coercion by bigger global powers for self benefit.
- There are multiple tools of economic coercion in the contemporary world
- Economic imperialism persists in the world through trade dependency and institutions

2- Phenomenon of Economic Imperialism

3- Economic Imperialism: The Ultimate Global Reality

3.1 Global institutions work on hegemonic tendencies

↳ 17% voting rights of IMF with USA

3.2 Bailout packages are a trap for cyclical dependency

↳ Conditionalties worsen trade deficit of developing countries

3.3 Heightened notion of economic liberalism without situation specificity

↳ SAP's of Pakistan do not align with its economic reality

3.4 Trade interdependence is not equal in nature; disproportionate effects

3.5 Resource exploitation in the lieu of global trade

↳ Raul Prebisch's dependency theory

3.6 Developing world puts in hard labour, developed world bears fruits

↳ Case Study: Apple products benefit USA whereas hard work put in by the developing world.

3.7 Globalization is rampantly increasing inequalities

↳ There has been a decline in the economic statistics of the lowest 20% countries in the last 10 years: World Bank 2022

3.8 Modern nations forgo liberal ideology to ensure protectionism and imperialism
↳ USA and EU tariffs on Chinese EV's

4 - Refuting the Claims that Deny Contemporary Economic Imperialism

4.1 End of colonialism finished imperialism - a common claim

Rebuttal: Colonialism has taken new forms; now there is institutional control on the developing

4.2 Proponents claim that there is no resource extraction amidst free trade

Rebuttal: Resource extraction has changed by machines

5 - Conclusion

• Economic imperialism is a reality and global powers have a major role in it.

• Developing countries need structural reforms to escape the scenario.

The scenario changes but the story remains the same: British colonization was like soaking a sponge in Ganges and squeezing it on the bank of Thames.

The modern situation is somewhat similar which soaks up the developing world to embelish the liberty. The machinations and involved actors might have changed but essentially the tenants of economic exploitation prevail. Economic imperialism today takes various forms through unequal trade dependency and the role of institutions; today it is the ultimate global reality benefiting the ones on the top of the pyramid.

The economic institutions have an inherently biased structure which leaves it de facto in the hands of a few powers. The strategies and conditions obligated by these institutions set up a trap of dependency.

They also enforce a 'one size fits all' economic liberalism that suits the economies of the reigning countries. Besides institutions, the practices in place also aid in imperialism. The trade mechanisms benefit countries in proportionately; the ones putting in the most hardwork reap the least reward. Open trade and globalization hence increases dependency of the developing on the developed resulting in a disproportionate result.

for each party. The current economic system continues to increase inequalities amongst citizens of the global north and south as the structure is imperialistic in nature. The flag bearers of economic liberalism have also been observed acting against their ideologies if it does not suit imperialistic tendencies. Proponents claim that the demise of colonialism and free trade put an end to imperialism; however, the reality is change of actors and mechanisms. Economic imperialism does factually persist using different coercive tools.

Economic imperialism entails the comparatively rich countries benefiting on the cost of the poor ones. It is an evolution of merchantalism, where empires would colonize areas and extract the raw materials to benefit their own home economy. It was a process of sheer exploitation and injustice whereby powerful would utilize their poweress and expertise in areas like military, civilization and economy would help them in exploiting and squeezing the resources of the powerless. The colonised areas where were in no position to rise upto their masters and hence the

cycle continued. The world then saw the decline of such a system post world wars and there was an accelerated growth of nations. The dynamics however, did not change much. Like the colonizers, the global hegemony now have everything under their control. A variant name for economic imperialism is hence neo neo merchantalism, because different tools are used in a different format to exert the impact, that is enriching the hegemony's economy.

The hegemony control the economy and exercise imperialism. This is done through differing modern tools. The next section of the essay explains how economic imperialism is a global reality.

Global institutions, that are formed to ensure economic health of every country, work on hegemonic patterns. Even though theoretically the institutions are non partisan and international but in reality some countries have a strong hold over them. The placement of their offices and the nationalities of their top officials for instance signify the role of specific countries. Most of these organizations are housed in

US or EU. Even the working patterns overwhelmingly support these hegemonic ideas; USA alone has 17% voting share in the IMF. This explains the strong role of US in the economic decision making for its benefit; assuring the presence of imperialism.

The bailout packages provided by these institutions are also a trap for cyclical dependency. Essentially, bailout packages by institutions like the International Monetary Fund are supposed to save economies at the brink of default. However, their modus operandi ensures that the economies become dependent on the organizations. The conditionalities set by these organizations are known globally to worsen the balance of payment crisis of the client economies. The need of a cyclical dependency increases. The defaulting economies have no other option instead of returning to these institutions and without getting in this entire cycle, survival is difficult. The dependency created by these institutions is another case of modern day imperialism.

The global institutions enforce economic liberalism to benefit the hegemon in maintaining its power structure; however, lack of tailored solutions make situation disastrous for the developing country involved. The conditions attached with the structural adjustment programs of Pakistan are highly ill-suited to its economy. Free trade amidst inadequate domestic market and soars its import bills. Limits on government spending also stop any potential development projects that are planned to uplift the living standards. As soon as the conditions are put into practice, inflation sky rockets, unemployment increases, living standards decline and the country disrupts its trade balance. The conditions are nowhere in accordance with the situation at hand and impose blind liberalism which becomes a tool of economic imperialism.

The contemporary trade interdependence is not equal in nature and has disproportionate effects on every end of the spectrum. While the trade benefits a chunk of population it does not

have similar impacts on the rest. Same quality of products and same palette to offer yields a different price for everyone. Perhaps the phenomenon of free trade must ensure universal standards of exchange but such is not the case. Pakistan can procure cheaper oil from Iran, but is unable to do so because even that regionally closer oil would cost so much more in totality, especially putting into perspective the global international relations and the element of sanctions. Despite the idea of open free trade, it is not equal for everyone and is another cause of economic imperialism.

Modern trade can also be named resource exploitation in the lieu of globalisation, because of the way it works. The theorist Raul Prebisch named it the 'Dependency Theory', which is now called the 'World Systems Theory', it entails that the world is structured in a way where there are core states, periphery of core, periphery of periphery and finally the periphery states. The core states benefit off the periphery states in every way possible, the spectrum of being core to periphery is structured

around the gradual increase in exploitation. The theory alligns with the practical paradigms of economic imperialism.

The developing world puts in the hard labour and the developed world bears the fruit. Citizens of the developing countries often do labour intensive work but due to prevalent conditions, they export unfinished goods and raw materials. The Apple corporation is a clear depiction of this, the hard labour is put in by the developing countries. Factories in China spend countless hours doing in hard labour.

A survey in 2016 revealed that 89% of these factory workers in multiple countries have never seen a finished Apple product, nor were they closely in a position to ever purchase one. This explains the plight of the countries putting in all the hard labour and returningly get a small percentage of the success. USA on the other hand finishes and markets these products, sells them at inflated prices and earns the maximum share of the profit. This dynamic between the developing and developed countries reinforces economic imperialism.

The ongoing globalization is rampantly increasing inequalities. The vivid imagination of a borderless, trade friendly world does not portray inequality, however the reality is different. The exploitative mechanisms involved in global interaction are accelerating the economic divide between developed and developing states. A Pakistani economist once jokingly remarked that the developing states are becoming tenth world countries instead of the third world countries; owing to the increasing variance between the two. World Bank's report suggests that there has been a stark decline in the economic indicators of the lowest 20% countries in the last 10 years. However, no such trend is observed in the top 20% nations. This increasing divide is adding more to the presence of economic imperialism on the daily.

Modern nations are benefitting so much from the advent of imperialism that they even compromise on their ideology. The ideology of capitalism and economic liberalism, that led to the disastrous cold war, becomes secondary when it comes to imperialism. It is

a testament of how much the idea benefits the first world. The current actions of USA and European Union show that they value the idea of imperialism above all else. They ensure that no country reaches a position where it is strong enough to reach their ~~position~~ strature. EU and USA have imposed multiple tariffs and trade restrictions on Chinese electric vehicles, which goes strictly against their ideology. Economic imperialism is therefore present and there are constant efforts by the beneficiaries to ensure it.

A strong hold of imperialistic institutions and trade practices in the current functioning of the world display economic imperialism. Some still claim that the modern world doesn't permit imperialism. The next section of the essay will refute the claims that deny contemporary economic imperialism.

Proponents claim that the phenomenon of imperialism finished with colonialism, however colonialism has taken new forms. Now there is

institutional control, which channels back to the control of powerful nations. Infact it has even become increasingly difficult to rise up against imperialism as it now has an institutional cover. Similar

exploitation and undermining sovereignty is taking place, but due to the indirect way, it seems as if the current reality is a natural course. Diving a little deep into the interconnections reveal the presence of economic imperialism.

Some also deny the element of resource extraction due to presence of free trade. However, free trade in theory is different from its practical manifestation. It would have been beneficial if all the nations started from point \ominus zero at the same time, but such is not the case. The previously colonised began their journey from a disadvantageous position. Enforcing tenants of free trade further makes it difficult for them to compete and lands them in an even worse position. The reality of free trade is thus different in practical operations. Resource extraction has not been finished, instead it has changed its machinations. The new machinations

enforce economic imperialism. Scenarios change, but the story remains the same.

In conclusion, it is a fact that economic imperialism prevails. The developed countries with hegemonic powers are the major beneficiaries and hence play a major role in keeping this practice alive. Different mechanisms and structures are put into place to ensure imperialism prevails.

Escaping this stronghold is no easy task but the developing countries can aim to do so by adopting structural reforms and adhering to them in a disciplined manner.