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Faculty of Graduate Studies

Towards Alter-Globalization: New Emerging Powers and Social Movements

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This thesis was submitted in partial fulfillment of the requirements for the Master's degree
in Conflict Resolution and Development

February 2021

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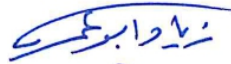
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نموذج إقرار الطالب بالالتزام بالأنظمة والتعليمات والقرارات والقوانين والمعايير

يعبأ من قبل الطالب عند تسليم النسخ النهائية للرسالة (بعد مناقشتها بنجاح وعمل التعديلات النهائية) ويسلم لمنسق البرنامج

معلومات عن الطالب:

الاسم الرباعي للطالب: اثار ابراهيم يوسف زغل
الرقم الجامعي للطالب: 201712840
اسم البرنامج: حل الصراعات و التنمية
الفصل الدراسي: - الاول
العام الأكاديمي: 2022/2021

معلومات عن الرسالة:

أسم المشرف: د. ناهد حبيب الله
تاريخ مناقشة الرسالة: 8/7/2021

إقرار الطالب:

أنا الطالب اثار ابراهيم يوسف زغل صاحب الرقم الجامعي 201712840 والموقع أدناه، أقرب بأنني التزمت بكافة أنظمة و تعليمات وقرارات وقوانين الجامعة العربية الأمريكية السارية المفعول وبالمعايير العلمية والأخلاقية المتعارف عليها بما فيها الأمانة العلمية، وأنني أتحمل كافة التبعات والنتائج والمسؤولية إن تبين عكس ذلك بما فيها حق مجلس العمداء بإلغاء الدرجة و الشهادة التين حصلت عليهما أو سأحصل عليهما بناء على هذا الاقرار ومن دون أن يحق لي الاعتراض أو الطعن بالقرار الصادر عن مجلس العمداء بهذا الخصوص.

التاريخ: 5 يناير 2022

التوقيع:

Abstract

Globalization is dominated by the Western neoliberal system. This domination has significant impact on the form of the global economy as this system facilitated the acceleration of the capital accumulation, concentrating the wealth in the hands of the few and increasing the gap between the rich and the poor. Accordingly, the financial assistance model adopted by the neoliberal multilateral banks proved in many cases to have harmful impacts on the most marginalized groups in developing countries. As a result, an alternative globalization movement has emerged calling for more global justice and equality.

At the same time, the world order and its power dynamics is changing by the rise of new powerful countries particularly the member countries of the BRICS led by China. This research analyzes the alternative financial assistance model used by China, to explore if this model is more effective in terms of creating an alternative globalization. The research concludes that although the Chinese model has some challenges, but it indeed takes a step toward achieving some of the alternative globalization demands. Most importantly it ends the monopoly of the neoliberal banks, giving more bargaining power to developing countries when seeking financial assistance and creating a motive for all multilateral banks to improve their practices

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Introduction

Global order and international power dynamics are constantly changing. In the age of globalization almost all modern nation-states are involved in the global political and economic order. And due to the domination of western powers led by the hegemony of the United States, countries and regions have become more linked together through the systems adopted by those dominating powers which are the neoliberalism and global capitalism. In fact, none of the modern nation-states can prevent the penetration of the social, political, and cultural superstructure of the capitalist global order.¹ As a result, the most influential international organizations such as the International Monetary Fund (IMF) and The World Trade Organization which are setting up the rules of global economy are also dominated by the same systems.

Globalization in its current form being dominated by neoliberalism, is perceived by a significant share of people, civil society, and scholars as unjust, particularly in term of its impact on the development interventions in the developing regions. Hence, global civil society movements were established to call for an alternative globalization, for more justice and creative approaches to deal with global challenges.

During the past decade, new emerging powers such as China, Russia, and India among others, are changing the international power dynamics, initiating a wide-ranging debate on the nature of our current global order. Those emerging powers are demanding more representation in the international organizations which would give them stronger impact on the processes of

¹ William, I. Robinson. "Global Capitalism and the Crisis of Humanity", Cambridge University Press, USA, 2014.

setting up the global political and economic rules. They formed regional economic and security networks and organizations aiming to create an alternative track for the financial flow away from the western neoliberal domination such as the Shanghai Cooperation Organization² and the BRICS³. Those powers claim the adaptation of different and more just approaches towards development and globalization.

The main question of this research is *“Are the new emerging powers and their alternative development approaches represent a step towards an alternative globalization system?”* in other words; the research is exploring whether the new emerging powers and their alternative adopted approaches is contributing to a more just globalization or are they similar in essence to the neoliberal western dominating powers, especially when it comes to the provision of development interventions. Other sub-questions this research is exploring; how does globalization transform the architecture of the world we live in? What are the features of the new geopolitical and geo-economic order? What are “emerging powers”, and do they have common characteristics? Are China and other emerging powers about to surpass the rich countries of the global north? What is the alter-globalization movements and what are their demands in the context of global processes?

The research starts by presenting a brief theoretical framework using the theories of the “Balance of powers” and “Hegemonic Stability” to demonstrate how global power dynamics and global order shifts. Then it discusses the current world order dominated by the Neoliberal

² SCO is considered as one of the most significant political, economic and security alliances in Eurasian macro-region. Member states are China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan, India and Pakistan.

³ The BRICS is a political-diplomatic alliance. Acronym of the term consists the first letter of the partners countries, Brazil, Russia, India, China and South Africa.

system and how it effects the form of globalization. The next section discusses the new emerging powers and the rise of China. Then it reviews the concept of Globalization and Alter-Globalization. Finally, it compares between the Neoliberal development approach represented by the IMF and the Word Bank and between the alternative development approach represented by the new emerging powers' banks to understand whether the alternative development model is a step towards an alternative globalization, or it does not fundamentally differ from the dominant Neoliberal model.

Importance and Justification

The subject of alter-globalization is relatively new. With the many and rapid changes on the international map there is always new data and variables for analysis. In general, there are some studies on specific new emerging countries and changes on the balance of powers, however they mostly focus on one specific country. On the other hand, there is a lack of comprehensive study that looks at the changes from a macro perspective taking also into consideration the social movements calling for new type of globalization and more social justice. This research explores the links - if any - between those factors.

The academic contribution of this thesis is filling some of the research gabs related to linking the changes on the global balance of powers with the potential changes on the form of globalization. In addition to not focusing only on the role of great powers in establishing an alternative globalization system but also the essential role of underdeveloped countries as well.

Methodology

This is an academic research based on secondary literary materials in the field of political science, international relations, sociology, and economics. It uses qualitative literatures to build a theoretical framework and present a contextual knowledge and historical narration to understand the potential impact of the emerging powers on the form of globalization. Given the virous controversial topics this paper is discussing, the selected resources included studies and analysis written by scholars from different ideological backgrounds to bring wider objective perspective.

The research also uses several analytical tools to further demonstrate the research topics such as comparison between theory and practice, presentation of brief case studies, in addition to supporting the textual analysis with tables and numeric data when applicable.

Chapter One

Theoretical Framework

Constant changes occur to the structure of the states' international relations and power dynamics. Throughout the ages different theories tried to address the relation between those powers and how it would affect the stability and status quo on the global level. How those relations might contribute to peacekeeping or increase tension and rivalry among great powers. Despite the difference in how theories approach the changes in the world order, they all have one mutual understanding, that the main actors in world politics are sovereign states, which act rationally to bring forward their interests, security, power, and wealth to the international system.

Some approaches in international relations field suggests that having one hegemonic power creates stabilized conditions in the world order, other suggests that this power will ultimately deteriorate as a result of being challenged by a new power which will increase the chances of war outbreak. Those approaches suggest that equal distribution of power among several states would increase the probability of instability. On the other hand, other approaches claim that states aim at preventing the rise of a single hegemon, because the existence of powerful hegemon will provoke tensions and conflicts in its way of gaining and keeping its power, hence this approach suggest that by equal distribution of power the international system will be more stable.⁴

⁴ Jack S. Levy. "The Causes of War and the Conditions of Peace", *Annual Review of Political Science*1(1), 1998. pp. 139-165.

It is important to indicate that by discussing war, I do not refer to the traditional concept of war only. In the postmodern era, war can be in the form of economic sanctions, international isolation, or any other methods through which a capable power or powers, can impose their own policies and interests on any “non-compliance” power or state. This theoretical framework begins by presenting the theories of *Balance of Power*, and the theory of *Hegemonic Stability*. Then present a brief historical background and description on how the current world order was formulated. Neoliberalism and global capitalism are also discussed, for being the dominant and regulated system by the hegemonic power.

When considering the constant changes in power distribution and the long history of competition among great powers in world politics, one can conclude that there is a repeated historical pattern. George Modelski explains how throughout the past five centuries, power domination has shifted from one hegemony to another, who worked on establishing new international systems and developing institutions. This mainly occurred after the breakout of major conflicts. Also, these cycles of change were accompanied by the redefinitions of the states’ relations among each other and their relative powers.⁵

The balance of power theory was interpreted over the years in several controversial ways. The supporter of the theory demonstrates that the main goal of states is to avoid the creation of hegemony, and to maintain an equilibrium of power in the system. The theory explains that states, and particularly great powers, will counterbalance against any state which can be considered a threat to their interests or that threatens to obtain a hegemonic position. Thus,

⁵ Charles W Kegley, and Eugene R. Wittkopf. World Politics: Trend and Transformation. Published by Cengage Learning; 13 edition, 2011. P 64-100.

through a balancing process they sustain peace by counterbalancing or equalizing any states which are seeking power or military dominance. This balancing is mainly achieved through alignment and nonalignment with states to prevent centralization of power on the international level. What motivates states for such action is maintaining their national security. Driven by the rational school of analysis, states which dominate excessive power, would use this power to attack weaker neighbors. This situation creates an incentive for weaker states who feel under threat to unite in a defensive coalition, balancing the power of the threatening state, to ensure the survival of all.⁶

This neorealist assumption suggests that all states are in fact potential opponents and that each must reinforce its military capability to be able to defend itself. Both the idea of balancing and domination can be related to the neorealist theory. When states identify threats, they pursue power to achieve security, they start expanding their power.⁷ According to Mearsheimer, “*great powers strive for hegemony in their region of the world*”,⁸ this approach also apply to second-rank powers, as they also aim to expand their power and grant a stronger position, by also pursuing stronger relations with larger powers.⁹

The rise of a great power is a potential threat to the security of others. In a balanced multipolar world order, this is less crucial as other great powers can also maintain their position by using a system of compensation. Yet, if this world order is not balanced, a raise of a hegemony

⁶ Charles W Kegley, and Eugene R. Wittkopf. World Politics: Trend and Transformation. Published by Cengage Learning; 13 edition, 2011. P 64-100.

⁷ Stuart J. Kaufman, Richard, Little. William C. Wohlforth. The Balance of Power in World History. Published by; Palgraev Macmillan. 2007. p 9.

⁸ John J. Mearsheimer. The Tragedy of Great Power Politics. New York: W.W. Norton. 2001

⁹ Stuart J. Kaufman, The Balance of Power in World History. P 9.

might threaten the independence of other states, policies, rules and systems can be imposed, the international arena can be controlled by one power and marginalizing the rest. Hence, it is the responsibility of leaders to constantly monitor the changes in power dynamics and states' capabilities. In such case the balance of power theory suggests that other powerful or less powerful state can unify their capacities to stand against the rising of this potential hegemon.¹⁰ This mechanism of balancing can be done through both external alliances as earlier explained and through internal military reaffirmance and power accumulation. The potential hegemon will be hesitant and uncertain, affected by the military coalition formed against it, or if deterrence fails, and the potential hegemon initiates a war, it will be defeated by the coalition.¹¹ An example of the balancing process can be read in the reaction of some states to the United States National Security Strategy, launched in 2002. The strategy emphasized that the US would do anything within its power to preserve "forever America's supreme global primacy". This statement received alarming responses from different states, including China and Russia.

As mentioned, system expansion is one way of maintaining the balance of power. This can be done by introducing new states and new coalitions into the international system. Another factor as described by Stuart Kaufman and Robert H. Jackson is "Particularist Identities"¹², those scholars argue that balance of power is easier to be maintained under the existence of

¹⁰ Ibid.

¹¹ Jack S. Levy. "The Causes of War and the Conditions of Peace", *Annual Review of Political Science*1(1), 1998. pp. 139-65.

¹² According to this approach, each society/ group has its own unique historical development and must be understood based on its own specific cultural and environmental context. hence Particularist Identities is having a unique and specific identity to a specific unit or group of people, which is the opposite of universalism.

particularist unit identities which are respected and recognized by the international norms. Resistance of imperial control and fighting against the attempts to change or abolishment of identities, would be higher and more effective among people attached to their local identity. Hence, this imperial control will most likely be unstable enough to achieve a hegemony. This can be applied on the dissolution of European colonial empires; its hegemony could not sustained under the violation of an internationally accepted norms of human rights and in particular the right to self-determination.¹³ Applying this example to the current history, this argument suggests that new powers emerging in the world would not succeed to take a stand in the international map as a hegemon unless they respect all internationally accepted norms, which is embedded in liberalism, democracy and international law.

The Balance of power can be applied by states through alliances. The cooperation and alliances among states can be justified or demonstrated though the lens of different approaches. As per the liberal approach, which is based on aim of mutual gain, those alliances are reliable and efficient to advance the greater good, even if they do not relate to an immediate interest of the state. For the realist approach which is based on the concept of self-interest and constant doubts, alliances are provisional and opportunistic, where countries usually enter into agreements despite being in a constant rivalry, mainly for promoting their protection status against a mutual enemy.¹⁴

Although considered one of most important theories in international relations, the balance of power theory is challenged by major criticism. First there is a debate among classic realism

¹³ Stuart J. Kaufman, The Balance of Power in World History. P11.

¹⁴ Charles W Kegley, and Eugene R. Wittkopf. World Politics: Trend and Transformation. Published by Cengage Learning; 13 edition, 2011. P 64-100.

and neorealism on the stability of world order. Realism claims that multipolar distribution of power with a flexible coalition potential, is the closest guarantee to international peace and security. While neorealists support the idea of polarity but with insufficient supporting evidence. Their argument is based on generalizing the experience of the Cold War, but they are unable to apply this theory to any earlier historical eras¹⁵. Moreover, some scholars argue that there are contradictions in the theory itself. While advising states to strengthen their power, it also opposes any state seeking great power. For some states who are satisfied by the status quo, they have more incentive to balance against a new rising power than other unsatisfied states, who can benefit from the uncertain change. The uncertainty and suspicions towards new powers and even the trustworthiness of allies, drives states into a worst-case analysis which can initiate an arms race, which might - at the contrary of the theories aim – increase the probability of tension and war.¹⁶ In addition by examining the theory against relevant historical periods, it does not get a strong validation position. In historical periods in which the theories rules were followed, the world was full of wars unlike the assumptions of the theory where wars and armed confrontation would have been less frequent.¹⁷ Another example that can demonstrate this assumption is the result of the “power balancing” after the unification of Germany. When Germany was becoming a great power, Great Britain was taking the responsibility of managing, balancing the emerging power and preserving the status quo. However due to the rise of a new threat, and while forming a coalition against this

¹⁵ Jack S. Levy. “The Causes of War and the Conditions of Peace”, *Annual Review of Political Science*1(1), 1998. pp. 139-65.

¹⁶ Charles W Kegley, and Eugene R. Wittkopf. World Politics: Trend and Transformation. Published by Cengage Learning; 13 edition, 2011. P 64-100.

¹⁷ Ibid.

threat, another coalition which included less satisfied states by the status quo at that time, joined the new power. Those coalitions of armed powers created massive destruction wars for a long period.

Another important international relation theory is the Hegemonic theory, this structural theory incorporates both the power transition theory, and the hegemonic stability theory. The hegemonic transition theory is based on the realist approach. It suggests that the world order is structured to include hegemonies which arise and use their power to impose a set of political and economic norms and regulations, which on the one hand increases the stability of the international system and on the other hand hegemonic power promotes their interests and security. Hegemonies rise and fall throughout the ages, due to the constant rivalry among states and the dynamics of power distribution which are affected by the economic development, growth, and other internal and external factors. The moment there is a power shift in the world order, the probability of tension and war increases, which usually happen when a certain hegemon is challenged by another rising power. The war can be initiated by the raising power to strengthen its status, or by the declining power to defend its position and prevent another hegemon from taking over.¹⁸

The theory of Hegemonic Stability is also a significant theory in the field of international relations, concentrating on the contribution of hegemonies to the stability of the international system which contradicts the balance of power theory. It argues that the stability of an international system can be accomplished through the existence of one hegemony, a

¹⁸ Jack S. Levy. "The Causes of War and the Conditions of Peace", *Annual Review of Political Science*1(1), 1998. pp. 139-165.

dominant power that can control and organizes international political and economic norms. This hegemonic power should also be able to impose penalties on transgressors, to protect its power as a hegemony and to maintain order and stability. The theory also suggests that this dominance contributes to the “public good” of the international system by providing security and order, through military, economic and political abilities of the hegemonic power¹⁹

For a state to become a hegemonic power, it must have certain requirements or abilities. A hegemon must have strong military, economic, political, and institutional capacities, by which it can achieve its responsibilities of imposing sanctions or punishments to maintain the status quo. Having the power to control or impose sanctions over opponents, means that the hegemon power has **one** of the strongest military powers in the world, and that it have strategic alliances system, particularly in terms of military blocs to guarantee international support with any imposed sanctions. In terms of economic power, a hegemon power should have a strong economy and strong economic and trading relations with other powerful states. Another significant factor is the advanced technology. Political alliances with other great powers are very important as well, because it validates the decision-making process of the hegemony and enable it – along with its allies – to set the rules and regulation on the international level. Some other factors also promote the strength and stability of the hegemon such as having access to raw materials, sustain a comparative advantage in relation to importing essential goods ²⁰

¹⁹ Mohd. Noor Mat Yazid, “The Theory of Hegemonic Stability, Hegemonic Power and International Political Economic Stability”. In *Global Journal of Political Science and Administration*, Vol.3, No.6, pp.67-79, December 2015.

²⁰ Ibid.

Suzan Strange classified a similar set of requirements in four main categories that a state must hold to be considered a hegemon which are firstly, the security element, which refers mainly to weaponry possession of a state where it can provide protection, security, and the use of threats if necessary. In other words, to be able to support advancing its political interest. Secondly the production elements, which is the comparative advantage of the state to regulate the global system of production. Thirdly, the financial element, which is related to forming and controlling the market. Finally, the knowledge element, which is related to the development and knowledge sharing.²¹

An obvious example of a hegemon power in the modern era would be the United State of America, which started gaining this status of a solo hegemon after the collapse of the Soviet Union in 1991. In the 19 century Great Britain was considered the most powerful hegemon, it had all the requirements to dominate the political and economic systems and to preserve the status quo. After the first World War and until the eruption of the second one, the power distribution changed and the whole international system was affected. Even though the Allies won the war, yet the cost of war was high on everyone including Great Britain who lost the ability to sustain its international position as a hegemon. As per the hegemonic stability theory, due to the absence of a strong hegemonic power, this period witnessed instability in both the political and economic levels. This situation continued until the United State took this role of becoming the new hegemonic power of our modern international system, after the collapse of the Social Union²².

²¹ Ibid.

²² Ibid.

During the bipolarity of the world order throughout the cold war, two military blocs were formed, the *North Atlantic Treaty Organization (NATO)*, which was led by the United States and supported by Western Europe, and the Warsaw Pact, led by the Soviet Union along with its allies from East Europe. Most less powerful states were motivated to join the alliances blocs for protection reason, while powerful states were motivated by competition. At the end, this rivalry globalized the East–West conflict. As per the balance of power analysis for this period, the competition resulted in the formation of two great power ended up with zero conflicts because both calculated the loses. They may suffer out of confrontation. Having no one dominant hegemon, make the other powerful party hesitant. Bipolarity minimized the chances for negotiation or normalization of cooperative relations among those great powers. After the collapse of the Soviet Union in 1991, the world entered the hegemonic transition period, where the power distributions and the strength of alliances among the great power shifted, this caused the instability and probability of conflict to increase. Eventually a unipolar world order emerged, with the United States as the dominant power²³. According to the theory of Hegemonic Stability, this was the ideal situation for world order to restore stability, security, and control. But what was the system regulated by this domination?

²³ Charles W Kegley, and Eugene R. Wittkopf. World Politics: Trend and Transformation. Published by Cengage Learning; 13 edition, 2011. P 64-100.

Neoliberalism and the Current World Order

The great power of the United States can be understood when taking into consideration its significant military capacity, global income in relation to its population number, its comparative advantage in controlling some essential goods, its expenditures on and production of academic research, technological development, its impact on globalization by which it gained its strength in global communications and popular culture, enabling it to spread its norms and value across the globe.²⁴ Those factors among others granted America a strong international power, which allowed it for a long period to act autonomously without facing any significant resistance from weaker actors in the international arena. However, being a hegemon is also resource consuming. The United States as a hegemon took the responsibility of imposing sanctions or punishments on transgressors - based on its own standards and judgment. Initiating wars, in addition to getting into armed and nonarmed conflicts was a burden on the American economy. This factor is significant because any fragility of the American international economic might increase the potential for great power rivalry. One of the examples would be the interference of America in the First Gulf War in 1991. Iraq was representing a threat to American hegemony due to its solid military status. Iraq was emerging as a new regional power, with no real subordination to the United States. This situation was presenting a threat on the economic and political interests of the United States in the Middle East Region, so the proper solution was a punishment by the hegemonic power to prevent any change in the global power distribution. Being that influential, the

²⁴ Charles W Kegley, and Eugene R. Wittkopf. World Politics: Trend and Transformation. Published by Cengage Learning; 13 edition, 2011. P 64-100.

political and economic system adopted by the United States and its allies in the Western World was spread and sometimes imposed on other parts of the world. Neoliberalism and Global Capitalism dominated the global political economy. The below section demonstrates how neoliberalism was so dominant and powerful, and discuss its effects on the national and international levels.

During the 1970s, the Keynesian policies began to fall apart, as it was unable to deal with the economic challenges such as the stagflation. This among other circumstances paved the way to the rise of a new approach. Several scholars, politicians and economists advocated for the need to adopt new ideology which would be able to address all issues and present a better social, political and economic arrangement. Neoliberalism was the ideology that succeeded to present itself as the better alternative, the argument of this ideology claims that it is the only path to restore human freedom and dignity, and eventually drives nations to their greater common-good and well-being. However, there were real tensions between the theory and the practice of neoliberalism. After all, the neoliberal theory ended up as political project to re-establish the conditions for capital accumulation and to restore the power of economic elites.²⁵

As described by Aihwa, Ong. *“Neoliberalism seems to mean many different things depending on one’s vantage point”*²⁶. However, as the concept of neoliberalism indicates, the theory is after all a revival of the liberalism theory. Therefore, it will necessarily share some root

²⁵ David, Harvey. A Brief History of Neoliberalism. Oxford: Oxford University Press, 2005.

²⁶ Aihwa, Ong. *“Neoliberalism as Exception: Mutations in Citizenship and Sovereignty”*, Duke University Press Books. 2006.

characteristics or vocabulary with liberalism.²⁷ Neoliberalism refers to a theory of political economic practices or beliefs. Many scholars agree that the term neoliberalism does not have a clear straightforward definition.²⁸ However, despite all different ways of perceiving it there are agreed upon central element which is mainly; the self-regulating market. This means adopting the policies of non-interference of the state which has a central role in protecting the ownership and private property rights but no right to interfere with the market. The market characteristics as per neoliberalism; is very wide in term of the geographic range, inclusive in terms of regulating mechanism for allocating all goods and services, with centralized institutions and mechanisms for organization and evaluation. Limiting the state role in the Neoliberalism also applied reduction in the state's fiscal and administrative resources and functions. This is usually done through, privatization, even the privatization of social services. State incapacitation through the fiscal and administrative cuts. Governance rescaling and emptying the nation state from its core meaning as a central authority of control, with no effective accountability or transparency system.²⁹

Globally, Neoliberalism become very much related to the arrogant power of the United States. Some scholars and politicians consider Neoliberalism as a tool used by the United States to dominate the world economy and the global market. By using intermediators such as the International Monetary Fund (IMF), the United States imposes the openness approach on small economies and gamble with their future economic welfare with the neoliberal trade

²⁷ Dag Einar, Thorsen. And Amund, Lie. "What Is Neoliberalism", Department of Political Science, University of Oslo. 2006.

²⁸ James, McCarthy. & Scott, Prudham. "Neoliberal Nature and the Nature of Neoliberalism", In *Geoforum* 35(3):275-283. May 2004.

²⁹ James, McCarthy. & Scott, Prudham. "Neoliberal Nature and the Nature of Neoliberalism", In *Geoforum* 35(3):275-283. May 2004.

policies.³⁰ Because of this feature, neoliberalism was also linked to globalization, with the term of “Neoliberal globalization.” The term is considered as an attempt to label the process of global restructuring as part of a political project and to define its active players involved in the process³¹

However, for the ideology of Neoliberalism to be universally adopted by the different states, it needed to be advocated for among the public. Usually, people accept new ideologies that can be felt through their common sense and can be related to values they believed in. The founders of the theory understood how people throughout the last decades were suffering from lack of freedoms under authoritarian regimes like fascism and communism who confiscated their free will. Therefore, they used the values of human dignity and freedom as the spirit of their advocacy for the theory. They claimed that Neoliberalism is the only available option that will bring back dignity and freedom for the people, by standing against any state intervention that substituted collective judgements for those of individuals freedom to choose.

In his book, *“A Brief History of Neoliberalism”* Harvey explains that according to Neoliberalism, human well-being can be best advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade. As per this approach, the key factor of the development of the collective social good is Market transactions, claiming that by

³⁰ Aihwa, Ong. “Neoliberalism as Exception: Mutations in Citizenship and Sovereignty”, Duke University Press Books. 2006.

³¹ Wendy, Lerner. “Neoliberalism?,” In: Environment and Planning D: Society and Space, Vol. 21, No. 5, 10.2003, p. 509-512.

maximizing the reach and frequency of market transactions, the social good will be maximized.³²

The mechanisms which were used to spread this ideology, depended mainly on academic institutions, the media, key state, and financial institutions. As people who benefit the most from neoliberalism were the elite and powerful individuals who are in influential positions in all those sectors. Other beneficiaries are the international institutions such as the International Monetary Fund (IMF), the World Bank, and the World Trade Organization (WTO) that regulate global finance and trade. The IMF and the World bank are still major instruments in imposing neoliberalism among nations and states.³³

Since the 1980s the World Bank and the IMF have been engaging with countries all around the world especially in Africa, during that period most of the African countries were facing economic crisis due to the rising oil prices, rising interest rates, and falling prices for other primary commodities, which left them unable to repay foreign debts.³⁴ This situation left the countries under pressure to accept the support of the IMF and the world bank, who linked their assistance to the imposition of the Structural Adjustment Programmes (SAPs). Those adjustments aimed at cutting back the role of the state and promoting the role of the private sector, privatization, and liberalization of markets. However, SAP evolved to cover more areas of domestic policy, not only fiscal, monetary and trade policy but also labor laws, health care, environment regulations and civil service requirements. For example, to achieve budget

³² David, Harvey. A Brief History of Neoliberalism. Oxford: Oxford University Press, 2005.

³³ Kevin, Watkins. "The Oxfam Poverty Report", Oxford: University Press, 1995, p. 74.

³⁴ Kevin, Watkins. "The Oxfam Poverty Report", Oxford: University Press, 1995, p. 74.

deficit reduction, they imposed higher taxes and lower government spending especially on social services such as health and education.³⁵

Although one might argue that the African states agreed to all terms of the IMF before taking any loans or doing any cooperation with this institution, therefore the neoliberalism was not actually imposed but accepted. Yet most states in Africa and Latin America who are “beneficiaries” of the IMF and World bank loaning programs, agree to those terms without taking into consideration the implication on the lower class. With the political corruption in most of those countries, the elites would become richer, however, the devastating effects will only influence the poor, who will be cut of basic services. After all, the changes imposed on the country was facilitating the process of exploiting its natural resources and transferring most revenues to developed countries. For example, In Ghana the main source of revenue is mining sector, especially gold mining. However, through the SAP, this sector was privatized, the government removed tariff barriers and exchange regulations. Such changes enabled transnational corporations to exploit resources and take most of the profits from Ghana without generating real or sustainable economic growth, which can be beneficial to local communities. On the contrary, the IMF pressure the county to cut on health and education to ensure debt repayment.³⁶

³⁵ Ann-Louise Colgan, Hazardous to Health: The World Bank and IMF in Africa, Africa Action Position Paper, Research Associate, Africa Action, April 2002.

³⁶ Tion, Patrick Aondoakaa. “The International Monetary Fund (IMF) And World Bank: An Assessment of The Role Of Africa’s Integration Into Global Economic System”, IOSR Journal Of Humanities And Social Science (IOSR-JHSS), Volume 19, Issue 11, Ver. II, November 2014. PP 09-17.

Hence, under neoliberal practice borrowers are forced by the state and international institutions to take on board the cost of debt repayment no matter what the consequences are on the livelihood and well-being of the local population. In such situation the myth of “advancing the well-being” of people through neoliberalism would easily fade away.

Another method which was used by the advocates of neoliberalism was recruiting people from all around the world through academic institution and economic programs, to present their ideas and approaches, and after influencing the enthusiastic young economists, they used them to facilitate their entrance to the public opinion of the other countries. An example of this influence is the case of Chile, where the US has funded training of Chilean economists at the University of Chicago as part of a Cold War programme to counteract left-wing tendencies in Latin America. Upon their return they adopted high positions as economic advisors in Latin American governments including Chile. Then they used those positions to spread the Neoliberal ideology by advocating widespread deregulation, privatization, and other free market policies. Which facilitated the process of the right of foreign companies to repatriate profits from Chile. After examining the neoliberal effect on the Chilean economy, one can notice the twisted result of the capital accumulation. The main beneficiaries were the ruling elites and foreign investors who raised their capital, however the situation become worse to most Chilean people and especially the lower class who barely manage. This kind of influence of neoliberal policies become a structural component of the neoliberal project.³⁷

³⁷ David, Harvey. “Neoliberalism as Creative Destruction”, in The Annals of the American Academy of Political and Social Science, Vol. 610, Sage Publications, Inc. in association with the American Academy of Political and Social Science, 2007, PP 22-44.

Moreover, to speak to people feelings, neoliberalism advocates used core values of civilization such as freedom and dignity, especially that the whole western civilization and modernity which was established after the French revolution was based mainly on those values of freedom and individuality. As per its advocates, neoliberalism was needed because it will bring back to people their freedom and dignity, such as freedoms of speech and of personal choice, which were threatened from all forms of state intervention that take the freedom of choice from individuals and substitute it with collective judgments. So, they proposed that the only solution for this crisis is for countries to restore their belief in private property and the competitive market, which will eventually generate diffused power and initiative, and then freedom to be effectively preserved.³⁸

The powerful elite worked intensively in promoting the image of Neoliberal theory and emphasizing utopian aspect of the theory, the theory claimed that it will promote the social good and will benefit all sectors of society. Furthermore, it will solve the economic crises, and will integrate the underdeveloped countries to become advanced, capitalist economies with open market and global investments, it will also spread democracy and technology. But by examining the reality and the practices of Neoliberalism on the ground, one can identify a significant gap

According to neoliberalism, the state should have minimum intervention in the economy, because the state does not have the ability to guess market price, moreover it will be easily

³⁸ Ibid.

manipulated or affected by powerful interest groups, which will make those intervention bias and serving only their own interests.³⁹

Consequently, according to the theory, the Neoliberal economy will one way or another prevent biases and aim for more equal opportunities for everyone. However neoliberalism enforces the centralization of power in the hand of elite groups and the powerful class, who with Neoliberalism and global capitalism, granted more opportunities to exploited other less powerful groups within the society, and even in other countries. In addition, as Harvey indicated, the juridical trick of defining corporations as individuals before the law introduces its own biases, taking into consideration the gap between the available resources, tools, and balance of power between corporations and regular individuals.⁴⁰

In fact, the process of transforming the economy to a neoliberal one, was a bias process. Including the circumstances that were imposed on people and on particular groups in the United States to weaken them and eliminate their voice in the decision-making process. During the process of shifting their economy to neoliberal economy, both Thatcher and Reagan took discriminatory measurements in the United States and the United Kingdom. Those actions included the restriction of trade union powers, deregulation, tax cuts, budget cuts which had an effect on some groups more than others, the deregulation of very important sectors such as airlines and telecommunications to finance opened up new zones of market freedoms for powerful corporate interests, which can easily raise the prices of such sectors, limiting the ability of a huge sector of society to benefit from. In addition, the government

³⁹ David, Harvey. A Brief History of Neoliberalism. Oxford: Oxford University Press, 2005

⁴⁰ Ibid.

decided based on its own assessment that dealing with the problem of inflation is more important than the increased unemployment rate, hence the process they implemented raised that rate even more, effecting the lowest class in the society the most. ⁴¹

The theory of Neoliberalism claims that it aimed at enhancing the livelihood and well-being of populations and at minimizing the economic gap between developed and underdeveloped countries. The theory claims that freeing the market and restricting state's interference would eventually lead to the mutual greater good, any individual who seek to achieve his or her own benefits, will eventually bring good to all individuals. In reality, the situation is very different, what really happened is that neoliberalism was used as a mechanism to control the global market for the benefit of the powerful elite and the higher class at the expense of the working class. The practical implications of the theory led to re-establishing the conditions for capital accumulation and to restoring economic power in the hands of the elite.

On the national level, neoliberalism widened the gap within the classes. People who have capital, wealth and good economic position were offered more and more facilitation to increase their capital. For example, in some countries the estate tax was phased out and taxation on income from investments and capital gains was diminished. On the other hand, the financial circumstances for the less powerful classes were not getting any better as the taxation on wages and salaries stayed the same. As a result, the rich become richer at the expense of other classes. In the US for example, as stated in Harvey's book, before neoliberalism and after the end of WWII, the share of the national income taken by the top

⁴¹ Ibid

1% of income earners was about 8%, however after the implementation of neoliberal policies in the late 1970s, their share reached 15%. This example is one among many examples from all around the world, which emphasize the fact that instead of decreasing the gap as per the utopian theory, neoliberalism increases social inequality and economic inequality.⁴²

On the international level, the leading neoliberal countries headed by the United States, started to advocate themselves as the bearers of an obligation to help spreading freedom to the rest of the unfortunate world who were less developed than the West. The paradoxical situation occurred when projects for “freedom”, democracy, and development to the third world was implemented by force. Neoliberalism turned authoritarian, forceful, and anti-democratic, using approaches to be spread around the world which are extremely opposite to what the theory advocates for. This approach of American imperialism ripped from several nations the right to make their own decisions.

Although the US’s imperial system was not based on direct colonization, yet it uses more manipulative tools to spread control over countries. Once identifying a geopolitical or economic interest, the US start to impose its control either by threats and military pressure – similar to the Saudi Arabia case who under military pressure agreed to recycle all of their petrodollars through the New York investment banks – or by supporting and building alliances with repressive military dictatorships and authoritarian regimes, which can gain the US protection as an exchange of facilitation to exploit, the country, its national resources, labors rights and other all for the benefit of this authoritarian elite and the powerful elite in

⁴² Ibid

the neoliberal countries on the expenses of the people of the third world⁴³. Another example would be the Iraqi war, as per the United States justification for putting the country under such cruel destruction was to spread “freedom”, the claim was that this war aimed mainly to set the Iraqis free, and that was all that mattered. Harvey also indicates to the problematic use of the concept of freedom, which in that context is very vague, similar to the future of Iraq which was left torn apart after the war. Yet, after assessing what were the gains of the United State after the war, what kind of changes they did to the Iraqi system and polices, one can have a clear picture of the real motives behind spending that much money on a war. After the war, the United States promulgated four orders that included full privatization of public enterprises, full ownership rights by foreign firms of Iraqi businesses, full repatriation of foreign profits, the opening of Iraq’s banks to foreign control, national treatment for foreign companies and the elimination of nearly all trade barriers. The orders were to be applied to all areas of the economy, except for oil, given its importance in providing revenue to finance the war and its geopolitical significance. Moreover, another paradox of the “freedom” gift that was presented by the United States, people of Iraq were forbidden to express their will, they were not allowed to strike in some key sectors and the right to unionize were also restricted. And to make the situation even worse a highly regressive flat tax was also imposed on them.⁴⁴ This transformation was easily legalized, through a process of the imperial acts that were discussed earlier, the United States appointed a “sovereign” interim government to confirm and legalize all the new laws and policy amendments.

⁴³ Ibid.

⁴⁴ David, Harvey. A Brief History of Neoliberalism. Oxford: Oxford University Press, 2005. Pp: 6-7.

According to neoliberal theory, those changes were essential for the creation of wealth and improving the well-being of the Iraqi population. However, it was in fact just a mechanism to make it possible for the powerful countries to exploit Iraq and transfer more capital into their countries. To facilitate conditions for profitable capital accumulation on the part of both domestic and foreign capital. The freedoms it embodies reflect the interests of the powerful class and the wealthy elite of private property owners, businesses, multinational corporations, and financial capital, widening the inner and international financial gaps.

Another example of the United States' interference in the affairs of another state to satisfy its own gain, is the case of Chile. First, the neoliberal leader with their precious value of freedom and dignity imposed a coup, against the democratically elected government of Salvador Allende. This was mainly to satisfy the desire and need of the domestic business elites threatened by Allende's drive towards socialism. It was backed by US corporations, the CIA, and US Secretary of State Henry Kissinger. It violently repressed all the social movements and political organizations of the left and dismantled all forms of popular organization. Once again through force and violence the labor market was 'freed' from regulatory or institutional restraints, but the people freedom was taken away to make their own decision.⁴⁵

Harvey demonstrates that the idea of freedom under the neoliberal rule as it was presented by Karl Polanyi. There are mainly two kinds of freedom, one good which can include Freedom of conscience, freedom of speech, freedom of meeting, freedom of association, etc.

⁴⁵ Ibid.

While the other type is bad, which can include the freedom to exploit one's fellows, or the freedom to make inordinate gains, etc.

Neoliberal system claims that it supports individuals to gain their freedom. However what kind of freedom? Neoliberalism only promotes freedom that will eventually help fulfilling the goal of powerful neoliberal states. Hence it is promoting the right of private ownership and privatization to help the process of capital accumulation. Also, it supports the freedom of expression of the elite to request more rights and more freedom from any state interference, yet the freedom of speech for the poor and less fortunate class is restricted, especially in the underdeveloped countries. The right of the majority to get access to basic services is denied. In other words, neoliberalism promotes bias policies which support the freedom and advancement of the higher classes who already enjoy a life of luxury and do not need any kind of support. On the other hand, it offers little freedom for the people who are suffering from the unjust division of resources and profits, those people who are not even enjoying their democratic rights to protect themselves from the power of property owners.

Conclusion

When reading history of world politics, one can notice a cyclic patterns of power shifting. Great hegemon powers build the system and lay the rules on the international level. The rise the fall of great powers and their relation to the stability of the international system can be viewed and demonstrated through different international relations theories. For the past decades, particularly after the collapse of the Soviet Union, the world order was going towards unipolarity, dominated by the United States of America and its western world allies.

The dominant power adopted Neoliberalism to formulate the political and economic international system within their range of influence. This system had a devastating impact on a wide range of the global population. Harvey describes Neoliberalism to be a “*utopian project to realize a theoretical design for the reorganization of international capitalism or as a political project to re-establish the conditions for capital accumulation and to restore the power of economic elites*”⁴⁶.

This utopian argument with all the values and remedy which neoliberalism was supposed to bring to the world, is nothing more than a justification and legitimation for whatever needed to be done to achieve the theory’s goal which is to re-establish the conditions for capital accumulation and to restore the power of the economic elites. All statistics and examples from the practices of the neoliberal leading countries in the world can be considered as the evidence to that freedom and human dignity are to achieve this goal, and whenever there is

⁴⁶ Ibid: P.19

a clash between those values and neoliberal interests then the principles are either abandoned or become so twisted as to be unrecognizable.

During the past years, new powers emerged. Those powers are trying to establish more autonomy, decrease their dependency to the imposed system, and create an alternative domination. The following chapter examines the potential influence of those new emerging powers on the world's power dynamics. It mainly focuses on China as the leading emerging power and its allies in the Eurasian region. The chapter goes through the development of China, in addition to its regional and international alliances and development projects.

Chapter Two

New Emerging Powers

When talking about new emerging power, most attention is currently focused on the region of Eurasia, led by one of the most powerful economies in the world, China, and its regional allies. Many ask the question of whether we are within a phase of power transition? if China will become the next hegemonic power?⁴⁷ Or simply if the world is becoming a multipolar world with decreased dominance of the western world and more than one center of power. Certainly, a change of the balance of power is happening. Maybe it is too early to determine what would the new world order be, but we can at least study the effect of that change on the global level. According to globalization and the modernization development theory, the entire world is affected by changes of power relations. When new powers are rising, their influence will also grow, this influence can be on the economic, political or even cultural level. They might become more involved in setting up the shape of globalization. Hence, we need to first study the potential power of those rising countries and then to study the actual change they are doing.

This chapter examines the rapid development of China – considering it the central power of Eurasia. It demonstrates the regional and global status of China as a powerful international

⁴⁷ There are many research papers on the subject; below are some examples:

- Tony Hooper. "China—the next global hegemon?", Thunderbird International Business Review 53(4), July 2011.
- Feng, Zhang. "Chinese Hegemony: Grand Strategy and International Institutions" in East Asian History. Stanford: Stanford University Press, 2015.
- Sebastian Harnisch, Sebastian Bersick, and Jörn-Carsten Gottwald, eds. "China's International Role: Challenging or Supporting International Order?", New York: Routledge, 2016.

player, highlighting its most important regional and international alliances, projects, and development strategies. The chapter also examines the economic, political, and cultural aspects of the Eurasian emerging powers and how those new powers are approaching developmental projects from a global south perspective.

The Rise of China

The significant development of the Chinese economy started with the implantation of the economic reform plan in 1979. China started gradually the economic reforms which contributed to its massive economic growth, described by the world bank as, “*the fastest sustained expansion by a major economy in history*”⁴⁸. Before the reform, China’s economic policies were vastly inefficient. China invested in its human capital, but it kept the economy centralized, isolated, closed and fully controlled by the state. The government main goal was to build an autonomous economy. Therefore, around 75% of industrial production was produced by state-owned companies, as per a state planned targets. Private businesses and foreign investments were generally prohibited. Even foreign trade was only allowed when a certain product had no locally produced alternative. The local production was fully controlled by the central government who determines the production goals and targets. This centralization led to lack of efficient market mechanisms to distribute resources.⁴⁹ Farmers and workers did not have enough incentives to develop the quality of their production because the imposed production goals set by the government meant that the government sets

⁴⁸ United States Congressional Research Service. “China’s Economic Rise: History, Trends, Challenges, Implications for the United States”, United States, June 25, 2019.

⁴⁹ Ibid.

the number of units that must be met by producers, or they will be subject to consequences. The planners care more about meeting the set quota of production, and less about the quality of products. This caused a lack of competition and efficiency, which weakened the economy.

This was all changed with the policies of the reforms. The new policies allowed a small-scale private ownership of businesses, which allowed farmers to sell a small percentage of their production in a free market. The governments started to work on attracting foreign investments into China, for a certain scale they allowed free-market reforms, established specialized economic zones and development zones they increased their exports and imports, focusing particularly on importing high technology products. At a later stage, China changed its economic policymaking process with the goal of making it less centralized and delegating more authorities to local governance, which were permitted to operate and compete on free market principles instead of being fully controlled by the state planning. In addition, the state started to encourage citizens to start their private businesses.⁵⁰ Hence the process of trade liberalization and removing trade barriers encouraged greater competition and attracted Foreign Direct investment (FDI) inflows⁵¹

Most scholars would agree that the main two factors of China's economic growth were large-scale capital investment and the rapid productivity growth. This growth has enabled China to raise its (GDP) at an average annual rate of nearly 10% since the beginning of the reform

⁵⁰ United States Congressional Research Service. "China's Economic Rise: History, Trends, Challenges, Implications for the United States", United States, June 25, 2019.

⁵¹ Foreign Direct investment (FDI) is investment made to acquire a lasting interest in or effective control over an enterprise operating outside of the economy of the investor. FDI net inflows are the value of inward direct investment made by non-resident investors in the reporting economy, including reinvested earnings and intra-company loans, net of repatriation of capital and repayment of loans.

to 2017. 800 million people were raised out of poverty. Nowadays, China ranks as first country in several economic indicators, such as the size on a purchasing power parity (PPP) basis, value-added manufacturing, merchandise trade, and holder of foreign exchange reserve.⁵² Of course, as this growth had impacted China's internal policies it also impacted its international power and status. The country has become more and more involved in global economic policies and projects. Several initiatives are currently in process such as building massive trade roads and development banks, involving Asia, Europe and Africa. Which is discussed in more details throughout this chapter. The strategic goal behind those initiative is to expand China's global market and increase its global soft power.⁵³

The reformation of the Chinese economy has also been affected by a shift in the ideological perspective of China as a state. In the past, China could have been easily defined as a communist country. As for the current time, the nature of China's identity as a nation-state is controversial. Some argue that it is somehow a form of neoliberal state, other argue that it created its unique hybrid economic system. Through going more into the historical development of the Chinese economy, the next section demonstrates how China during the 80s was indeed driving towards neoliberalism. However, by the 90s it started departure from neoliberalism towards a model closer to the Keynesian economy.

Throughout the cold war era, China was identified as a communist state, the left scholars of the West admired Mao Zedong's policies of anti-imperialism, public ownership, and social equality. They considered China as a progressive version of socialism. After the death of

⁵² Ibid.

⁵³ Ibid.

Mao Zedong in the late 70s, the Communist Party leadership turned to market-oriented reforms to recover the weak economy as discussed earlier. The reforms promoted a shift in the power relations between the leading capitalist state and China, the hostility towards China as a communist state decreased significantly, and China was welcomed to join the global economic market⁵⁴. China started its policy reformation, replacing the strict Maoist policies with more open set of policies and converting to a model known as “socialist market economy”. The social market economy is a form of market socialism, which means that the market mechanism is utilized for the allocation of capital goods and the means of production. Social market economy combines characteristics from both economic socialism and economic liberalism. It allows private enterprise but in line with government regulation to create fair competition. The model also allows state intervention to establish a balance between a consistent economic growth, low inflation, low unemployment rates, fair working conditions, social welfare, and public services. The model uses the free-market modality to produce high quality goods, but it differs than the capitalist model by adopting a more social methods in distribution that can be considered more moral and practical.⁵⁵

Since then, China’s economic progress increased significantly, becoming one of the largest exporters of goods globally. This massive change of China was perceived by the western left in two different approaches. Some considered China's market socialism as a positive change, lifting more people from poverty, and introducing another regional and global power which

⁵⁴ Alvin, Y. So. “Globalization and The Transition from Neoliberal Capitalism to State Developmentalism In China”, in *International Review of Modern Sociology*, Vol. 33, Special Issue. International Journals, 2007, pp. 61-76

⁵⁵ Ron Berger and Ram Herstein, “China’s Social Market Economy”, in *the International Journal of Asian Business and Information Management* 4(1), January 2013.

counterbalances the United States' driven neoliberal dominance. However, on the other hand, other scholars believe that China is moving towards neoliberalism, as evidenced by privatization, marketization, fiscal decentralization, transferring some human services into commodities, and the rise of labor demonstrations. This means the rise of another neoliberal global power.⁵⁶

As mentioned earlier, since 1970s neoliberalism became a global dominant economic trend. Harvey explained how this trend developed unevenly in several geographical locations, he also explained that *“the complex ways in which political forces, historical traditions, and existing institutional arrangements all shaped why and how the process of neo-liberalization actually occurred”*⁵⁷. At that time and up to early 2000s, the reforms carried out by China did indeed fit the neoliberal description. The main goal for those reforms was to liberate the economy to accelerate capital accumulation and was concluded by China joining the World Trade Organization (WTO).⁵⁸

The impact of those changes at that stage also fit the influence of transformation process to neoliberalism. The reduction of state power, or state role in controlling the economy, the expansion of private sector and markets, the growing foreign economic domination, the deduction of social or human services such as health and education services, which is one of the main pillars of the socialist ideology. China also suffered from the “traditional symptoms”

⁵⁶ Alvin, Y. So. “Globalization and The Transition from Neoliberal Capitalism to State Developmentalism In China”, in International Review of Modern Sociology, Vol. 33, Special Issue. International Journals, 2007, pp. 61-76

⁵⁷ David, Harvey. A Brief History of Neoliberalism. Oxford: Oxford University Press, 2005.

⁵⁸ Alvin, Y. So. “Globalization and The Transition from Neoliberal Capitalism to State Developmentalism In China”, in International Review of Modern Sociology, Vol. 33, Special Issue. International Journals, 2007, pp. 61-76

or consequences of this transformation. There was an increase in unemployment, state debt, workers exploitation, and polarization of classes. Indicators of health and education were declining. The exploitation in the labor arena inflamed major collective activism, such as strikes, demonstrations and resistance activism organized by labor against exploitation and illegal employer practices. The number of those activities were rising constantly until in the year of 2000 alone 8,247 collective actions took place, involving 259,445 workers. Hence, labor issues were identified by the government as one of the major issues that could jeopardize the political and economic stability.⁵⁹

However, since the late 90s to early 2000s, China started to shift its pattern of policy change to become closer to the East Asian developmental state than to the neoliberal state. Some of the characteristics of the East Asian developmental model are the strong state machinery with an active governmental intervention in the economy. The intervention is usually driven by a national project to make the country more strong and powerful. Also, it includes authoritarian policies to control labor and marginalize the role of civil society. This shifting phase focused on enhancing the state's managerial and fiscal capacity. This was reflected in the re-increase of the centralized state control through intensive monitoring and evaluation processes of local leaders. The government had the ability to be selective in term of prioritizing some policies to be implemented over others as per the national priorities, sometime also through selecting strategic areas to target, they even intervened in the selection and appointments of key state

⁵⁹ Ibid.

officials.⁶⁰ Several steps and policies were established to fulfill this goal, below are the most significant milestones.

Firstly, in 1994 the “Tax Sharing Scheme” (TSS) was introduced by the central government which also served the phase goal of restoring the central government control. The scheme increased the portion of budgetary revenue in GDP and the central share in total budgetary revenue. Which strengthen the managerial and fiscal power of the central government, and at the same time increased the dependency of the districts’ authorities on the central government, decreasing their previous autonomy. Secondly, against the nonintervention principle of neoliberalism, the Chinese government’s intervention in the economy increased. The government was involved in several massive debt-financing mega-projects and huge investments to transform physical infrastructures, with the establishment of new transportation and renovations to increase the linkages of the center and the vital economic zones. This might indicate a mindset changed, since the linking of the different part of the country is one of the features of a modern approach to nation state apparatuses. Thirdly, contrary to neoliberal practices, in 2006 China started policy revisions to maintain a balance between economic growth on one hand and social welfare and development on the other hand. The government tried to mitigate the earlier consequences on health and education and to minimize the social gaps, especially between the center and the countryside. They started by creating new policies such as the plan of “building a new socialist countryside” and a “harmonious society,” adjustment on the welfare policies such as making pension available

⁶⁰ Ibid.

for all citizens and raising the minimum living standards assistance package. This approach means that the government when ratifying any new plan, they take into consideration not only what it will contribute to the economic growth indicators, but also the effect of this plan on the massive public and the environment as well.⁶¹ Fourthly, China became a pioneer in the production of high technology products, after it was trapped in low-tech production, and through reformation in its educational system, China increased its investments in the sciences sectors and encouraged scientific research. This led several global high-tech companies to transfer their research labs into China.⁶² Fifthly, unlike the neoliberal principle of empowering the capitalist class. In China, although the private sector was developed, however the capitalist class was always weaker than the state and it depends on the state for its survival. In China there is an unclear boundary between state enterprises and collective/private enterprises. It is also challenging to distinguish between state officials and private capitalists because both are connected in terms of interlocking personnel and ownership. In fact, the Chinese officials – as they were asked by the state - are involved in running private corporations. The state has demanded them to acquire good businesses management skills to transform the state enterprises into profit-making businesses. Therefore, many collective enterprises are run by capitalists, while many private enterprises are spined-off state properties owned and run by state managers or their relatives.⁶³ Sixthly; China is putting all required efforts to maintain its nationalism, national boundaries and sovereignty. National barriers over foreign investments and transnational corporations, as

⁶¹ Ibid.

⁶² Ibid.

⁶³ Ibid.

China ensures that they do not overcome its power as a nation state. For example, China restricts the permission of any form of financial intermediation other than the state-owned banks.⁶⁴

Another analysis of the development of the current China economy was linking its current methodology with its past Leninist one. Some scholars explain that since the beginning of the reformation until now, what China was doing is a re-adaptation of Lenin's New Economic Policy (NEP). Which mainly depends on capitalism's selectivity to achieve state-led development, while taking into consideration all the lessons learned from other countries' experiences. In 1918, the Russian leader Vladimir Lenin introduced the concept of 'state capitalism', which means that the state can allow a space for private sector and capital accumulation while controlling the main means of production in the state, which was supposed to be a transitional stage from capitalism to socialism. This approach was also used by Germany when implementing the fast-industrialization process. However, with the modernization of the state, China realized that readapting this concept to the modern context could allow the state to compete in the global world's economy, while limiting the power of private business and guiding it achieve the national priorities in line with its national development plan.⁶⁵

In short, China as a nation state in its current stage can be defined by being a strong nationalistic state with a considerable degree of autonomy not driven fully by vested

⁶⁴ Ibid.

⁶⁵ Niv, Horesh. And Kean, Fan Lim. "China: An East Asian alternative to neoliberalism?", *The Pacific Review*, 30:4, (2017) PP. 425-442.

economic interests. The power of the state is still centralized, it possesses powerful policy tools including the banks, which enables it to have control over the financial sector of the state and to carry on its developmental plans. As for the Chinese capitalist class, during the transformation to communism, the old capitalist class was destroyed, and the new one formed during the reforms of the 80s and the 90s is still weaker than the state and depends on the state for its survival.

Along with the reform plan there was great efforts to strengthen the national identity of the people not only as communists but as national Chinese. China understood that they need a strong but not radical national identity to build and flourish the state. They needed to strengthen people's sense of belonging to both tradition and history, and not to build an identity based on hostility towards the outside capitalist world. China wanted to be able to use diplomatic foreign policy to create the suitable environment to implement its modernization program. The paradox of the Chinese state is that despite its Leninist state mechanisms. However, the state still uses its power in an authoritarian approach to control its labor class, by restraining labor demonstrations and neutralize civil society. They use this suppression to attract foreign investment and accelerate capital accumulation.⁶⁶

From another point of view, values of democracy and freedoms which are associated mainly with liberalization and considered as a result of free market mechanism dose not in fact achieve social equality. A lot of democratic states are facing the widening gaps of social

⁶⁶ Alvin, Y. So. "Globalization and The Transition from Neoliberal Capitalism to State Developmentalism In China", in *International Review of Modern Sociology*, Vol. 33, Special Issue. *International Journals*, 2007, pp. 61-76

inequality. Yet through selective capitalism and its communist ideological commitment, China is working on minimizing the inequality gaps through keeping into control the large state-owned companies.⁶⁷

As a result of all the above, China not only became a major economic power, but it also became one of the biggest beneficiaries of capital reallocation. Since the 1990s, it became one of the major receivers of foreign direct investment among the “developing countries.” Even in 2002, it overtook the U.S. to become the world’s largest receiver of foreign direct investment.⁶⁸ This was due to several factors such as the enormous Chinese market size, low labor costs, quality of infrastructure in the country, in addition to the government preferential policies which includes reduction of barriers, low tariff rates and special privileges to foreign investors⁶⁹

The economic growth of China played a major role in defining the country as a potential new rising global power, especially that China is using its strength to build regional alliances and spread its influence. The upcoming section discusses the regional and global status of China as a powerful international player.

⁶⁷ Niv, Horesh. And Kean, Fan Lim. “China: An East Asian alternative to neoliberalism?”, *The Pacific Review*, 30:4, (2017) PP. 425-442.

⁶⁸ Minqi, Li. “The Rise of China and the Demise of the Capitalist World-Economy: Exploring Historical Possibilities in the 21st Century”, *Science and Society* 69 (3): 2005. PP. 420 – 448.

⁶⁹ Harm, Zebregs. and Wanda, Tseng. “Foreign Direct Investment in China: Some Lessons for Other Countries”, Policy Discussion Paper by The International Monetary Fund. 2002.

The Shanghai Cooperation Organization (SCO)

Regionalization theory explains the role and form of alliances that is found in a specific region. Regionalization is “*The steady process of building qualitatively new forms of interaction between the states comprising the world’s macro-regions*”⁷⁰. Regionalization has become a common form of alliances through the development of the current world order. It is a way in which countries can facilitate their interstate cooperation on different levels such as, stabilizing the ties with surrounding countries, dealing mutually with any regional problems, creation of multinational regulatory systems and facilitating economic cooperation. When creating regional alliances, the type of organization or agreements are usually set through dialogue and negotiation to determine the main objectives and needs behind such collaborations, regional issues that need to be addressed and to achieve mutual interests for the member states that would facilitate achieving sustainable development for the whole region.⁷¹

In the Eurasian Region, after the collapse of the Soviet Union a change in the balance of powers has created a new reality on the ground. From one large union to sovereign nation states. This transitional situation raised the risk of conflict and security concerns in the Eurasian region. There are four existing protracted territorial conflicts in the post-soviet region over Abkhazia, Nagorny Karabakh, South Ossetia and Transdniestria which are known as “frozen conflicts”. Recently the open confrontation between Russia and Ukraine

⁷⁰ Alimov, Rashid. “The Shanghai Cooperation Organisation: Its role and place in the development of Eurasia”, *Journal of Eurasian Studies*. 2018.

⁷¹ Ibid.

over the Donbas and Crimea has also been added as the fifth conflict in the region.⁷² Measurements had to be taken to set up and maintain the new borders between the existing countries and the new established countries within the previous Soviet Union countries but also with the other surrounding countries, in particular the new borders with China.⁷³ Addressing those security concerns and settling the issues of recognized borders between China and the Central Asian Republic with a leading role by Russia, was one of the main goals behind the idea of establishing the Shanghai Cooperation Organization (SCO).

SCO is considered one of the most significant political, economic and security alliances in Eurasian macro-region. It represents a hybrid model of regional collaboration. The negotiation on the establishment of the organization started in the 90s, and it was finally established in 2001. Member states of the SCO are China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan. In 2017, both India and Pakistan also joined as full members. The Main objective of the organization was as mentioned, to maintain the stability and security of the region. Since its establishment the organization's focus have expanded, leading the development of multidimensional multilateral cooperation and agreements based on need and interests of the member states. SCO contains four out of the eight world nuclear powers, which makes it a key contributor to the maintenance of global strategic stability ⁷⁴

⁷²Thomas, de Waal and Nikolaus, von Twickel. "Beyond Frozen Conflict: Scenarios for the Separatist Disputes of Eastern Europe", Centre for European Policy Studies, Brussels, Belgium. September 2020.

⁷³ Stephen, Aris. "The Shanghai Cooperation Organisation: Tackling the Three Evils. A Regional Response to Non-traditional Security Challenges or an Anti-Western Bloc?", *Europe-Asia Studies*, 61:3, 2009. PP 457-482.

⁷⁴ Alimov, Rashid. "The Shanghai Cooperation Organisation: Its role and place in the development of Eurasia", *Journal of Eurasian Studies*. 2018.

The organization also facilitates China's international expansion and the revival of Russia as a Eurasian power. To an extent, this reflects the mutual development of the whole region as according to the SCO. The state members have a strong unity based on what they call as the "Shanghai Spirit", which is a set of shared values such as mutual trust, respect, equality, consultation, consensus, mutual benefit, respect of diversity multiculturalism and the mutual ambition to joint development.⁷⁵

What is interesting is the way the West perceives SCO; many western analysis documents that this alliance aims to unite the power of China and Russia to create an anti-western bloc that will limit United Nations' influence in central Asia. This analysis was followed by descriptions of the organizations such as being one of the most current dangerous alliance to the U.S. or being the new Warsaw alliance⁷⁶. Another academic analysis focuses on the fact that all SCO members are not actually following the "Western Liberal Democratic models" and does not adhere with human rights parameters. This fact raised voices who questioned the strength and the longevity of this alliance. Claiming that the cooperation of those 'autocratic countries' club', cannot exceed the effort of finding mutual support for the oppressive procedures applied by these governments. This criticism become even stronger after Iran joined the organization as an observer state.⁷⁷

⁷⁵ SCO Charter of 7 June 2002, Preamble.

<http://www.hriChina.org/sites/default/files/PDFs/Reports/SCO/2011-HRIC-SCO-Whitepaper-AppendixA-SCO-Docs.pdf>

⁷⁶ THE Warsaw alliance or the Warsaw Pact, was a political and military alliance established in 1955 between the Soviet Union and several Eastern European countries. the alliance was formed as a counterbalance to the North Atlantic Treaty Organization (NATO), which is a collective security alliance concluded between the United States, Canada and Western European nations in 1949.

⁷⁷ Stephen, Aris. "The Shanghai Cooperation Organisation: Tackling the Three Evils. A Regional Response to Non-traditional Security Challenges or an Anti-Western Bloc?", *Europe-Asia Studies*, 61:3, 2009. PP 457-482.

Another major criticism focuses on diversity and difference in identity of the SCO countries. By including countries of different cultures, beliefs, priorities, procedures and economies, those countries will face a major challenge to reach mutual understanding, or make mutual decisions, go into successful smooth dialogs or to agree on solutions. There will be many unresolved disagreements which will eventually affect the sustainability of the organization. The SCO replies to this criticism by demonstrating how while the organization is gradually developing, so is the common understanding and objectives, they are constantly looking for best mechanisms to widen their ties on political and economic issues. They also work on building a partnership on their similar approaches of development. This would not be the first type of organization that facilitates the alliance of counties with different cultures, potentials, and civilizational features.⁷⁸

What also distinguishes the partnerships of the SCO from other international alliances, is that each state has an equal voice in the decision-making process. Usually in the international relation field, there are struggles for power between states based on their national interests, even in alliances. In most regional and international organizations, decision-making process are hegemonized by powerful actors to serve their own interest, even if those decisions are against some of the member's interests. Decisions will be pressured by the powerful members and presented to the world as mutual decisions. In SCO, as demonstrated in the charter, the multilateral partnership model is different. It is based on equal participation in decision-making and reaching a consensus by looking for mutually beneficial decisions for all

⁷⁸ Ibid. P. 115

members. This is not easy and takes much more time and efforts in the process to detect the points of mutual interests.⁷⁹

The intervention of the SCO in Eurasian that aims mainly to promote a good standard of living to all people in the region, can be categorized under three main pillars. Firstly, Politics and Security, especially considering the growing risks of organized crimes in drugs and human trafficking, in addition to terrorism activities. Secondly trade and economic growth, where there are around 122 documents within the SCO legal framework related only to economic cooperation, representing 7% from the whole framework. The legal documents facilitate the relationship of the relevant states in terms of trade, investments, banking, finance, etc. And finally; strengthening cultural and humanitarian ties. Those economic and cultural pillars intersect with each other. Since opening to the surrounding countries in this globalized era leads to economic and cultural interactions. What makes this possible is the fact that the SCO countries have massive markets, minerals, and natural resources in addition to strong industrial grounds which are vital to effectively implement joint projects. The available raw materials enable the approach of handling all cycle of production within the organization's tools. Especially that the organization also possess high-tech and science-intensive centers.⁸⁰

The organization aims at directing this economic growth in a comprehensive and balanced manner in the whole region to the benefit of all. Therefore, they created mega projects to

⁷⁹ Alimov, Rashid. "The Shanghai Cooperation Organisation: Its role and place in the development of Eurasia", *Journal of Eurasian Studies*. 2018.

⁸⁰ Ibid.

promote transportation and communications infrastructure, build new roads and energy systems. They also promote an enabling environment for trade and investment; and establish agreements to minimize trade barriers to ensure free flow of goods, capital, services, and technologies.⁸¹ The organization is also discussing the possibility to create the SCO Development Bank, to finance some development initiatives and projects. There is also the vision of creating a Greater Eurasian Partnership involving the ASEAN countries.⁸²

Along with its vital role in SCO, China is also leading or participating in other major projects to spread its influence within Eurasia and beyond. The below section sheds the lights on the most important projects, Chinese Belt and Road initiative and the new development banks

The Belt and Road Initiative

The Belt and Road initiative or the Silk Road Economic Belt is a project to create trade routes and strengthen economic unity in Eurasia, initiated by China in 2013. The Project has two main objectives, first to create the Twenty-First Century Maritime Silk Road, by reviving the old silk road, which are ancient trade lanes used to connect Asia with Europe. In addition to the exchange of goods, this road also had significant contribution to cultural exchange, it facilitated the spread of knowledge, religions, and languages between the two continents. The current Chinese project also aims to create one economic belt. Which means the creation of intercontinental alliance among countries along the Silk Road to establish stronger economic

⁸¹ Zhenis, Kembayev. "Implementing the Silk Road Economic Belt: from the Shanghai Cooperation Organisation to the Silk Road Union?", *Asia Europe Journal*, 16, (1), 2018. PP. 37-50

⁸² Alimov, Rashid. "The Shanghai Cooperation Organisation: Its role and place in the development of Eurasia", *Journal of Eurasian Studies*. 2018.

ties, facilitate trade and investment.⁸³ As a first step for this alliance, China has called for a closer collaboration between the SCO and the Eurasian Economic Union (EAEU)⁸⁴ which contains Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia.

This initiative has an implementation plan with 30 years' timeframe to be fully achieved. It will potentially include and benefit 67 states, representing 63% of the world's population. The impact of this initiative is in line with the three levels of interventions of the SCO, it will contribute to regional security, economic growth and strengthening of cultural ties. The specific five main goals the initiative aspires to achieve are to increase the economic integration of the region, to establish a single transport infrastructure across Asia, to remove investment and trade barriers, to increase the role of national currencies and finally to strengthen the collaboration in the humanitarian sector.⁸⁵

There were some criticisms claiming that a rivalry between the EAEU and the Belt and Road initiative will be a major obstacle to implementation. However, in 2014, both Russia and China signed an agreement linking the in EAEU with the initiative, agreeing to assign SCO as the official platform for the related discussions. Moreover, the discussion tackled the importance of the political cooperation to align the involved states' internal infrastructure projects with the roadmap of the silk road to create an interconnected infrastructure with unified technical systems standards. The collaboration will not only focus on building

⁸³ Zhenis, Kembayev. "Implementing the Silk Road Economic Belt: from the Shanghai Cooperation Organisation to the Silk Road Union?", *Asia Europe Journal*, 16, (1), 2018. PP. 37-50

⁸⁴ Before 2015 it was called the Eurasian Economic Community (EurAsEC)

⁸⁵ Alimov, Rashid. "The Shanghai Cooperation Organisation: Its role and place in the development of Eurasia", *Journal of Eurasian Studies*. 2018.

transportation routes but also pipeline network for shipping of energy resources, and cross-border network of fiberoptic lines.⁸⁶ It is important to indicate that establishing the pipelines are especially vital to China not only as part of the initiative, but also it gives China leverage to establish sustainable oil channels, not subject to any maritime blockade or sanctions imposed by Western politics.⁸⁷ In addition to those changes in term of the infrastructural map, also the discussion will suggest in later stage other changes on the economic system level to facilitate the creation of free zones and unification of regulatory and customs procedures. Also, the plan is to increase the humanitarian cooperation to include the fields of education, tourism, culture, arts, youth policy, etc.⁸⁸

In short, the initiative might have been presented by the Chinese president at first in 2013 as an economic close circle. However, taking into consideration all the involved ministries and local authorities, the initiative evolved into a combination of multiple diplomatic, domestic socioeconomic, financial, geo-economics and geopolitical interests and drivers. The two scholars Richard Ghiasy and Jiayi Zhou, provide additional motivations or potentials for China beyond the above-mentioned goals. They demonstrate how this project can contribute to the creation of a new paths of globalization, integration, and development. It can increase China's global domination, on security, economic, and political levels. It can help alleviate American-led geopolitical intrigues. Also, it can create a new global system of discourse and new international security order, which will promote China's broad national power and

⁸⁶ Ibid.

⁸⁷ Zhenis, Kembayev. "Implementing the Silk Road Economic Belt: from the Shanghai Cooperation Organisation to the Silk Road Union?", *Asia Europe Journal*, 16, (1), 2018. PP. 37-50

⁸⁸ Alimov, Rashid. "The Shanghai Cooperation Organisation: Its role and place in the development of Eurasia", *Journal of Eurasian Studies*. 2018.

cultural soft power.⁸⁹ The project will not only affect the Eurasia region. The initiative will also extend its impact to the EU interests in general but particularly, EU's own foreign and security interests in Eurasia. Hence the scholars presented recommendations for the EU to *“strategically utilize opportunities to engage China, and other relevant actors, and calibrate the Belt to contribute towards a ‘rules-based global order’ in line with its own interests and values. And to consider forging closer strategic relationships with key stakeholders such as China, India, and Russia in the interest of a more stable Eurasia, with the Belt as one possible impetus”*,⁹⁰

New Development Banks and Infrastructures Development Investments

China has a Development Bank (CDB) which was created in 1994, it focuses mainly on internal development but also slightly outside China. Yet like other great international powers, China is contributing to the development investments of the less developed countries, mainly through what China believes the most efficient way of development, enhancement of national infrastructures. Before the Belt and Road Initiative, China's interventions targeted mostly African and Asian countries. But recently most investments related to the Belt and Road Initiative, are targeting Asian and European countries. Among the top 20 beneficiary countries of the “Chinese policy banks loans” during 2013 and 2015 were both Vietnam and India who do not have strong strategic bilateral friendship relations with China. This indicates the pragmatic management of the development strategies of China,

⁸⁹ Richard, Ghiasy. And Jiayi, Zhou. “The Silk Road Economic Belt: Considering Security Implications and EU–China Cooperation Prospects”, Stockholm International Peace Research Institute (SIPRI), Sweden. 2017

<http://library.fes.de/pdf-files/iez/13188-20170223.pdf>

⁹⁰ Ibid.

which takes into consideration the economic interests when making funding related decisions.⁹¹

In 2014, China and other state members announced the launching of two new multilateral development banks to fund infrastructure projects. Within the framework of the (BRICS), Brazil, Russia, India, and South Africa, China declared the establishment of the “New Development Bank,” which is worth USD 100 Billions, with its HQ in Shanghai. The bank will fund projects in several developing countries. Additionally, China along with other fifty-seven nations launched the establishment of the Asian Infrastructure Development Bank (AIIB), also worth USD 100 Billions, with its HQ in Beijing.⁹² Given that those banks are multilateral, China explained that international standards in terms of labor and environment protection rights will be adopted in all the banks’ funded projects.⁹³

China’s development nature differs from the colonial western development and traditional donors, which will be thoroughly discussed in the next chapter. As per the African countries, infrastructure projects are indeed the most important contribution of China in terms of development initiatives. They believe that thanks to those investments, Africa has changed considerably throughout the past decade. It helped countries with rich resources to overcome blockages, it also increased people’s access to services and global markets. When it comes to western development investments, the package usually comes with strict conditions and

⁹¹ Yang, Jiang. “China’s New Development Bank and Infrastructure-led Growth”, The Norwegian Institute of International Affairs. Oslo, Norway, 2016.

⁹² United States Congressional Research Service. “China’s Economic Rise: History, Trends, Challenges, Implications for the United States”, United States, June 25, 2019 P40

⁹³ Yang, Jiang. “China’s New Development Bank and Infrastructure-led Growth”.

changes in the internal policies of the countries such as demand of democratizations and good governance. As for the Chinese with their non-interference policy, they only have one demand country which is to respect the principle of 'One China'⁹⁴. Also, another difference is the cost, for Chinese company is relatively much cheaper than other western companies, they have skilled workers who can get mega projects done within a short timeframe. Compared to other investors who usually ask considerable contribution from the hosting state of financial guarantees for payback before they initiate the work. The Chinese companies agree to start the work if the country would agree to reimburse the cost by exporting natural resources to other Chinese companies. In this way the money would flow between only Chinese player which will eliminate the risk of money falling in the pocket of corrupted government officials⁹⁵

However, after acknowledging the important role of China in filling the gap with the needed infrastructure improvement in development countries. It is also crucial for China to carefully examine the expected outcome from infrastructure renovations. Mainly three factors are essential to determine if those projects will be beneficial and sustainable. Firstly, to make sure the investments match the local needs. The suitable debt and financing conditions, to ensure that benefits are being distributed to companies and the wider population. Hence, other than financing, the decision-making process, the bidding and procurement processes and the

⁹⁴ The "One-China policy" is a policy asserting that there is only one sovereign state under the name China, as opposed to the idea that there are two states, the People's Republic of China (PRC) and the Republic of China (ROC), whose official names incorporate "China".

⁹⁵ Yang, Jiang. "China's New Development Bank and Infrastructure-led Growth", The Norwegian Institute of International Affairs. Oslo, Norway, 2016.

appropriate implementation and supervision measurements needs to be in place for the infrastructure promotion to lead to a real infrastructure-led development.⁹⁶

The BRICS

The BRICS acronym consists of the first letter of the partners countries, Brazil, Russia, India, China and South Africa. The BRICS group started as an informal diplomatic coordination, organized through annual Summits. In 2011 the group evolved to become a political-diplomatic entity, which represents a considerable share of the world's production, over 40% of the global population and around 56% of the growth of global GNP (at 2005 \$PPP) during 2008-17. According to several scholar, the BRICS is being recognized as the emerging center of gravity in the international economic system.⁹⁷ The two tables below (**Table 1**) and (**Table 2**) helps to understand more the economic potential power of the BRICS:

(Table 1) Historical Shares of World Growth of Global (GNP), 1997-2017 (% 2005 \$PPP)⁹⁸

	1997	2007	2017
<i>World</i>	100	100	100
<i>USA</i>	23	20.8	18.2
<i>Europe</i>	27.0	23.3	19.1
<i>Other Developed Countries</i>	14.5	12.5	10.8
<i>BRICS</i>	15.4	21.9	30.4

⁹⁶ Ibid.

⁹⁷ The VI BRICS Summit General Coordination website:

<https://web.archive.org/web/20150710163822/http://brics6.itamaraty.gov.br/about-brics/information-about-brics>

⁹⁸ Sanjay, G. Reddy. "The Role of BRICS In the World Economy & International Development", The New development Bank, 2017.

<i>Other Emerging Countries</i>	17.7	18.9	18.4
<i>Developing Countries</i>	2.4	2.6	3.2

Sanjay, G. Reddy. The Role of BRICS In the World Economy & International Development.

(Table 2) Historical Annual Growth Rates of Growth of Global (GNP), Per Capita (%) (2005 \$PPP)⁹⁹

	1988-1997	1998-2007	2008- 2017
<i>World</i>	1.4	2.8	1.7
<i>USA</i>	2.0	2.0	0.7
<i>Europe</i>	1.8	2.3	0.6
<i>Other Developed Countries</i>	2.5	1.8	0.8
<i>BRICS</i>	2.1	6.7	5.4
<i>Other Emerging Countries</i>	1.5	3.2	1.1
<i>Developing Countries</i>	0.3	2.5	2.7

Sanjay, G. Reddy. The Role of BRICS In the World Economy & International Development.

The BRICS alliance directs their coordination into two main areas. Firstly, coordination in multilateral on economic-financial and political governance. The BRICS aims to reform the global governance system by reforming major global institutions to become more globally democratic with equal representation, more fairness, and less dominance by the western great powers. On the economic level the reformation targets mainly the International Monetary Fund (IMF) and the World Bank, while on the political level they advocate the reform of the

⁹⁹ Ibid.

United Nations and its Security Council. Secondly, they focus on developing a multi-sectoral cooperation agenda among the partners countries. The agenda addresses areas such as finance, agriculture, economy, trade, governance and security, science and technology, social welfare, health, culture, education, academic dialogue, tourism, and others.¹⁰⁰

While the developed western powers were exclusively dominating the global economy, they are dominating the international institutions with higher representation, and they often use this representation to facilitate procedures and practices that favor those established powers. However, in the recent years the rise of emerging powers in particularly China and India is changing the balance of global economy. This change – as demanded by the BRICS – should also be reflected on the influence those country have over the procedures and practices of the international institutions. However, the dominant western powers are still unwilling to let go of their privileges.

Realizing their potential global influence, the BRICS developed a desire to get more politically involved in the process of setting global rules. They claim that the current financial growth led by the IMF (Washington Consensus) plays a considerable role to escalating the global financial crisis in the absence of sound financial surveillance. Knowing that the BRICS countries themselves were able to survive those financial crises, such as the crises of 2008. Building on the above, the BRICS countries took initial steps to become more globally

¹⁰⁰ Jash, Amrita. “The Emerging Role of BRICS in the Changing World Order”, IndraStra Global, 6. 2017. PP. 1-11.

relevant. They established new development bank (NDB) and the Contingent Reserve Arrangement (CRA).¹⁰¹

The CRA aims to protect the member countries from the risks related to global liquidity pressures. This arrangement provides support through liquidity and precautionary instruments following any actual or possible short-term balance of payments pressure. CRA was established in 2015 where all the member states ratified the legal document of “the Treaty for the Establishment of a BRICS Contingent Reserve Arrangement”.¹⁰² Some analysts preserve the CRA as a rival to the IMF and an attempt to increase the South-South cooperation. Others argue that the arrangement still missing some basic elements such as a proper legal personality or macroeconomic research facilities. Yet there is no doubt that it has good potential to be developed into a possible BRICS alternative to the IMF in the long-term¹⁰³

As new powers, they claim their aspiration and commitment to establish a new more just multipolar international order, where international law and the role of the UN are respected. A world where new rising power can get an increased influence and voice over the global rule, while at the same the voices of the poor less developed countries are also protected and promoted. Many scholars acknowledge the important role of the BRICS in global poverty reduction, investments of boosting economic growth projects and reduction of international

¹⁰¹ Ibid.

¹⁰² "Treaty for the Establishment of a BRICS Contingent Reserve Arrangement", Fortaleza, Brazil. July 2015. <https://www.hse.ru/data/2016/02/10/1139831208/CRA.pdf>

¹⁰³ Aike I. Würdemann, “The BRICS Contingent Reserve Arrangement: A Subversive Power Against the IMF’s Conditionality?”, In: The Journal of World Investment & Trade, Volume 19: Issue 3, University of Passau, Germany. May 2018. PP. 570–593

inequalities. They try to form new global governance arrangements to improve the methods in which development is approached to become more beneficial to growth and the achievement of the development goals. In addition, they acknowledge that there is a significant shortage in the provision of the global public goods (GPGs) and expressed their commitment to use their potential powers to advance GPGs related crucial issues such as global peace and security, food security, environmental issues, management of the global knowledge and technology stock among others.¹⁰⁴

Problems of the International Monetary System

The current global monetary system has three fundamental characteristics: the dominance of the US dollar as the main currency of international settlements and reserves, a room for flexibility for the national currencies exchange rates policies, in addition to high measures of trade and capital account openness.

This system was developed in a global world where many changes occurred on the global geographical and economic level. Growing global industrial powers, decrease of global rates of people living in absolute poverty and a significant increase in the economic inequality. Also, the system witnessed several and repeated financial instabilities and crises, which has effects on the global level effecting many countries. Hence the system and its effectiveness were subject to debates where many experts emphasized the insufficiency of this integrated, incoherent economic system that depends mainly on the currency of one country for

¹⁰⁴ Sanjay, G. Reddy. "The Role of BRICS In the World Economy & International Development", The New development Bank, 2017.

international settlements and reserves. This put the global economy in a constant risk, it also gives especial privileges to the U.S. and less privileges to all other countries - especially the new emerging powers which are mostly developing countries – whose currencies are not widely accepted as reserves. It also promotes international inequalities that worsens financial cycles and encourages inequality and distorts processes of growth.¹⁰⁵ Because external financing required to support economic development and international trade must use the U.S. dollar, all involved countries are subject to risks, such as currency mismatches in financial reports and the risks linked to U.S. credit and financial markets. Consequently, as a first step of the global monetary reform requires the creation of monetary mechanisms with the ability to do the functions currently performed by the U.S. Dollar, in a way that will satisfy the internationally mobile market agents.¹⁰⁶

On the other hand, measurements are already taken by some emerging countries to empower the role of their national currencies. The Chinese national currency for example, the Renminbi is being strengthen as an international currency, a series of exchange agreements – equivalent to around 500 billion USD - have been established between the People's Bank of China (PBOC) and more than 30 other central banks. This will not only contribute to increasing Renminbi reserve holdings, but also it will facilitate financial support provision to economics facing short-term funding gaps, it will create opportunities for economics support outside IMF programs and conditionality.¹⁰⁷ With their growing power, some of the BRICS and other emerging powers, are performing a “De-dollarization” process. Which is basically

¹⁰⁵ Ibid.

¹⁰⁶ Ibid.

¹⁰⁷ Ibid.

signing bilateral agreements with other countries to replace the USD as the currency used in Bilateral trade agreements. The Below (table 3) shows some examples of such agreements or decisions:

(Table 3): Examples of De-dollarization Bilateral Agreements

Countries	Year of signing the agreement	Main terms of the agreement
Australia and China	2013	Both countries will trade with each other using their national currencies ¹⁰⁸
Brazil and China	2013	Both countries will trade with each other using their national currencies ¹⁰⁹
Japan and China	2011	Both countries will trade with each other using their national currencies ¹¹⁰
Russia and China	2019	Both countries will trade with each other using their national currencies ¹¹¹
Iran and China	2017	Both countries will buy oil in gold-backed yuan ¹¹²
Venezuela	2018	Will price its oil in Euros, Yuan and other currencies ¹¹³
Russia	2018	A state-owned company named “Lukoil” declared that it will replace the USD in all its trade ¹¹⁴

¹⁰⁸ “Direct Trade between Australian Dollars and Chinese Yuan Commenced”, Australian Business Consulting & Solutions. May 2013

¹⁰⁹ Villarreal, Ryan. “So Long, Yankees! China and Brazil Ditch US Dollar in Trade Deal Before BRICS Summit”, International Business Times, March 2013.

¹¹⁰ “China, Japan to trade in own currencies”, United Press International, Dec 2011

¹¹¹ “Russia, China Sign Deal to Settle All Trade in Respective Currencies and Drop Bilateral Use Of US Dollars”, Russia Briefing, July 2019.

¹¹² Bill, Holter. “Trading Oil for Gold: China’s Gold-Backed Petro-Yuan Market, Threatens the US Dollar?”, Mondialisation.ca. Sep 2017.

¹¹³ Andrew, Rosati. And Fabiola, Zerpa. “Dollars Are Out, Euros Are in as U.S. Sanctions Sting Venezuela”, Bloomberg News. Oct 2018.

¹¹⁴ Gleb Gorodyankin, Olga Yagova. “Russian oil firm seeks dollar alternative amid U.S. sanctions threat – traders”, Sep 2018.

Military Capacity of the Emerging Countries

As discussed in the previous chapter, economic power alone is not enough for global domination or influence. The military power of the emerging new powers is developing but in a slower pace compared to the economic growth. One of the main objectives of SCO is maintaining security to protect their interests and economic roots but also to prevent the western – in particularly U.S. - interference in the Eurasian region. Hence the member countries are collaborating to enhance their military forces and strategies to fulfill this objective by implanting joint military exercise and military drills. This section does not go through all the member countries' military power, it discusses the military powers related to China and Russia as two major nuclear powers.

According to the below **(table 4)** assessment done by the Credit Suisse Research Institute in Zurich in 2015. The American military is still rated as the world's most powerful military followed by the Russian and the Chinese military.

(Table 4) Military Strength Indicator ¹¹⁵

Country	Overall Ranking	Active Personnel	Tanks	Aircraft	Attack Helicopters	Aircraft Carriers	Submarines	Final Military Strength Score
United States	1	0.90	0.86	0.95	0.95	0.95	0.95	0.94
Russia	2	0.81	0.95	0.90	0.90	0.52	0.86	0.80
China	3	0.95	0.90	0.86	0.86	0.52	0.90	0.79
Japan	4	0.38	0.38	0.76	0.81	0.76	0.81	0.72
India	5	0.86	0.81	0.81	0.19	0.76	0.76	0.69

¹¹⁵ "The End of Globalization or a more Multipolar World?", Credit Suisse Research Institute, Zurich Switzerland. September, 2015.

France	6	0.33	0.24	0.67	0.43	0.90	0.57	0.61
South Korea	7	0.76	0.57	0.71	0.71	0.05	0.67	0.52

Credit Suisse Research Institute, “The End of Globalization or a more Multipolar World?”

China military policy is mainly defensive, they rarely interfere in armed conflict unless for self-defense. However, China has been under pressure from other countries who attempt to contain their increasing power, particularly the United States. Therefore, China was as well putting efforts to push back against this pressure to secure its influence and its sphere of influence. China developed an advanced defense strategy called “Anti-Access Area Denial (A2/AD)”. The strategy aims to prevent any foreign interference or involvement in any conflict in the Chinese land or off its coast. The strategy uses a series of interconnected missile, sensor, guidance, and other machineries or devices to restrict foreign movement in the targeted area. The new defense strategy is perceived by some as an increase in the aggressiveness or hostility of China compared to its known more peaceful approach. Specially that this strategy will limit the US power and privileges in the region. China declared that it does not have any intention to enter any conflicts, yet the strategy is only a legitimate defense mechanism to protect the Chinese interests close to its mainland. Even as a nuclear power, China’s principle is not to be the first attacker and for its power to be used in minimum deterrence. Also compared to the U.S. and Russia, the amount of nuclear power possessed by the Chinese is minimum. As its military power is designed to be a defense mechanism, it does not have significant power projection capacity ¹¹⁶

¹¹⁶ Seong-ho, Sheen. “China's Military Power Trajectory”. The East Asia Institute, South Korea. April 2019.

On the other hand, as the power and influence of China is growing so does its interests and the need to take extra measurements to protect them. They currently have more influential regional leadership, so they need to boost their military capacity in the Asia Pacific area. For example, disagreements and tensions already started over South China's Sea. Therefore, China is putting effort into keeping up with the military technology to modernize its resources. They recently renovated a Cold War era Soviet aircraft carrier. They are finalizing the production of the first local aircraft carrier. In addition, in 2015 a massive military reformation plan "Civil- Military Integration (CMI)", was put in place. The plan's main goal is to promote the Chinese military to become a competent force with the ability to implement complex joint operations at the local and regional levels through hardware modernization, education, personnel, investment, infrastructure, and logistics. This will be accomplished through two steps. First to undergo a comprehensive military modernizing process to be completed by 2035. Secondly, to upgrade the military to become a world class power by 2049. The Chinese president linked his plan and its necessity with the establishment of the Belt and Road Initiatives, demonstrating how the armed power is crucial to protect the Chinese interest and assets in order to achieve their development plan.¹¹⁷ China also buildup seven artificial islands in the South China Sea. Which believed will serve as military bases to restrict the U.S. freedom of movement and ability of maneuver in conflicts in East Asia. Taken into consideration the Chinese well capacity to utilize anti-ship and anti-air missiles on these resources.¹¹⁸

¹¹⁷ Seong-ho, Sheen. "China's Military Power Trajectory". The East Asia Institute, South Korea. April 2019.

¹¹⁸ Ankit Panda, "The Diplomat", Washington, D.C. January 15, 2020. <https://thediplomat.com/2020/01/are-Chinas-south-China-sea-artificial-islands-militarily-significant-and-useful/>

According to some western scholars, China is using the defensive discourse along with attempts to lobby against the United States and other western countries' communication methods such as media, academy and policy communication, in order to fulfill the goals of its security and military strategies. There are also claims that, for the Chinese narrative to be accepted around all its development plan in the region and the security measurements they are taking. China is conditioning its foreign and multilateral political establishments.¹¹⁹

Russia, on the other hand, is also working on modernizing its military. Going through its history, Russia as the former leader of the USSR, was during the cold war investing in a considerable scale on its military capacity as part of the armament war with the United States. Military development is a continues process for Russia. Hence, by compering its current military capacity to that of a decade ago, one can clearly notice the significant progress in transforming its military into more efficient fighting force.

Like China, the Russian military is also in a transition period. Ongoing upgrade is taking place in the different military forces sector. Its most powerful tools are its ability to use its air defenses force, to swiftly organize its ground forces, its strike capabilities, its improved long-range munitions, short-range ballistic missiles, and land-attack cruise missiles. Yet the Russian navy still needs improvement compared to the western navies. The army personal and soldiers are getting advanced trainings and exercises. They also got an actual boost to their skills and quality of work through the armed operations in Ukraine and Syria.

¹¹⁹ "Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2019", Office of The Secretary Of Defense, United States, 2019.

To summarize, both Russia and China are powerful in term of military capacities, while considered among countries with significant military power worldwide. Yet compared to the military capacity of the United State, they are still less capable, as individuals. Even though, indicators show that any conflict fought by any of them against a NATO power would pose a serious challenge to NATO.¹²⁰ So taking into consideration their continuous gradual military improvement, any chance of a joint operation of the OSC members would be crucial to the western hegemony.

Educational Collaboration

On another note, it is argued that a new unified global south will not be possible without a real sustainable educational and research collaboration, which is also not possible without a more thorough normative framework, justifying its aspirations. This justification should clarify why this emerging power is not a neo-imperial grouping of countries trying to advance their own interest through improving their international standing. Therefore, a shared and clear common interest should be the base of this collaboration for its sustainability. Other argues that those countries do indeed have things in common, especially their vision and aspiration to create an alternative global order and a global south. In 2017 the idea of “BRICS plus” to enhance the South-South cooperation was born, the idea was about expanding the BRICS alliance to included more Global South countries. In their summit of 2018 that took

¹²⁰ Keith Crane, Olga Oliker, Brian Nichiporuk. “Trends in Russia’s Armed Forces: An Overview of Budget and Capacities”, The RAND Corporation, Santa Monica, California. 2019

place in Africa, they have invited other countries to the summit representing various communities and regions such as Argentina, Indonesia, Egypt and Turkey.¹²¹

The educational collaboration should be based on the rejection of the classical modernization theory, which define modernization as one and only approach based on the dominating western standards and perspective. Which also a form of colonial education. However, it is important to indicate that rejection of modernization theory does not mean rejecting the concept of modernity completely. In contrast, the new plural modernity theories of development understand the process as “experience and interpretation” of the modern condition, that could use different approaches to upscale good practices and effective institutions to other places. This is like what the BRICS is proposing when talking about development, that is based on autonomy, inclusiveness, sustainability and equal treatment and participation of all economic actors.¹²²

The BRICS countries are becoming more interested in promoting their international cooperation in education and skills development. By reviewing their accomplishment throughout the last few years related to the education sector. They indeed brought millions into school, established learning centers, encourage innovation, and shared their knowledge. In the past, Brazil, China and India were significant receivers of development aid related to education from traditional donors. However, this tendency is declining, and it is expected to fade. On the other hand, the movements of goods, services and development cooperation including education between BRICS countries and other low and middle-income countries

¹²¹ Maxim, B. Khomyakov. “BRICS and Global South: Towards Multilateral Educational Collaboration”, in “Changing Societies & Personalities”, Vol. 2, No. 4, pp. 329–350. Ural Federal University, Russia. 2018

¹²² Ibid.

are growing rapidly ¹²³. China and India are taking this to the next level by planning the provision of education related aid to strengthen their soft power and to assert themselves as regional leaders and educational centers by influencing the Asian countries. ¹²⁴ While it is still not clear if the agenda of the BRICS education cooperation will try to create a counter-structure to the neoliberal global governance of education, however, it will probably try to build a counter-dependency structure. ¹²⁵

¹²³ “BRICS Building Education for the Future”, The United Nations Educational, Scientific and Cultural Organization (UNESCO). 2014.

¹²⁴ Cheng, I-H. & Chan, S-J. (Eds.). “International Education Aid in Developing Asia: Policies and Practices”, Dordrecht: Springer. 2015.

¹²⁵ T. Muhr, M.L.N. de Azevedo. “The BRICS Development and Education Cooperation Agenda”, *Vestnik Rudn. International Relations*, 2018, 18 (3). PP 517—534.

Conclusion:

This chapter explained how the international dynamics of power are already changing, particularly in the Eurasian region. The alliances that are developing in that region is aiming at changing the current representation and international decision-making processes in the international institution. The new emerging powers does not identify themselves as anti-western but certainly want to promote the global south, and the south-south cooperation against the western domination, calling for a more just and equal world. They also argue that the new development approach they are adopting is different than the neoliberal approach. It does not exploit or interfere with countries polices, it does not impose one culture or one standard. Yet it is more considerate and in line with the new plural modernity theories.

The next chapter discusses the concept of “Alter Globalization” and the social activism related to it. It also discusses the western neoliberal development model, mainly through the World Bank and the IMF. On the other hand, it discusses the alternative development model mainly the Chinese and other alternative multilateral banks. The comparison between the two approaches aims to answer the question whether the new powers are new “imperial” powers or are they changing the world to become closer to an alternative globalization.

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Chapter Three

Globalization and Alter-Globalization

Our modern era is shaped by globalization. The world become more connected and people around the world are all affected by the policies of international institutions and entities. The current shape of globalization can be perceived by many people as problematic, exploitative, and unjust. In his article; “*Globalization and Development: An Expanded Macromarketing View. Journal of Macromarketing*”, William Kilbourne argues that the current globalization is formed by the spread of Western capitalist neoliberalism. This global capitalism is an insufficient approach to development, as it has economic, political, cultural, and environmental implications that must be addressed from a macro-marketing perspective.¹²⁶ Similarly; Ifeanyi Ezeonu, argues that the market economics shaped by the current globalization has significant social harm effects, especially in economically challenged regions.¹²⁷ Consequently, social movements who are demanding the formation of an alternative globalization has emerged. Before going into the details of what does the concept of alternative globalization means and go through the history of the alternative globalization movement, we must first discuss the concept of globalization and shed the light on the aspects of globalization that this new social movement is calling to change. Then the second part of the chapter provides a comparative analysis between the current neoliberal globalization development approach and the Chinese approach to determine whether the rise of an

¹²⁶ William, Kilbourne. “Globalization and Development: An Expanded Macromarketing View. *Journal of Macromarketing*”. 2004;24(2):122-135.

¹²⁷ Ifeanyi, Ezeonu. "Crimes of globalization: Health care, HIV and the poverty of neoliberalism in Sub-Saharan Africa". *International Journal of Social Inquiry*, 1(2). 2008. Pp:113-134

emerging power – particularly China- is moving the world towards an Alternative Globalization or empowering the neoliberal globalization.

The Issue of Globalization

Globalization has been defined in different approaches through several scholars. According to Alfred E. Eckes and Thomas W. Zeiler, globalization is “*The process of integrating nations and peoples-politically, economically, and culturally-into larger communities*”¹²⁸. While a more comprehensive definition stresses that globalization is “*A complex, controversial, and synergistic process in which improvements in technology (especially in communications and transportation) combine with the deregulation of markets and open borders to bring about vastly expanded flows of people, money, goods, services, and information.*”¹²⁹. Through technology, both time and space are compressed. This has reflections on all aspects of life, particularly on national and global economy. Many economists highlight the positive effects of globalization on economic growth, as globalization converts the world to one big global market where global corporations and financiers can easily move capital and workers across countries.¹³⁰

Many events and factors led to the development of globalization, among them are the advancement of technology and communication, in addition to the political circumstances after the end of the cold war, which enabled the establishment of multinational organization

¹²⁸ Alfred E. Eckes, Jr. & Thomas W. Zeiler. “Globalization and The American Century”, Cambridge University Press. 2003..

¹²⁹ Ibid.

¹³⁰ Ibid.

such as the World Trade Organization (WTO) and the expansion of world trade. The United States, as discussed earlier was able to rise as the world's superpower, according to most scholar it also was the leading force behind globalization by forming large multinational companies. Throughout this process the values of profit and consumption were also promoted.¹³¹

Globalization's positive effects on the world are massive. The global cooperation and rapid technology development resulted in the creation of new inventions, medicine, improvements to quality of life, enhancement of communications' networks, further distribution of essential goods and services in addition to the creation of significant number of job opportunities. However, despite all those advantages, Globalization was also used by the most powerful to cause harm to millions, or perhaps billions of people around the world. The economic global order that was promoted under globalization created more inequality. The rates of poverty have risen, the gap between the rich and the poor continues to grow more rapidly than before, the wealth of the world is being accumulated in the hands of the few. Charles Derber argues that because of the global capitalism economy which facilitate capital accumulation, most of the world's available wealth is concentrated in the hand of the few. As a result, less than 500 billionaires possess more wealth than do half of humanity. In addition to the devastating impact on the environment.¹³²

¹³¹ Adam, Warner. "A Brief History Of The Anti-Globalization Movement", 12 U. Miami Int'l & Comp. L. Rev. 237. 2005. Available at: <http://repository.law.miami.edu/umiclr/vol12/iss2/2>

¹³² Ibid.

In this chapter, the focus will be on the economic aspect of the globalization, taking into consideration also its relevance to the political aspect but with less focus on the cultural. Hence, with the dominance of the Neoliberal economy approach and the use of globalization to spread this dominance across the world, globalization in this regard will be referred to as Neoliberal Globalization. This is mainly because all the above-mentioned negative aspect of globalization has been linked in one way or another to the Neoliberalism. Therefore, what the alternative globalization movement is trying to change are mainly the harming effect of the neoliberal system.

Globalization can indeed be a blessing to humanity if it was properly governed. Yet Neoliberalism paved the way to widen privatization, deregulation, and liberalization of the economy. Which emphasized the power of the markets and big corporations over decisions made in the political sphere and over social behaviors.¹³³ The International Economic Institutions (IEIs), mainly IMF, the world bank and WTO, who leads the governance of globalized economy has in the opinion of many, failed this task. They were unable to do proper crisis management, or to achieve real development to poorer countries, they also failed the achieve a transition from planned to market economies. Through the Washington Consensus¹³⁴, the policies of those institutions intensify the risks of systemic shocks and does not take into consideration the need for social safety nets ¹³⁵. Neoliberal economy also

¹³³ Mario Pianta and Raffaele Marchetti. "Global Justice Movements. The transnational dimension". In D. Della, Porta (Ed.) "The global justice movements: A cross-national and transnational perspective", (Pp. 29-51) Boulder, Co: Paradigm, 2007.

¹³⁴ Which is a set of 10 economic policy prescriptions considered to constitute the "standard" reform package promoted for crisis-wracked developing countries by Washington, D.C.-based institutions such as the IMF, World Bank and United States Department of the Treasury.

¹³⁵ Joseph E. Stiglitz. "Globalization and Its Discontents", W.W. Norton & Co., New York – London. 2002

facilitates profit maximization through encouraging investors to lend money to poor countries, who buy natural and human resources from those countries in a very cheap prices, and then convert it to products and sell it back to the rest of the world including those developed countries, with much higher prices. This maximizes the profit in the hands of those investors, while giving minimal benefits to the poor countries.¹³⁶ As a result demands started to rise calling to reform those institutions to be able to adopt more open approaches rather than depending on a unique model which uses a one-size-fits-all policies that may be harmful to a lot of countries, while the biggest aim of all those demands is to create a more just and equal global economy.

Alter-Globalization Movements

In the globalized world the civil society and social movements were also developed in terms of its ability to establish more organized global movements. As a result, a new type of global social activism was developed. Civil society: is the sphere where activism (voluntary associations) takes place by collective actors who are independent from governments and private firms. Social groups or activists within this sphere usually share visions and demand changes on the political level to advance their interests. Development under globalization-led to the creation of global social movements, characterized by global social mobilization and activism whose demands exceeded the national political and social sphere, such demands tackle more global issues and advocate for a change on the international level.¹³⁷

¹³⁶ Lai, On-Kwok. "The Theory and Practice of Anti-Globalization Movement: Case Studies of the Independent Media in the Chinese Societies – Hong Kong and Taiwan", University of Bonn, Germany. 2014.

¹³⁷ Joseph E. Stiglitz. "Globalization and Its Discontents", W.W. Norton & Co., New York – London. 2002

Alter globalization movement is a global movement that challenges the dominating model of economic and political systems, which is mainly the neoliberal globalization model. This movement has been referred to in many names, Alter or Alternative Globalization Movement, Anti-Globalization Movements or Global Justice Movements. no matter what we call those global movements, they all have three common characteristics. Firstly, they all oppose the values and practices of neoliberal globalization. Secondly, they all coordinate and organize networks of coalitions and campaigns. Thirdly, they all planned their activism to take place at relative major global events ¹³⁸. The movement aims to change the status quo of current globalization, they propose reforms to the current dominating economic globalization model to eliminate its harmful practices and negative effect. What is also interesting is that the first truly global movement was calling for an alternative globalization. The activists who take part in those movements have various and different backgrounds, there are poor, rich, young, old, black, white and people from different nationalities. ¹³⁹

It is important here to clarify that the term “Anti-globalization” can be misleading. The movement is not against globalization in general, not against the development of technology, of communication networks and internet. They are not even against global trade and economy and do not deny its possible benefits if it was properly governed as previously mentioned ¹⁴⁰. However, this globalization movement is against neoliberal globalization for being a corporate-dominated world system which fails to deal with the consequences of open trade and economy, such as the widening social and economic inequities, the decline in people’s

¹³⁸ Mario Pianta and Raffaele Marchetti. "Global Justice Movements. The transnational dimension".

¹³⁹ Adam, Warner. "A Brief History of The Anti-Globalization Movement".

¹⁴⁰ Ibid.

living condition while the wealth accumulation is rising among the elite, the devastating effect on the environment. In addition to the negative effects of the neoliberal competition, such as imposing long working hours, while decreasing labor power and providing lower wages. Those gaps of inequality are also widening between developed and developing countries as well. ¹⁴¹

As Noam Chomsky argues, what we know as globalization is a specific form of international economic integration which grants rights and privileges to investors. Therefore, the free trade agreement has been referred to by the business press as "free investment agreements". Chomsky disagrees with the term of "Anti-globalization", to describe the movement against this form of globalization, because there is no rationality behind opposing globalization. Most activists are affiliated to left ideologies and workers movements which were founded on the principle of international solidarity; hence the term is just a propaganda and must be rejected. We need an alternative globalization which cares about people's rights and not an elite power system. ¹⁴²

Accordingly, the World Trade Organization is considered one of the movement's main targets. As it is a main pillar of the neoliberal economy. Some argue that the organization which mainly aims at deregulating and privatizing all sectors of the global economy, is practically designed, and being dominated by the United States. The movement argues that the processes of the WTO to open up global markets does not provide any protection for

¹⁴¹ Xinyi, Zhou. "A Critique of Neoliberalism: Alter-globalization, Human Rights and the Genoa G8 Summit", *Advances in Social Science, Education and Humanities Research (ASSEHR)*, volume 300. 2018 International Workshop on Education Reform and Social Sciences (ERSS 2018). January 2019

¹⁴² Toni, Gabric. Interview with Noam Chomsky. *The Croatian Feral Tribune* April 27, 2002.

human rights and particularly for workers who are being exploited through those processes.¹⁴³ According to Charles Derber, *"The WTO has no mandate to make or enforce human rights laws protecting labor, the environment, or women and children. Its sole purview has been to make global rules and judge national laws based on their safeguarding of property"*.¹⁴⁴ Some scholars such as David Harvey would even relate between the neoliberal economy and a new form of U.S. imperialism. It is also important to mention that when ratifying the WTO agreement, the United States put some reservations and conditions that the country has the right to refuse any WTO ruling that can be considered unfair to US interests.¹⁴⁵

As a response to these issues, a social movement was created to call for an alternative more just and equal global system. the activists of this movement developed a global coalition and protested neoliberal globalization. According to Polanyi's concept of the "double movement" - which refers to the dialectical process of marketization and push for social protection against that marketization- alternative globalization movement is *"A protectionist counter-movement against the modification and depoliticization of the economy that places society under the subjection of the market rules"*.¹⁴⁶

The movement aims to achieve a set of political demands related to global democracy, human rights, peace, more just economic system, and a global social justice and environmental

¹⁴³ Adam, Warner. "A Brief History of The Anti-Globalization Movement".

¹⁴⁴ Charles, Derber. "People Before Profit: The New Globalization in The Age of Terror, Big Money, And Economic Crisis". New York: St. Martin's Press. 2002.

¹⁴⁵ Harvey, David. "The New Imperialism", Oxford University Press, Oxford. 2003.

¹⁴⁶ Xinyi, Zhou. "A Critique of Neoliberalism: Alter-globalization, Human Rights and the Genoa G8 Summit".

sustainability.¹⁴⁷ To sum up the demands and the vision of the alter-globalization movements, below are the main purposes of the movement's activism:¹⁴⁸

1. Public goods and resources such as water, public infrastructure, etc, are the right of the people and should be controlled through a public ownership. Therefore, to transfer the privately controlled public goods to public ownership
2. Finding more suitable alternatives to the dominating global actors to create a more socialist system and for the democratization of regulation system of internationalized processes.
3. Aligning the development levels between developed and developing countries, through the removal of trade barriers for the poorest countries and promoting investments
4. Seeking more tailored and creative ideologies and models for development, to increase the adequacy and effectiveness of aid resources for core social investments
5. Development of mass democratic movements against neo-marketization and desocialization of economic and public life.
6. Demanding debt forgiveness of poor countries who ~~is~~ are unable to repay the money.
This can be done as partial or total remission of debts

Although this paper focuses on the role of regional power in changing the face of globalization. However also central Europe has a huge part to play in this regard. Jacques Derrida does not believe that the alter-globalization movements are going to remove the

¹⁴⁷ Mario Pianta and Raffaele Marchetti. "Global Justice Movements. The transnational dimension.

¹⁴⁸ Xinyi, Zhou. "A Critique of Neoliberalism: Alter-globalization, Human Rights and the Genoa G8 Summit".

power centers and main organization emerged after the cold war such as the WTO. However, it is crucial to have more pressure from those movements to impose reformation on those power centers. In that context, caught between US hegemony and the rising power of China and Arab/Muslim theocracy, Europe has a unique responsibility. Europe should not compete with other superpowers, yet it also should not allow those powers to act as they please driven by their own interests. The European political stand should make Europe a main platform for the alter-globalization. The change for a better world is possible, and through an organized and hard work a new more just world will be born ¹⁴⁹ Europe has a significant influence on shaping the global economy, some European countries hold considerable shares of voting powers in the international organizations which sets the rules of global economy. Its geographical location in the center of the world can also be an asset. But most importantly the empowered European civil societies can put real pressure on their governments to push for the desired changes.

By tracking the formation of the Alternative globalization social movement, we can say that the movement's activities started in the mid-1990s, at the beginning the activities were on a relatively small scale, then the big event of the "Battle in Seattle" in December 1999, which will be discussed in detail later, changed the whole movement where it became stronger and more well-known. Below are a few examples of alter-globalization activism prior to the Battle in Seattle.

¹⁴⁹ Jacques Derrida "Enlightenment past and to come", speech at the party for 50 years of Le Monde diplomatique. (May 2004).

In his book “*A Brief History of The Anti-Globalization Movement*”, Adam Warner traced the first known alter-globalization movement to be the Zapatista uprising in southern Mexico which took place in January 1994. The movement took its name from the Mexican revolutionary leader Emiliano Zapata¹⁵⁰, they revolted against the implementation of The North American Free Trade Agreement (NAFTA), which was signed between the US, Canada and Mexico and had a lot of negative effects on the Mexican farmers and agricultural industry in Mexico, as a result of the agreement millions of people lost their jobs in the competition with the highly subsidized American agricultural industry.¹⁵¹ The activists were able to control 4 cities and 6 villages in south Mexico, they clashed with the Mexican army for weeks, 150 people died as a result of those clashes.¹⁵² Unfortunately Mexico is still suffering from the massive economic inequality caused by the neoliberal economic system.

In 1995, the French government announced its plan to restructure the public transportation and rail sector. The plan included cuts in the rails and layout of jobs in addition to cutting the pension of rail workers. For three weeks, there was a strike by all public transportation workers. This activism was described by the *Le Monde* newspaper as “*The first revolt against globalization*”. It was significantly supported by the public who stood by the workers demand of their rights. Then the activism become more generic and protested the unjust social and economic plans set by the right-wing government which was also supported by

¹⁵⁰ Emiliano Zapata was a leading figure in the Mexican Revolution (1910–1920), during which he formed and commanded the Liberation Army of the South, an important revolutionary brigade. Followers of Zapata were known as Zapatistas

¹⁵¹ Azam, Ahmed and Elisabeth, Malkin. “Mexicans Are the Nafta Winners? It’s News to Them”, The New York Times, 4 January 2017. <https://www.nytimes.com/2017/01/04/world/americas/mexico-donald-trump-nafta.html>

¹⁵² Adam, Warner. “A Brief History Of The Anti-Globalization Movement”.

the elites who will be privileged by such plans.¹⁵³ The people related the plans of the government to the Maastricht Treaty¹⁵⁴ which one of its terms was the creation of a unified European currency, the Euro. The protesters believed the government put its agenda despite its negative effects on a lot of people, to be able to fulfill their obligation to implement the treaty. The treaty required each participated country to retain high interest rates, reduce government deficits mainly through cutting public services, and align central banking policies. Which means, the privatization of essential public services such as health, telecommunications, electricity, public transport, among others. The participation in the activism was very wide, two-million people took to the streets on a single day. The activists were from various society sectors, from all races, ages, social and economic statuses.¹⁵⁵

Another event took place in Geneva in 1998 to protest the consequences of international trade agreements and the elimination trade barriers. The demonstration was planned to take place on the same date marking the celebration of the 50th anniversary of the General Agreement on Tariffs and Trade (GATT) - the predecessor of the WTO.¹⁵⁶

The turning point of the Alter-Globalization movements were the protests which took place in Seattle, United States, in November 1999. The alter-globalization activism was one of the largest civil disobediences in the American history, which introduced Alter-Globalization movements to the rest of the world. Around 50,000 protesters took to the street to

¹⁵³ Ibid.

¹⁵⁴ A treaty signed in 1992 by the members of the European Communities, which is a seminal document in the establishment of the European Union (EU) and in the history of globalization itself, aimed at furthering the European integration.

¹⁵⁵ Adam, Warner. "A Brief History of The Anti-Globalization Movement".

¹⁵⁶ Ibid.

demonstrate against the 4 days World Trade Organization conference that was taking place in Seattle with the goal of opening a new round of trade negotiations. The opening ceremony for the talks was planned to start on November 30, 1999, however due to the demonstrations it was cancelled. The protesters were able to trap delegates and participants in streets and even in their hotels. A human chain was formed and surrounded the building of the conference preventing the participants to reach the venue. Similar to other anti-globalization activism, the protester where from various backgrounds, yet the majority were from organized labor. As a result, the city of Seattle was shut down for four days. The conference failed to achieve its goals and were unable to launch a new round of negotiations, which was considered a victory for the movement.¹⁵⁷

It is also important to mention that the negotiation was facing other difficulties of unagreed upon points between the United States and the EU. Among those issues were the demands by the United States that Europe should eliminate its subsidies for farm exports. However, Europe was against this strategy as those subsidies are supporting the existence of a rural way of life the European countries. Also, to the issue of the use of biotechnology to produce genetically reformed goods which Europe also opposed claiming that the safety of these goods had not been proven. In addition to other disagreements related to labor standards, trade laws and others. For the Alter-Globalization activists those positions brought great examples of issues not related to economy or trade that must be taken into consideration when making any decisions related to the globalized economy or polices. Because of similar

¹⁵⁷ Ibid.

American positions, the opposition against the WTO become criticism against the United States and its policies in general.¹⁵⁸

After the Seattle protests, several other activisms took place. For example, in the year of 2000 demonstrations took place in Washington, D.C. to protest a meeting of the World Bank and the International Monetary Fund (IMF), against their policies and acts harming the environment and increasing inequalities. In September 2000, a similar demonstration took place in Prague, where 20,000 European and American protesters also targeting meetings of the World Bank and the IMF. However, the reaction of the Czech Republic to those demonstration took a different approach, they treated the activists with respect and even invited group representatives to join a debate with the leaders of both organizations. Similar demonstrations took place in Oslo 2002, arguing that the World Bank are imposing harmful reforms on poor countries who are under debt to be able to repay the money which has devastating consequences on the poor, the environment and on the social policies.¹⁵⁹

Alter-globalization activists also protested wars. The demonstration was also criticizing the American war policies. For example, in 2003 after the war on Iraq, millions of protesters around the world presenting a message that overlapped both war and trade issues. They addressed the United States specifically what they called as “imperialistic tendencies”, describing the American policies as efforts to make turn the world into an American-owned subsidiary.¹⁶⁰

¹⁵⁸ Ibid.

¹⁵⁹ Ibid.

¹⁶⁰ Ibid.

Thomas L. Friedman divided the protests into two groups. The first one is the "Whether We Globalize", questioning the globalization process itself which were mainly anarchists and Marxists who wanted to stop free trade entirely. This was the immature unrealistic vision. The second group was the "How We Globalize", globalization is inevitable and can be very beneficial, but the real issue is what globalization should be like to be fairer to all people.¹⁶¹ What is discussed in this paper is the protests with the second perspective, it is not realistic to reverse the process of globalization or to fail to acknowledge the great benefits of it. Alter-globalization activists approach globalization as a process positively, they believe globalization can be well managed to benefit the humanity without causing harm to the most marginalized. For this reason, the Alter-globalization movement is putting pressure on nation-states and especially the great powers who are shaping the global polices and economy to make the required reform for a better world. How is alter-globalization related to the previously discussed new emerging powers? the final section of this paper, discusses in more depth the development approaches used by IMF and the world bank and how they affect the developed countries. Then it will compare those practices to the ones used by other development banks and investments given by the BRICS and particularly China, to compare between the terms of loans and their effects, in order to understand whether China and the BRICS are contributing towards achieving an alternative globalization or is the BRICS development approach and the neoliberal approach are two sides of the same coin.

¹⁶¹ Ibid.

The Neoliberal Development Approach: The World Bank and IMF

Under the system of the United Nations, the institutions of the World Bank and the International Monetary Fund (IMF) were established. Both aims to support member countries progress their economic and living conditions standards. The difference between their scope of work, is that the IMP concentrate more of macroeconomic and national financial stability, while the World Bank concentrate on long-term economic development and poverty reduction¹⁶²

When a member country is in a financial crisis, they request financial support from the IMF. The IMF dose not lend money for a specific program but rather it undergoes an assessment to understand the country's overall financing needs and agree on the appropriate policy response. Then they provide the country with financial support along with adjustment policies to reestablish economic stability. The IMF also provides preventative financing to help preventing another financial crisis. In order for a country to be a recipient of financial support, it must commit to apply certain required policy actions, known as policy conditionality. This policy program underlying an arrangement presented to the Fund's Executive Board in a "Letter of Intent" and further detailed in a "Memorandum of Understanding".¹⁶³ This means that the recipient country must agree to revise its economic policies to solve the roots of its financial problems and to ensure that the country will be able

¹⁶² IMF Official Website

¹⁶³ IMF Lending, IMF Factsheets, 27 March 2020, available at IMF official Website: <https://www.imf.org/en/About/Factsheets/IMF-Lending>

to pay back the debts to the IMF.¹⁶⁴ The world bank also have similar arrangements and uses a similar assessments measurement as the IMF.

The conditions and policy requirements of both institutions are based on what is known as “The Washington Consensus”, introduced by John Williamson in 1989, which are a set of ten economic policy reforms to overcome financial crisis among developing countries. The ten specific recommendations are:¹⁶⁵

- 1- Fiscal policy discipline.
- 2- Redistribution of public spending from subsidies.
- 3- Tax reform, broadening the tax base and adopting moderate marginal tax rates.
- 4- Interest rates that are market determined and positive in real terms.
- 5- Competitive exchange rates.
- 6- Trade liberalization: liberalization of imports, removal of quantitative restrictions, limitation of trade protection.
- 7- Liberalization and facilitation of foreign direct investment.
- 8- Privatization of state enterprises.
- 9- Removing constraints or any government economic regulation, such as: elimination of policies that hinder market entry or restrict competition.
- 10- Protection of property rights through legal methods.

¹⁶⁴ Conditionality, IMF Factsheets, 30 March 2020, available at IMF official Website:

<https://www.imf.org/en/About/Factsheets/Sheets/2016/08/02/21/28/IMF-Conditionality>

¹⁶⁵ John, Williamson. "What Washington Means by Policy Reform", in: Williamson, John (ed.): Latin American Readjustment: How Much has Happened, Washington: Peterson Institute for International Economics. 1989

The IMF conditions are divided into two groups: quantitative conditions and structural conditions. The structural conditions are the more controversial type because they require policies' reforms. Also, those conditions can be divided into two forms. Prior reforms, actions that must be taken by the borrowing state before getting the loan, those conditions are binding as a country will not be given the approval on the loan without achieving them. The other form are the benchmarks, non-binding conditions, used by the IMF to monitor and assess countries' performance to clearing more loan tranches. ¹⁶⁶

After being criticized for the negative effect of their conditionality, the IMF went through several phases of reforming the conditionalities attached to its loans. However, a study done by The European Network on Debt and Development "Eurodad", examined all approved loans with their attached conditions after the IMF last review and reform, - from October 2011 to august 2013 - concluded that the conditions are becoming worse. They concluded that structural conditions requiring policy adjustments have in fact increased while still interfering in highly sensitive and political policy subjects. Some of those conditions includes interference in taxation and public spending, cuts in public sector recruitments, reductions in public sector wages and reduction in welfare and basic social services spending which can worsen the conditions of the most poor and marginalized. In addition to liberalization, privatization and public enterprise restructuring conditions such as reduction of trade union rights, privatization of government enterprises, and decreasing the minimum wage, removing

¹⁶⁶ Jesse, Griffiths and Konstantinos, Todoulos. "Conditionally yours: An analysis of the policy conditions attached to IMF loans", Eurodad: The European Network on Debt and Development, April 2014.

social protection measures, reducing government regulation of key markets, price liberalization for essential products or utilities such as electricity.¹⁶⁷

Another study done by the Center for Economic and Policy Research (CEPR) found similar results when it comes to IMF conditions, the study argues that conditions which concentrate on decreasing spending on essential public social services (health, education, pensions, etc.) and basic utilities, reduce social protections for wide-ranging share of the population while limiting government role, could actually cause more harm by increasing poverty, social exclusion, economic and social inequality.¹⁶⁸ In his book, *Globalization and Its Discontents*, Stiglitz demonstrate that both the IMF and the World Bank are using loans and conditionality as a policy tool without considering the best interest of the developing borrowing countries. Sometimes they even provide wrong recommendations regarding monetary and fiscal policies. One of the additional problems, is the “one size fits all” approach, the IMF and the World Bank should take into consideration the different conditions and dynamics from country to another when suggesting or requiring any policy reformation, as what works in one context could cause harm in another.¹⁶⁹

Similar to the IMF, the World Bank almost have the same loans conditionality system. The Bank makes its own assessment but with coordination with the IMF, checking for any potential concerns. For any country to be eligible to “World Bank’s Development Policy

¹⁶⁷ Ibid.

¹⁶⁸ Mark, Weisbrot. “Macroeconomic Policy Advice and the Article IV Consultations: A European Union Case Study”, Center for Economic and Policy Research. January 2013.

¹⁶⁹ Syed, Ahmed and Abdulhamid, Sukar. “A Critical Evaluation of IMF History and Policies”, Management and Economics Research Journal, Vol. 4, S1, 60–66. Cameron University, USA. 2018

Financing” the country must have a sound macroeconomic framework as per the standards of the World Bank and the IMF, so having an IMF programme in the country can be considered a significant factor in the assessment process. In case of not having such a programme the World Bank coordinate with the IMF to assess the macroeconomic framework of the country. Then the process is almost the same, conditions come in two sets which are prior conditions and milestones.¹⁷⁰

When examining the impact of World Bank conditionality and policies in countries where the Development Policy Financing programme was applied, similar negative impacts to the once caused by IMF conditions were identified. Those impacts include restricting government role, undermine its ownership to the development process and most of the time causing harm to people’s living standards among the most poor and vulnerable communities. Another study done by “Eurodad”, examined the impact of policy reformation as required by the World Bank in recipient countries. The study argues that the World Bank’s conditions are associated with the institutions policy agenda. The agenda of the world bank aims at promoting private finance, foreign business-friendly approaches, and maximizing Finance for Development approach. The main objective is to promote private sector finance over public finance, give more favorable conditions to private investors and facilitate the increase of private sector participation. However, this approach is not in line with the international agreements on development effectiveness, specifically the “the principles of the Busan Partnership

¹⁷⁰ Gino, Brunswijck. “Flawed conditions: The impact of the World Bank’s conditionality on developing countries”, Eurodad: The European Network on Debt and Development, Belgium, April 2019.

Agreement”, which states that using country systems should be the default option for development cooperation.¹⁷¹

Another few points of criticism regarding IMF and World Bank policies are limiting the sovereignty of the borrowing countries when putting the conditions of the loans as they usually do not leave room for flexibility and negotiations over policy reform requirement, allowing no role for the government to be part of the decision making or drafting the agreement and the development plans. In addition, although the reforms and development plans might show an economic growth at the beginning, in most cases they fail to sustain this growth. And finally, the policies do not take into consideration impact on related social and environmental issues.¹⁷² Moreover, in terms of those loans’ efficiency on the long run, some studies argue that almost all borrowers’ countries from the IMF, keep repeatedly requesting for more loans, which suggests that the IMF is providing them with unsustainable debt level.¹⁷³

Despite being an international institution with many country members yet policies and regulations of IMF is being set by the great powerful countries. In the voting process on any policy change or any decision in the IMF, countries does not have the same voice weight. This is problematic because almost all borrowers from developing countries - who are subject to the imposed IMF conditions— have limited voices in the IMF. For example, in 2010 agreements were proposed to increase the votes of emerging market economies, however due

¹⁷¹ Ibid.

¹⁷² Syed, Ahmed and Abdulhamid, Sukar. “A Critical Evaluation of IMF History and Policies”.

¹⁷³ Jesse, Griffiths and Konstantinos, Todoulos. “Conditionally yours: An analysis of the policy conditions attached to IMF loans”.

to its huge share of voting, the United States had the ability to block them by simply not endorsing them.¹⁷⁴

The below Table presents the highest five IMF countries' Members' Quotas and Voting Powers¹⁷⁵

#	Country Member	Percentage of Quota	Percentage of Voting Power
1	United States	17.45	16.51%
2	Japan	6.48	6.15%
3	China	6.41	6.08%
4	Germany	5.60	5.32%
5	France	4.24	4.03%

In the section below I take Ghana as a case study to show the effects of the IMF and World Bank development approaches on the Ghanaian economy and social welfare. The case study analysis the effect of the Western multilateral banks' interventions on Ghana not only from a macroeconomic perspective but also from a micro perspective to understand how it effects the people of Ghana. The reason why I chose Ghana as a case study is the long history it has as a recipient of financial support from both the IMF and World Bank on one hand and from China on the other hand which makes it possible to do a comparison of the effect of both

¹⁷⁴ Ibid.

¹⁷⁵ IMF Website: <https://www.imf.org/external/np/sec/memdir/members.aspx#3>

development approaches. Another reason is that Ghana is considered as one of the SAP successes stories.

Case Study: Ghana and the Western Multilateral Banks

Ghana achieved independence in 1957 after being a British colony. However, due to the unstable political situation and poor management of the country's economy, resources and development plan, Ghana economic situation was suffering. To overcome this budget deficit, Ghana applied for loans through the IMF and consequently it was engaged in the structural adjustment programs (SAP). Hence, Ghana adopted neoliberal economic policies as prescribed by the SAP. From that point on, the Ghanaian economy has been closely monitored by the IMF and scholars worldwide as a prime example of SAP success in Africa.¹⁷⁶

Both the IMF and World Bank claim that the SAP proved its effectiveness through decreasing poverty and narrowing the gap between the wealthy and the poor. When the IMF assessed the impact of SAP during the first two years in Ghana using major indicators to measure economic development, they showed a constant development in the economy from a macro perspective. The indicators showed an increase in the GDP with an average of 3.3 %, the inflation rate decreased from 75% to 20% and the overall poverty rate was also decreased. On the other hand, the Ghanaian currency was facing depreciation.¹⁷⁷ However, when examining those loans and their attached conditionality from a micro-level economic impact,

¹⁷⁶ Samantha, Terry. "International Monetary Fund Structural Adjustment Policy and Loan Conditionality in Ghana: Economic, Cultural, and Political Impacts". UVM Honors College Senior Theses. 2019

¹⁷⁷ Ibid.

a different image is presented. What must be examined is the impact on the social wellbeing of the public through the lenses of social services. Some of the unfortunate consequences were increasing public health services costs, job loss and low incomes, wealth inequality, widening the gap and worsening the situation of people living in poverty.¹⁷⁸

In 2008 the global financial crisis affected Ghana among many other African countries. Ghana suffered from a remarkable financial strain, including a significant fiscal gap that was a result of domestic and external shocks, such as fuel, energy and food crisis, droughts and floods, and the wider effects of the global financial and economic crisis.¹⁷⁹ In 2009 the World Bank approved to provide the country with three loans with a total of USD 535 million. The loans were part of a package which included 57 binding and benchmarks conditions. Among those conditions, 11 were related to natural resources production projects, such as energy, oil, mining, gold, forests, etc. the conditions focused on how the government should manage those sectors particularly the amounts and percentages of tax profits. 10 conditions were related to fiscal policy while 9 were related to public sector reform, such as freezing any new hiring, rearranging payroll, and restructuring the whole sector.¹⁸⁰

Also, despite the economy's improvement showed by the overall indicators' improvement in the first few years. This progress became much slower on the long term, while the national debt kept rising. Therefore, the government kept applying for more loans to maintain payments. The cuts in the public sector left many people unemployed, this situation was

¹⁷⁸ Ibid.

¹⁷⁹ Nora, Honkaniemi. "Conditionality in World Bank crisis-lending to Ghana", Eurodad, Belgium. July 2010.

¹⁸⁰ Ibid.

supposed to be balanced by the job creation of the private sector, however one of the influences of the SAP trade liberalization was filling the Ghanaian markets with foreign cheap products which competed with the local products. Ghana's small local industries were unable to survive in the competition against the cheap production costs of huge international firms. As a result, many Ghanaian employers closed their business or cut costs through layoffs and payroll reduction¹⁸¹

In relation to poverty, the overall rate was indeed reduced significantly after the implantation of the SAP. The poverty rate was 56% in 1988 and became 24% in 2013. However, the gap between the rich and the poor was constantly widening. The rich accumulate more, and the poor faced more crucial circumstance. The negative impact on people remained under poverty was the deteriorating of their situation, severity of poverty increased so poor people suffered more. According to Ghana's Living Standards Surveys, the nation's level of inequality as measured by the Gini index rose from 0.324 to 0.409.¹⁸²

Social Services: Investing in The Human Capital

One of the problems of putting more burdens on poor communities instead of helping them is that their chances of improving their life standards become harder, this does not affect only the poor but the whole country. One of the development methods is to invest in the country's human capital, to raise the efficiency of people's participation in the development process instead of being a burden on the country. The investment of human capital can be done

¹⁸¹ Samantha, Terry. "International Monetary Fund Structural Adjustment Policy and Loan Conditionality in Ghana: Economic, Cultural, and Political Impacts".

¹⁸² Ibid.

through providing good social services such as health and education. Which rises the opportunities for the poor to improve their situation and get out of poverty. Yet, the conviviality of the SAP as mentioned earlier was crushing the poor class ripping them of any chance of improving their social and financial status.

Firstly, the SAP limited the Ghanaians' access to free utilities services. One of the conditions related to energy sector included an electricity sector financial recovery plan, due to this plan electricity prices were increased, limiting local small companies and low-income consumers' ability in accessing energy. Moreover, the conditions increased the privatization of energy and power generating sector. It also reformed the State-Owned Enterprises (SOEs) particularly utility companies to decrease the burden on the budget and to encourage more involvement of the private sector. However, the privatization of basic utilities can cause a lot of harm, because according to previous experiences in Africa, the private sector has failed to manage provision of basic utilities which led to the increase of poverty and inequality.¹⁸³

Secondly, the SAP limited the Ghanaians' access to free healthcare services. One of the SAP's main components is removing government subsidies dedicated to provision of free healthcare to decrease burden on the budget. After Ghana's independence the government was providing free healthcare, however after joining the SAP programme all government subsidies to healthcare were cut, while a new regulation of hospital fee payments was adopted, creating a cash-and-carry system of healthcare.¹⁸⁴ Not only this system limited the

¹⁸³ Nora, Honkaniemi. "Conditionality in World Bank crisis-lending to Ghana", Eurodad, Belgium. July 2010.

¹⁸⁴ Samantha, Terry. "International Monetary Fund Structural Adjustment Policy and Loan Conditionality in Ghana: Economic, Cultural, and Political Impacts".

access to health services but also increased social inequality by creating multiple levels of quality and accessibility of services according to costs paid. As for those who could not afford to pay at all, they simply were denied the services, which increased the risk of facing a national health crisis, especially when the government began to cancel the funds for essential drugs and vaccines in order to focus on debt repayment. As for the quality of the service, it basically became worse because those cuts in the budget meant that a significant number of doctors lost their jobs, while the remaining doctors had more burdens, less wages and less money to buy equipment, supplies and facilities. On the other hand, the cuts imposed on the public transportation and fuel sector also affected the healthcare services, because it became unaffordable for qualified highly trained medical professionals based in Ghana's cities to travel to rural areas to provide care. Finally, after the New Patriotic Party (NPP) won the elections, they implemented reforms on the health system by creating the National Health Insurance Scheme in 2003, after facing a lot of opposition.¹⁸⁵

Thirdly, the SAP limited the Ghanaians' access to free education services. Despite that the education level as an overall was increased, however inequality in access to education has widened. Similar to what happened to the health sector, the SAP also imposed a significant cut in the national budget dedicated to education and pushed towards privatization. Consequently, Ghana's most highly trained teachers, at all educational levels, began emigrating to other African nations and the West. Hence, access to quality education among

¹⁸⁵ *ibid*

poor communities were negatively affected, raising inequality, making it more unlikely for poor students to continue their education to reach higher education.¹⁸⁶

Widening the Gap of Inequality:

Another significant problem with the SAP implantation was widening the gap between not only the rich and the poor but also between the northern and the southern areas of Ghana. Ghana has an agrarian north in addition to an urban, industrial south. Since the colonial era the gap between those two regions started to widen because the investments were concentrated in the southern area, which was the preferred area for production and exports, while the north was marginalized and used as a pool for cheap labor to benefit the industry in the south, although the North has a great potential to produce some quality goods such as cotton. This dilemma become even worse through the uneven distribution of the SAP development funds. Most development and aid fund programs applied in Ghana – even the one designed specifically to eliminate poverty – did not target the two poorest areas in Ghana which are the Upper East or the Upper West in the north, simply because the North is not important to the west. Not only that, but the SAP in 2009 made the situation even worse, the North as an agrarian area used to produce rice, enough to make the country self-sufficient in terms of rice production and consumption however due to the SAP removal of protective import tariffs, Ghanaian farmers have been unable to compete. As a Result, Ghana now imports US \$500 million worth of rice each year.¹⁸⁷ This is just one example of how the

¹⁸⁶ *ibid*

¹⁸⁷ Samantha, Terry. "International Monetary Fund Structural Adjustment Policy and Loan Conditionality in Ghana: Economic, Cultural, and Political Impacts".

development programs in Ghana and the conditionality of the IMF and World bank could actually do harm through marginalizing the most in need.

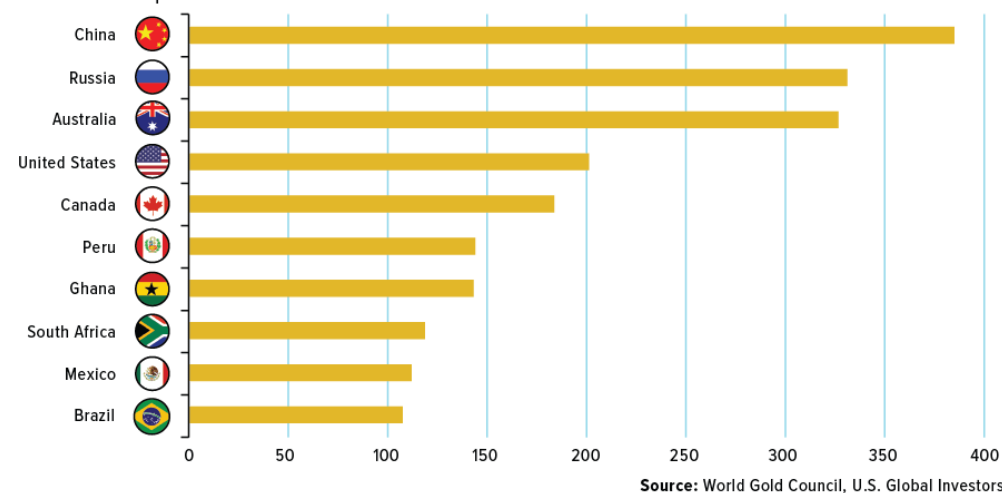
The Gold Production: Accumulation by Dispossession

Despite being a relatively poor undeveloped country, Ghana is one of the world's richest countries with mineral resources, having gold as its main mineral production sector. The historical significance of the country as a gold producer can be rooted back to the colonial era where Ghana's colonial name was "the Gold Coast". According to the World Gold Council report in April 2019, Ghana is the leading country with regards to gold production among African countries, while ranking the 7th among the world's countries as demonstrated in the table below.

Top Gold Producing Countries in 2019¹⁸⁸

Top 10 Gold Producing Countries in 2019

Annual Gold Output in Tonnes



¹⁸⁸ Frank, Talk. "Top 10 Gold Producing Countries", U.S. Global Investors, September 23, 2020.

Yet despite its natural resources Ghana has been stuck in a debt crisis for a long period. The country is dedicating around 30% of its annual revenues to pay off debts, while constantly applying for new loans to pay the previous one ¹⁸⁹. Why the country is unable to get out of this debt cycle while having all of this gold? according to David Harvey this is due to the “Accumulation by dispossession”, which is the policies and the process – adopted mainly by the neoliberal capitalists- that leads to stripping the wealth and the resources from the public to be centralized in the hand of the few. The dispossession process are applied through the main policies of neoliberalism which are the restructurings of states, privatization and financialization.¹⁹⁰ In his book “Neo-Colonialism”, Nkrumah also discussed the exploitation of Africa arguing that capital states export raw minerals to support the industries in the capital states while impoverishing the countries of origin. ¹⁹¹

In the Ghanaian case, one of the main sectors targeted by the SAP was the gold mining sector. The IMF reforms included legislating new minerals and mining laws (PNDC Law 153) which led to eliminating national big scale project related to gold while increasing the involvement of foreign companies in projects related to mineral resources. The foreign direct investment (FDI) increased remarkably specifically in the gold mining sector, with an estimated capital of US\$ 11 billion, since 1983¹⁹². The government provided several privileges for FDIs in terms of tax reductions and others. ¹⁹³ This increase led to social, health and environmental

¹⁸⁹ “The fall and rise of Ghana's debt: How a new debt trap has been set”, Jubilee Debt Campaign. 19 October 2016.

¹⁹⁰ David, Harvey. “The New Imperialism”, Oxford: Oxford University Press. 2003.

¹⁹¹ Kwame, Nkrumah. “Neo-colonialism: the last stage of imperialism”, London : Nelson, 1965.

¹⁹² Gabriel, Adu.” Impacts of Foreign Direct Investment (FDI) on Rural Poverty in Developing Countries: The Case of Mining FDI in Ghana”, University of Windsor, Canada. 2018

¹⁹³ Jasper, Ayelazuno. “Continuous primitive accumulation in Ghana: the real-life stories of dispossessed peasants in three mining communities”, Review of African Political Economy, 38:130, 2011. PP 537-550.

crises in the Ghanaian mining communities, because the surface mining which is the technique used by the FDI companies rather than the underground mining is very avaricious.¹⁹⁴ Several public objections were recorded against those companies for causing major pollutant and a source of social conflicts.¹⁹⁵ So eventually under the SAP, the mining system had indeed expanded but what benefits did the communities and local economies get from that expansion ?

Surprisingly, that along these billions of dollars' worth of gold, the contribution of the mining sector to the GDP of Ghana is insignificant. In 2010 the economist wrote that in 2008 the revenue of the old mining in Ghana was 2.2 billion U.S. dollars. Out of this amount only 116 million were paid to the Ghanaian government on the form of taxes.¹⁹⁶ This is because in Ghana mining companies must pay an average of only 5% of their total revenues as royalties (which is the mining tax) to the state¹⁹⁷ . A study done by the "African Center for Energy Policy" on the same issue also finds that the share received by Ghana out of the gold production industry is insignificant. The study took a case study focusing on the period from 2010 to 2013. In that period, the average share for Ghana from the gold production was 7%. The total revenue for the 4 years was 23 billion USD while Ghana received 1.7 billion USD in taxes. Below is a table with more detailed demonstration.

¹⁹⁴ Ibid.

¹⁹⁵ George B. K. Awudi "The Role Of Foreign Direct Investment (Fdi) In The Mining Sector Of Ghana And The Environment", CCNM Global Forum On International Investment: Conference on Foreign Direct Investment and the Environment. OECD, Paris, France. Feb 2002.

¹⁹⁶ Jaspe, Ayelazuno. "Continuous primitive accumulation in Ghana: the real-life stories of dispossessed peasants in three mining communities".

¹⁹⁷ André, Standing and Gavin, Hilson. "Distributing mining wealth to communities in Ghana", U4 Issue, No 5. U4 Anti-Corruption Resource Centre. Norway, May 2013.

(Table 5) Value of Ghana's Gold Production:¹⁹⁸

Year	Total Production (Oz)	Gold Price (USD / Oz)	Total Value (USD)	Total Tax Ghana's Share	Ghana's Share
2010	3,374.427	1,224.52	4.13 billion	0.21 billion	5.1 %
2011	3,676.223	1,571.52	5.78 billion	0.51 billion	8.8 %
2012	4,324.255	1,668.98	7.22 billion	0.58 billion	8.0 %
2013	4,396.987	1,411.23	6.21 billion	0.40 billion	6.4 %

The exploitation of the natural resources in Africa is not new, it happened in the colonial era and it continues to happen in the modern era facilitated by the process of neoliberalism, which is why some scholars such as Harvey refers to neoliberalism as the “new imperialism”. Ghana is no exception, during colonialism the exploitation of gold led to a “Gold Rush”, the lands of local miners were dispossessed and confiscated by the colonial power to the benefits of foreign mining capital. This is very similar to the dispossession caused by the new FDI companies in the era of neo-liberalism, which was facilitated by the Ghanaian local capitalist class on the expenses of the public. ¹⁹⁹ Unfortunately, what we see is that economic and capital interest, as usual, surpassed the national interest which caused the continuation of

¹⁹⁸ Emil Hansen, Morten. “Golden Day for Newmont: Public Interest Report”, Africa Centre for Energy Policy, Ghana. April 2015.

¹⁹⁹ Jaspe, Ayelazuno. “Continuous primitive accumulation in Ghana: the real-life stories of dispossessed peasants in three mining communities”

capital accumulation and exploitation doing major harm to the country as a whole and more particularly to the mining communities co-existing with mining companies.

When development programs describe their intervention, they emphasize on adopting the principles of doing no harm, national ownership and empowerment, but is this really the case? In reality those funds along with their attached conditions could actually be harmful to the public, it can rip the country of its right to make its own financial policies and decisions, it does not allow the country to empower itself to sustain growth and development. Instead, some countries continue to drown even more in debts and dependency.

Many studies tried to identify the holistic impact of IMF loans on the economic growth of developing economies with accurate evidence, yet the results are mixed. Also, several countries are not satisfied with the decision-making process and policies of the IMF. As a result, developing countries are exploring different sources for financial support, such as China, and the NDB. Hence, as discussed before those new emerging institutions are posing a challenge to the IMF and the World Bank.

The Alternative Development Approach: The New Development Bank, The Asian Infrastructure Investment Bank and China.

The BRICS new development bank (NDB) and the Asian Infrastructure Investment Bank (AIIB) are also multilateral development banks like the IMF and World Bank. However, those two banks adopt different development approaches. The two banks are relatively new; hence it would be challenging to examine a study case of one of their projects, however this section highlights the banks approaches of development, then it focuses on the Chinese

development support model taking into consideration that both banks are significantly influenced by this model. This section will examine and compare the Chinese and the neoliberal economic development approaches.

In 2014, the BRICS leaders established the NDB, to mobilize resources for infrastructure and sustainable development projects. Those projects will target the BRICS countries in addition to other interested developing countries. The banks aim to enhance the cooperation among the BRICS countries in addition to building on the efforts of other multilateral development banks or projects focusing mainly on infrastructure and renewable energy to achieve sustainable and balanced growth. The bank already approved its first set of projects with the total of US \$811 million, most of those projects focus on developing the sector of renewable energy. Former chief of the New Development Bank, Kundapur Kamath, demonstrate how this indicated to the bank strategy of supporting green and sustainable infrastructure.²⁰⁰

The establishment of the bank came as a step towards increasing the influence of BRICS countries in shaping the global economy and global financing-market which have been mainly dominated by the west. They have their own agenda on development, technology transfer, climate change, cooperation on security and international financing. On the other hand, it will work side by side with other international institutions and with being consistent with the principles of the United Nations in the socio-economic field. In 2018, the bank received observer status in the UNGA.²⁰¹

²⁰⁰ The New Development Bank Official website: <https://www.ndb.int/>

²⁰¹ Ibid

Regarding the loaning policies, the bank claims to have an open mind regarding the needs of developing countries and aims to create meaningful cooperation partnership relations with the bank recipients. It will also be flexible in the processes and approach to accommodate interests of its different partners. In terms of loaning currency, the loans can be financed in convertible foreign currencies or in national currencies of the member countries. What is also important is adopting the principles of equality and democracy in the decision-making process, giving equal weight for all the BRICS countries in the voting process regardless of their share of financial contribution.²⁰²

However, despite being new and its practices is hard to be examined yet, the bank have already received some criticism. “The Coalition for Human Rights in Development”, raised some concerns regarding the bank’s lack of transparency, sustainability criteria and engagement with civil society. In additions to concerns for not having clear social and environmental protections measurements.²⁰³ As a respond, the NDB stressed in their Grand Strategy report (2017–2021), the importance of using and strengthening the borrowing countries’ systems for social and environmental protection.

The Asian Infrastructure Investment Bank (AIIB) established in 2016 aims to improve social and economic outcomes in Asia. By considering infrastructure as a cornerstone for sustainable development the AIIB aims to fill the gaps in infrastructure in Asia, such as the establishment of transport routes, energy, and communications between countries.

²⁰² Ibid

²⁰³ Supriya, Roychoudhury and Karin, Costa. “What you need to know about: The BRICS New Development Bank”, The Coalition for Human Rights in Development, May 2016.

Nevertheless, the bank also provides loans and infrastructure projects not only for Asian countries but for all countries regardless of their development status. Regarding loaning policies, the bank requires no measurements or actions from the recipient countries to privatize or deregulate businesses for loans, yet it requires from the borrowers to be legally transparent and protect social and environmental interests.²⁰⁴

The provided loans come with less binding constraints than other multilateral banks. Also, unlike other multilateral banks, the AIIB allow developing countries – particularly small Asian countries- to have a real representation and voting voice, as the majority of voices - at least 75% - of the votes are allocated to Asia Pacific member countries. The largest shareholder in the AIIB is China with 26.06% share, the second is India and the third is Russia. There are claims that the AIIB is part of the Chinese development strategy and an important step to implement its Road and Belt Initiative.²⁰⁵

What is crucial about the existence of the AIIB, is breaking the monopoly of the position of the World Bank and the IMF in the provision of development loans. This gives developing countries the opportunities to choose among different approaches with different lending conditions. This can balance the global economy and create motives for multilateral banks to enhance their performance and promote the whole international financial system. However, AIIB is still a young institution with more humble capacities than the IMF and the World Bank, which are stronger in terms of capital size and functionality.²⁰⁶

²⁰⁴ The Asian Infrastructure Investment Bank Official Website: <https://www.aiib.org/en/index.html>

²⁰⁵ Nguyen, Hoang Tien. et al." AIIB as a Challenger for IMF and World Bank", American International Journal of Business Management (AIJBM), Issue 10, October 2019. PP 62-68.

²⁰⁶ Ibid.

A major difference between the NDB and the AIIB is the veto power, in the NDB no country not even China has veto rights, yet in the AIIB the veto right exists but only in a super-majority and not in operational matters.²⁰⁷

The concerns raised regarding the AIIB is very similar to NDB issues. In 2015 the bank published its Environmental and Social Framework, which has been criticized for being vague, not detailed enough and was developed without proper consultation with the civil society.²⁰⁸ It is worth mentioning that all multilateral banks have been subject to criticism for neglecting social and environmental safeguards, yet development banks in developing countries are less subject to public pressure due to the relatively weak civil society power in those countries. Alternatively, those banks are more concerned with respecting the national sovereignty of the recipient countries to use their own social and environmental standards.²⁰⁹

There is clear cooperation between the AIIB and other multilateral banks. 17 out of bank's 25 projects in 2018, was co-financed with other multilateral financial institutions. It has a co-financing framework agreement with the World Bank and memoranda of understanding on joint cooperation with the Asian Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank, the New Development Bank, and the World Bank Group²¹⁰ This can enrich the experience of the bank given its short functioning period.

²⁰⁷ Hongying, Wang. "The New Development Bank and the Asian Infrastructure Investment Bank: China's Ambiguous Approach to Global Financial Governance," *Development and Change*, International Institute of Social Studies, vol. 50(1), pages 221-244, January 2019.

²⁰⁸ Ibid.

²⁰⁹ Ibid.

²¹⁰ AIIB and World Bank sign first Co-Financing Framework Agreement." April 2016. https://www.aiib.org/en/news-events/news/2016/20160414_002.html.

Officials from both the NDB and the AIIB have explained that while building on the experience of the existing development bank, they are not going to abide by all the existing rules, especially when it comes to political lending conditionality.²¹¹ China is trying to change the rules of global development finance, so they referred that while AIIB “operate with the operational mode and principles of existing multilateral development banks”, still they offer loans with fewer conditions.²¹²

China as a Lender

For several years now, China has been one of the largest providers of financial aid for Africa and Latin America. But as discussed earlier, the Chinese approach of dealing with development fund or financial aid is a little different than the neoliberal approach. As the IMF and World Bank are using conditionality including policy reformation to ensure debts repayment, China has also its ways of securing repayment. This can be viewed by scholars as a different way of conditionality.

The major different in the Chinese approach is how they view financial support. China does not have a colonial history with the African continent and does not play the role of a guardian for those countries. Also, because it is very much business oriented, there is no clear line to differentiate between development aid and business partnerships. In the neoliberal model what a country offers to another country as a financial support is defined as “aid”, while the collaboration through a private company is “business”, even though the two things are

²¹¹ Hongying, Wang. "The New Development Bank and the Asian Infrastructure Investment Bank: China's Ambiguous Approach to Global Financial Governance,".

²¹² "IMF loan conditions grow despite vows to limit them: study." Reuters. April 2014. <http://www.reuters.com/article/us-imf-conditions-idUSBREA311SZ20140402>

connected as it was demonstrated in the previous section where aid conditionality opens the doors for the private sectors investments. China does not have this separation; the Chinese domestic political economy has no separation between the private and the public sphere which allows them to combine the tools of government and business abroad. Therefore, their official documents do not have the words “aid” or “donor”, yet they use ‘economic cooperation’ (经贸合作), ‘partnership’ (伙伴关系), and ‘mutual gain’ (互惠互利).²¹³ And so their intention of getting mutual gain out of this partnership is declared and clear from the beginning, which are mostly to secure commodities and national resources and to support China’s own export-led domestic growth by creating new African markets.²¹⁴

Another difference is that China focuses mainly on infrastructure projects, they use their own development experience where they believe that scaling up the infrastructure is major key in sustainable financial growth. According to a Chinese saying, “to get rich, build a road”, because with no roads and electricity, we cannot create modern economy²¹⁵ John Briscoe; a South African professor of environmental engineering at Harvard and former World Bank official, has pointed out that the wealthy world has developed 80% of its hydropower resources, but Africa developed only about 3%.²¹⁶ This means that Africa can achieve its significant development potentials by developing its infrastructure and renewable energy

²¹³ Scott Wingo, “Conditionality with Chinese Characteristics: Diplomatic Businesspeople, Business-Minded Governments, and Development Finance”, University of Pennsylvania, 2018.

²¹⁴ Madison Condon, “China in Africa: What the Policy of Nonintervention Adds to the Western Development Dilemma”, PRAXIS The Fletcher Journal of Human Security, volume XXVII. 2012

²¹⁵ Deborah, Bräutigam. “China in Africa: what can western donors learn?”, funded by Norfunds: Norwegian Investment Fund for Developing Countries. Oslo, Norway. August 2011.

²¹⁶ John Briscoe, “Bankrolling Change,” The Third Pole, May 2010.

resources to maximize its economic growth. Especially that most of those powers are not yet exploited. The Chinese approach is assisting Africa to make use of its available resources.

The principle of “Noninterference” can be considered the major difference between the western and the Chinese model. China stresses on the importance of sovereignty and respecting the partners freedom to form their own policies. Consequently, their loans are given with almost no conditions related to policy reformations. They do not have any intentions of directly promoting democracy or reducing corruption. For this they are heavily criticized by the west who claim that this approach is sabotaging all the work they have done and will cause harm to Africa as well. However, as demonstrated earlier the western model proved its ineffectiveness ²¹⁷, the imposed reformation under one rigid model does not fit all countries, it also can cause harm to the most in need population. According to China’s official policy statement, China’s first principle in this partnership is to respect the African countries’ choice of development path, they need to decide what is more suitable for their local circumstances.²¹⁸ Through this partnership China offers technical expertise as well such as technology transfer and employee training.

The requirements of China to provide loans can be categorized under three main areas, first the political recognition of the one China principle, which means considering Taiwan to be part of China. Similar to the fact that the IMF and World Bank decrease its conditionality for important allies of the United States, also China is more flexible with partners with whom they have strong diplomatic relations. The second condition is the “Tied Loans” which

²¹⁷ Ibid.

²¹⁸ Ibid.

require the use of Chinese domestic companies or contractors for project implementation and the third is the “Resource-Backed Loans”.²¹⁹

Tied Loans; means that the state-owned bank in China pays a Chinese company directly to implement a project in the recipient country, after that the country will repay the costs of the project to China with the agreed-upon interest and timeline. One of the obvious objectives of this practice is to create job opportunities abroad for the Chinese companies, however also this is used as a tool to control possible corruption or fraud risks. Through the tied loans no cash ever goes to the recipient government which eliminates the possibility of misusing the money or any risks of fraud by the domestic contractors.²²⁰

This is problematic because it does not ensure cost effectiveness as the open competition, yet it is accepted by the recipient countries because in most cases the Chinese companies are relatively cheap. Also, most loans provided to Africa are not tied loans, for example, from 2000-2015, only 26.7% of projects by value received tied loan funding. Other projects implemented by Chinese contractors were secured through competition and winning open bids.²²¹ In fact, many Chinese construction firms are highly competitive. Tied loans can be ineffective if the contractor has high prices or the goods used are not good enough compared with the provided price. However, both services and goods offered by the Chinese are highly

²¹⁹ Scott Wingo, “Conditionality with Chinese Characteristics: Diplomatic Businesspeople, Business-Minded Governments, and Development Finance”, University of Pennsylvania, 2018.

²²⁰ Ibid.

²²¹ Ibid.

competitive compared to other countries. yet, what can be considered as a disadvantage is reducing the work opportunities for the local companies.²²²

Resource-Backed Loans; means that instead of repaying the loan in cash, the recipient countries pay with commodities or natural resources. this type of loans consists only 29.1% of all tied loans. This condition can secure the repayment of loans for Chinese government, it can secure the huge need of China for natural resources, also it can minimize corruption as it does not include any cash exchange. However, a disadvantage can be the fear that commodity price variations and lower commodity outputs than forecasted could interfere with repayment schedules, in addition Africa has high risks of wars and conflicts which might force production sites to shut down.²²³

Criticism

The Chinese approach was criticized for many reasons, among them is the fact that the Chinese companies implementing the project in the recipient countries are accused of human rights violations such as providing low wages. The country is also not required by China to have any measurement to prevent similar violations even if the contractors were not Chinese. On top of that, the legal system and civil society in China are relatively weak and cannot put pressure on the government to fight those violations. As a respond, China explains that they refuse the universality of the whole “Human Rights” concept, human rights vary according to the contextual culture. For example, unlike the western culture “Asian values” puts family

²²² Jean Claude Berthelemy, “China’s engagement and aid effectiveness in Africa”, African Development Bank, 2011.

²²³ Scott Wingo, “Conditionality with Chinese Characteristics: Diplomatic Businesspeople, Business-Minded Governments, and Development Finance”, University of Pennsylvania, 2018.

and community over individuality. Moreover, China emphasizes that economic, social, and cultural rights must be given priority over civil and political rights.²²⁴

On the other hand, even if the civil societies in African countries are not as powerful and influential as in the west. Yet they still have a voice. In Mozambique when China was planning to buy a settlement to grow plants, several demonstrations were organized by the local community and had successfully cancelled the project. In South Africa and Zambia, the action of labor union resulted in a significant raise in labor minimum wages. Also, in Zambia, one of the presidential candidates expressed in his election campaign his desire to raise the taxes on Chinese corporations and implement stronger accountability measures, which played a major role of him being elected. Not only the civil society is becoming more strongly, but also the African countries are coming to realize the importance of the resources they have and that they can also bargain to get the maximum out of the economic partnerships. Because not only they need China but also China needs them. For example, Angolans recently refused an oil deal with China, which made the Chinese came back with a better offer²²⁵

Another criticism accuses China with indirectly supporting corruption when approving to give financial support to corrupted governments without any anti-corruption measurements. No one can argue that corruption is bad, and it is one of the main reasons that slowdown development, but the evidence show that rapid growth can happen despite it. African countries got their independence not a longtime ago, their countries are still struggling to

²²⁴ Madison Condon, "China in Africa: What the Policy of Nonintervention Adds to the Western Development Dilemma", *PRAXIS the Fletcher Journal of Human Security*, volume XXVII. 2012

²²⁵ *Ibid.*

build their system, and the western interference is not really helping. Jean Claude Berthelemy argues that even if we go back in history, cronyism and graft have been present in every country's early stage of capitalist government, even in the US. It took a lot of national effort to build a strong civil society and to fight corruption in the western world, and it happened without any foreigner interference.²²⁶ Moreover, despite the several studies that provide this criticism, among which are McCormick (2008) and Penhelt (2007) Kaplinsky, McCormick and Morris (2006) and others. None of them provided actual statistical evidence to support the claim that China provides financial support regardless of the quality of governance.²²⁷

Other criticisms are related to the tied loans, where there is a risk to get costly contractors as there are no competitive tenders in this modality, in addition there is no pressure to maintain an acceptable social, and environmental standard, which are usually weak in developing country. Although the Chinese firms are relatively cheap and cost effective, however there were some cases where countries have documented unfair business practices, especially towards labor forces such as low wages, and a tendency to hire contract workers instead of permanent contracts to get around mandated labor benefits like paid holidays and sick leaves.²²⁸

²²⁶ Ibid.

²²⁷ Jean Claude Berthelemy, "China's engagement and aid effectiveness in Africa".

²²⁸ Deborah, Bräutigam. "China in Africa: what can western donors learn?", funded by Norfunds: Norwegian Investment Fund for Developing Countries. Oslo, Norway. August 2011.

Moreover, China was criticized for not coordinating with other donors. China does not declare about the debts of other countries to the international banks so this might increase the risk of accumulated debts.²²⁹

Case Study: Ghana and China

As discussed earlier, Ghana has a long loans history with the IMF and the World Bank. Likewise, Ghana has been a part of bilateral agreements with China for a long period as well. For the last two decades the partnership with China was growing. It is understood that the effects of the two partnerships – with China from one side and with the IMF and the World Bank on the other side – can have different aspects. On the micro level both partnerships helped Ghana increase their national growth rate. However, on the micro level both have different advantages and disadvantages.

When examining the Chinese interventions in Ghana, several points can be highlighted. In 2011 Ghana made a \$3 billion trade deal with China for infrastructure projects in exchange with oil. The effectiveness of this deal is debatable due to conflicting data related to the interest rate paid by Ghana. The price of the oil changes consistently and hence there is a considerable risk that Ghana will lose some money in the deal. However, the debate over this point is due to the lack of transparency, as there is variation in the information given by the Ghanaian officials. Some Ghanaian officials described the agreement as an unbalanced deal because the interest rate was higher than the market rate. Other parliament members said that the deal is important and beneficial to boost the economy. Additionally, the price of oil paid

²²⁹ Ibid.

by China is not clear due to the conflicting data presented by Ghana on this issue. Therefore, it is challenging to determine the price that has been paid for the oil. But on the other hand, there is a clear data that Ghana is in fact losing around 2.7% of their GDP growth per year because of their lack of infrastructure. Thus, there is no doubt that the project is needed and that it is in line with the national priority of the country to fill the energy gap that is afflicting the country's industry.²³⁰

In terms of political interference, China is not interfering with the national policies of the country. Although some American scholars claim that China is trying to control Ghana politically and effect their relationship with the west. But these claims are unfounded has no evidence. While the ties of Ghana with China were growing, Ghana was also a recipient of high volumes of aid from the United States. The country also did not align with China's in the UN for several times.²³¹

In terms of trade agreements, the open market usually have negative impacts on the local products due to the competition. Therefore, like other international imports, the Chinese imports can have negative effects on certain industries. However, the bilateral agreements signed with China provide a room of flexibility to protect their industries.²³²

The effect of the partnership on the social aspect of Ghana such as the wellbeing of the poor is difficult to measure. Since China does not interfere with any policy or budget reallocation, those issues remain national decisions made by Ghana on how to arrange their inner policies.

²³⁰Jordan Samuel, Bakke. "An Analysis of South-South Relations: Exploring the Influence of China on the Ghanaian Economy", University of Tennessee, Knoxville., May 2017.

²³¹ Ibid.

²³² Ibid.

But China along with Ghana can be held responsible for abuse and violation of workers' rights in the Chinese funded or owned projects.

In the era of neoliberal globalism, multinational companies are considered powerful entities, for having a sort of autonomy. At the same time governmental institutions in Africa are relatively weak, which does not put enough pressure on the multinational companies to adopt a high level of labor standards. The Chinese companies in Ghana are no exception, they are not forced by the national government or international pressure groups to abide by the labor law and are not subject to serious observation by their home-country regarding the level of labor standards.²³³

Although the Chinese projects managed to create job opportunities for many Ghanaians, however several studies and investigation showed that those workers are subject to abuse and rights violations from their Chinese employers, who does not even respect the Ghanaian labor law. One of the incidents that captured the media attention for a while in 2008, was the violation of a Chinese company called "Sinohydro", that was leading the construction of the Bui dam. Workers were not getting their minimum rights, they worked for long hours in bad conditions and were even subject to physical violence.

The workers tried to form a labor union to demand a better working condition, at the beginning Sinohydro corporation refused to recognize this union. But after the workers campaign which included strikes and resistance actions led to the closure of the Bui site, the

²³³ Angela Dziedzom, Akorsu & Fang Lee, Cooke. "Labour standards application among Chinese and Indian firms in Ghana: typical or atypical?", *The International Journal of Human Resource Management*, 22:13. 2011. PP: 2730-2748.

Chinese company recognized the union and went through a negotiation process which guarantee the workers several rights. After that, the working conditions were significantly enhanced.²³⁴ This union formation was a very important step, and this experience was replicated. The relationship between the workers and the company has improved, the workers got several benefits and their wages have increased even to exceed the Ghanaian national minimum wage.²³⁵ The cases show that in certain situations Chinese companies are willing to accept unions and negotiate with them to hear their demands. However, despite those improvements, still several challenges are still faced by the workers such as issues related to their health and safety, obligatory overtime work and job insecurity.²³⁶

All responsible parties must pay more efforts to overcome the human right violation against the workers in multinational companies. The hosting government must enhance their national labors and force the international companies to abide by it. The international companies must respect the right of the workers and their social wellbeing, and the companies' home country – in this case China – must put more effort to observe the company's practices overseas and put pressure on them to adopt an acceptable level of labor standards.

²³⁴ Glynne, Williams. et al. "Chinese multinationals: Threat to, or opportunity for, trade unions? The case of Sinohydro in Ghana", International Labour Organization. Global Labour University - Geneva: ILO. 2017.

²³⁵ Kwabena Nyarko Otoo; Nina Ulbrich; Prince Asafu-Adjaye, "Unions can make a difference: Ghanaian workers in a Chinese construction firm at Bui Dam site", Labour Research & Policy Institute: Trades Union Congress (Ghana), 2013.

²³⁶ Ibid.

Conclusion

Dose This Model Work as an Alternative Globalization Model?

This research discusses the impact of the existing world order and power dynamics on the formation of the global economy and globalization itself. It examines the current world power by demonstrating the domination of the Western neoliberal system on the global economy. This research will also illustrate how the neoliberal system accelerated the capital accumulation and concentrated wealth in the hands of the few, increasing the gap between the rich and the poor. This, in turn, facilitated the exploitation of developing countries and failed to establish sustainable development through the Western financial aid plans and reformations. On the other hand, the research examines the rise of China, among other new emerging powers, and its claimed aim of creating a south-south cooperation as an alternative financial system to the neoliberal one. The final section of this paper compares development assistance and its attached conditions provided by the Western neoliberal multilateral development banks with the financial assistance provided by banks owned by new emerging powers, particularly China.

It can be argued that the financial assistance or economic partnership from both multilateral development banks can benefit the economy of a developing country on the macro level. It can boost the growth rate and decrease the overall poverty rate. However, these partnerships include other challenging aspects. The development project of the Western neoliberal approach and its attached conditionalities will most likely cause harm to the developing country by imposing ineffective political reformation, especially when it comes to cutting

social spending. On the other hand, China respects the rights of the recipient countries to make their own reformations, which can decrease pressure on the developing country to cut necessary funds dedicated to support those in its communities most in need. This allows the recipient developing country to be the main responsible party in the process of developing its own economy, through adopting serious anti-corruption policies, implementing development plans suitable to their local circumstances, observing and monitoring multinational company practices in their country, and invest in their human capital. In this sense. Due to these policies and practices, the developing country can be empowered to better contribute to the development of its own economy. Hence, it is vital to form context specific policies rather than a fixed model, which is allowed by China as a loaner but not by the IMF and the World Bank.

According to some scholars, the choice between the Western and the Chinese model of development is a choice between human rights and sovereignty. This analysis however does not take into consideration that human right violations can be a challenge in both approaches. Chinese banks send contractors to developing countries who in many cases violate the rights of the national employees. On the other hand, the IMF and the World Bank impose open economy models and allow multinational companies to facilitate and enter the countries to extract natural resources or build manufactories. Many of these Western companies were also accused of human right violations against national workers in the host developing country. One example among many is the American sportswear company *Nike*. While the company's origin is the United States which presents itself as the universal protector of human rights, the company has faced protests for years against its violation of workers' rights in their

factories in Asia. These documented violations include sweatshops, wages below the national minimum wage, physical and verbal abuse, and forced overtime.²³⁷ While both the Western and Chinese approach have issues of human rights violations, it can be argued that with the Chinese approach, the recipient developing country will at least maintain its. While the Chinese approach can be argued to be the more beneficial and empowering to the recipient developing country, the ultimate responsibility of eliminating human right violations lies with the host developing country themselves who have a duty to their citizens as the governing power to improve national laws, to hold companies accountable for violations, to enforce laws and empower their civil society to act as a watch dog.

Regarding environmental impact, both approaches still have work to do in this area. Although the Chinese projects were criticized by the West for their lack of social and environmental protection measurements, Chinese banks do require environmental impact assessments, but usually accept the assessment prepared by the recipient countries. Recently, China has begun to demand more detailed environmental impact assessments for loans. Gradually, these assessments are contracted out to mostly European firms²³⁸.

In most cases, the privatization imposed by the neoliberal approach benefits the Western investors more than the recipient developing country. So, the “Aid” or “Financial Assistance” provided by the IMF and the World Bank, for example, are designed not only to help recipient developing countries but also to facilitate the flourishing of the Western economies. On the

²³⁷ David, Teather. “Nike lists abuses at Asian factories “, The Guardian, 14 Apr 2005.

²³⁸ Deborah, Bräutigam. “China in Africa: what can western donors learn?”, funded by Norfunds: Norwegian Investment Fund for Developing Countries. Oslo, Norway. August 2011.

other hand, China also benefits from these partnerships with the recipient countries, but they are more transparent and clearer regarding their intention. They declare their intention of getting mutual gains which from their end are mostly to secure commodities and national resources and to support China's own export-led domestic growth by creating new African markets.

The mixed and complex Chinese economic identity makes it difficult to label China's approach in development as an alternative approach, a South–South cooperation or a corporate based neoliberal economy approach. By examining the demands of the alternative globalization movement, China did indeed take a step towards achieving some of these demands which are demonstrated in Chapter three. It can be argued that the Chinese approach is more tailored to the recipient developing country's needs and tries to adopt creative ideologies and models for development. This is evident by its respect of the public ownership of resources and its lack of imposing privatization. The Chinese approach also protects the desire and right of the recipient developing country to design their own political and economic system. Furthermore, China erased several debts for poor countries²³⁹ who were unable to repay. From the year 2000 to 2018, China has written off nearly \$10 billion in debt owed to it by developing countries²⁴⁰. However, China's partnerships are also business oriented and so the recipient developing country is sometimes charged with an interest rate higher than that of the market. In some cases, Chinese companies do not respect the recipient countries' labor laws. Their lack of transparency and limitation to access to data might also

²³⁹ "China: Debt Cancellation", Development Reimagined & Oxford China Africa Consultancy, April 2019.

raise challenges. Hence, the Chinese model has its comparative advantages, but it still raises some risks or concerns.

What is most important about the rise of China as a new emerging power is the change to the status quo of the Western domination of the development sector and the global economy, and therefore globalization itself. China along with the NDB and the AIIB are ending the monopoly of Western neoliberal banks, such as the IMF and World Bank. This is important because with more available competing lenders, recipient developing countries will have more bargaining power to negotiate better deals. This also helps motivate all multilateral banks to improve their practices in order to stay relevant in this new competing market.

The real solution for a better alternative globalization is the recipient developing countries. As the countries themselves must lay the ground rules that respect public rights and achieve benefits for their people while limiting foreign interference. They also must take responsibility to reform their economy to fight corruption and prevent their countries to be dependent on foreign aid and be caught in debt traps.

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ملخص الرسالة

نحو عولمة بديلة: قوى دولية ناشئة جديدة وحركات اجتماعية

يهيمن النظام النيوليبرالي على العولمة ويلعب دوراً مهماً في تحديد شكل الاقتصاد العالمي، حيث ساهم هذا النظام بعملية تسارع تراكم رأس المال، تركيز الثروة في أيدي القلة وزيادة الفجوة بين الأغنياء والفقراء. وبناءً على ذلك، فقد اتضح أيضاً عدم نجاعة نموذج المساعدة أو الدعم المالي الذي اعتمدته البنوك النيوليبرالية المتعددة الأطراف، خصوصاً بما يتعلق بتأثيره السلبي على الفئات الأكثر تهميشاً في البلدان النامية. نتيجة لذلك، ظهرت حركات العولمة بديلة والتي تدعو إلى تبني شكل عولمة جديد يتسم بالعدالة والمساواة. من جهة أخرى، هناك تغيرات مهمة تحدث على مستوى النظام العالمي وديناميكيات القوة الدولية مع صعود دول قوية جديدة، خاصة الدول الأعضاء في مجموعة البريكس بقيادة الصين.

يحلل هذا البحث نموذج المساعدة المالية البديل الذي تستخدمه الصين، لدراسة مدى نجاعة هذا النموذج بالمقارنة مع النماذج السابقة، ولدراسة مدى مساهمته بخلق عولمة بديلة، حيث يقوم البحث بمقارنة نموذج المساعدة الإنمائية والشروط المرفقة بها التي تقدمها بنوك التنمية متعددة الأطراف النيوليبرالية الغربية من جهة، بالمساعدة المالية التي تقدمها البنوك المملوكة لقوى ناشئة جديدة، ولا سيما الصين من جهة أخرى.

وكنتيجة لهذه الدراسة، يمكن القول إن المساعدة المالية أو الشراكة الاقتصادية من كلا بنكي التنمية متعددي الأطراف يمكن أن تفيد اقتصاد بلد نام على المستوى الكلي. بحيث يمكن أن تساعد على تعزيز معدل النمو وتقليل معدل الفقر الإجمالي. ومع ذلك، فإن هذه الشراكات تفرض عدة تحديات على الدول المتلقية، فالشروط المرتبطة بالنموذج النيوليبرالي تزيد نسبة المخاطر بإلحاق الضرر بالدولة النامية من خلال فرض إصلاحات سياسية غير فعالة، خاصة عندما يتعلق الأمر بخفض الإنفاق الاجتماعي. من ناحية أخرى، تحترم الصين حقوق البلدان المتلقية في إجراء الإصلاحات الخاصة بها، والتي يمكن أن تقلل الضغط على الدولة النامية لإقتطاع الأموال اللازمة المخصصة لدعم أولئك الذين هم في أمس الحاجة إليها. يتيح ذلك للدولة النامية المتلقية أن تكون الطرف المسؤول الرئيسي في عملية تطوير

اقتصادها من خلال تبني سياسات جادة لمكافحة الفساد، تنفيذ خطط التنمية المناسبة لظروفها المحلية، مراقبة ممارسات الشركات متعددة الجنسيات في بلدهم والاستثمار في رأس مالهم البشري. بالإضافة الى ذلك فإن النموذج البديل، يدعم تشكيل سياسات محددة السياق بدلاً من نموذج ثابت ، وهو ما تسمح به الصين كمقرض ولكن ليس صندوق النقد والبنك الدولي.

وفقاً لبعض الباحثين، فإن الاختيار بين نموذج التنمية الغربي والصيني هو الاختيار بين حقوق الإنسان والسيادة. لكن هذا التحليل لا يأخذ في الاعتبار أن انتهاكات حقوق الإنسان يمكن أن تشكل تحدياً في كلا النهجين. ترسل البنوك الصينية متعاقدين إلى الدول النامية الذين ينتهكون في كثير من الحالات حقوق الموظفين المحليين. من ناحية أخرى، يفرض صندوق النقد الدولي والبنك الدولي نماذج الاقتصاد المفتوح مما يسهل دخول الشركات متعددة الجنسيات للبلدان النامية لاستخراج الموارد الطبيعية أو بناء المصانع. كما اتهم العديد من هذه الشركات الغربية بارتكاب انتهاكات لحقوق الإنسان ضد العمال المحليين في الدولة المضيفة. في حين أن كلا من النهجين الغربي والصيني لديه قضايا تتعلق بانتهاكات حقوق الإنسان، يمكن القول إنه مع النهج الصيني يمكن للدولة النامية المتلقية المحافظة على سيادتها، وبهذا فإن النموذج الصيني يمكن ان يكون أكثر فائدة وتمكيناً للدولة النامية المتلقية.

ولكن قد يكون الأمر الأكثر أهمية في صعود الصين كقوة صاعدة جديدة هو زعزعة الوضع الراهن للهيمنة الغربية على قطاع التنمية والاقتصاد العالمي، وبالتالي العولمة نفسها. حيث ان ظهور بنك التنمية الوطني والبنك الآسيوي للاستثمار في البنية التحتية ينهي احتكار البنوك النيوليبرالية الغربية للمساعدات الدولية. هذا مهم لأنه مع وجود المزيد من المقرضين المتنافسين المتاحين، ستمتع البلدان النامية المتلقية بقدرة تفاوضية أكبر للتفاوض على صفقات أفضل. يساعد هذا أيضاً في تحفيز جميع البنوك متعددة الأطراف على تحسين ممارساتها من أجل البقاء على صلة بسوق المنافسة الجديدة. ومن المهم الإشارة هنا أن المسؤولية النهائية في القضاء على انتهاكات حقوق الإنسان تقع على عاتق الدولة النامية المضيفة وواجبها تجاه مواطنيها بصفتها السلطة الحاكمة لتحسين القوانين الوطنية لمحاسبة الشركات على أي الانتهاكات وتمكين مجتمعاتهم المدنية.