

https://dspace.org/

The United States of America: an imperial manifestation? a study of the strengths and weaknesses of empire theory

Bonvalot-Noirot, Emma

2015-08-25
http://hdl.handle.net/10539/18318

Downloaded from a DSpace repository. https://dspace.org/



The United States of America: An Imperial Manifestation?
A Study of the Strengths and Weaknesses of Empire Theory

Emma Bonvalot-Noirot

Research Report submitted in the obtainment of a Masters in International Relations.

Supervisor: Dr Vishwas Satgar
Department of International Relations

UNIVERSITY OF THE WITWATERSRAND

Johannesburg, South Africa

Student number: 473789

28 May 2015

Acknowledgements

First and foremost I would like to thank the University of the Witwatersrand for providing me with an instructive and joyful academic experience since 2010.

I would also like to express my most sincere gratitude to the Department of International Relations and its members for constant support and encouragement.

Dr. Vishwas Satgar, my supervisor, thank you for your academic support throughout this trying year, for your pertinent advice and challenging conversations.

Last, but certainly not least, I would like to thank my family and friends for their unwavering love and support in my academic endeavours and beyond.

May 28, 2015

Plagiarism Declaration

1. I know that plagiarism is unacceptable. Plagiarism is to use another's work and pretend it is one's own.
2. Each significant contribution to, and quotation in this Research Report that I have taken from the work(s) of other people has been attributed, and has been cited and referenced.
3. This Research Report is my original work.
4. I have not allowed and will not allow anyone to copy my work with the intention of passing it off as his or her own work.

Signed: _____ Date: 28 May 2015

Emma Bonvalot-Noirot (# 473789)

Abstract

This research sets to understand the intricacies of modern Empire and in particular the United States of America as the central agent of neoliberal imperialism. This is done with the objective of assessing the accuracy of Empire theory as an international relations tool of analysis. Empire theory has gained rising academic attention since the early 2000s, this research sought to assess its place and use when analysing the United States as Empire. In particular, the study focused on Leo Panitch and Sam Gindin's version of informal Empire and Empire by invitation. These notions were understood in the relations existing between the United States and its client states, Mexico and South Korea, via the medium of international financial institutions and trade agreements, namely the International Monetary Fund and the North Atlantic Free Trade Agreement. Mexico and South Korea were clearly described as neoliberal states operating within Empire. Yet, this study sought to challenge the concept and the theory of Empire by investigating these client states' political voices. Their agenda-setting abilities were analysed within the G20 context, thanks to its rotational presidency within the forum. The researcher sought to uncover whether Mexico and South Korea had the ability to shape discussions and break away from the neoliberal discourse, and therefore Empire. The findings were of mixed results as it was established that while Mexico steps further away than South Korea from neoliberal perspectives, both client states still formulate their policies within a neoliberal framework, as the United States does not oppose or contest their agendas. While a fundamental conclusion was not reached, it was settled that Empire theory is still accurate in describing inter-capitalist state relations however it does not analytically grasp the rising opportunities existing for states, internal or external to the neoliberal context, to confront Empire.

Table of Contents

Chapter 1: Introduction **p. 6**

A. Background to the study p. 6
B. Rationale and Aim of Research p. 7
C. Research Questions p. 8
D. Theory Component p. 9
E. Structure of the Study p. 9

Chapter 2: Theoretical Paradigm and Literature Review **p. 11**

A. The Traditional Theories of Imperialism p. 11
B. New Theories of Imperialism p. 14
C. Contextualising American Power p. 16
D. Neoliberalism: The US Political Economy p. 18

Chapter 3: Methodology **p. 23**

A. Variables and Resources Used p. 23
B. Case Study Approach p. 24
   a. Case Study 1 p. 25
   b. Case Study 2 p. 25
   c. Case Study 3 p. 26
C. Problems and Limitations to the Study p. 26

Chapter 4: Panitch and Gindin – US Empire **p. 28**

A. Historicising America – Post World War II p. 28
B. Defining America – Post-Boom p. 32

Chapter 5: US Client States and Neoliberal Processes **p. 36**

A. Mexico – United States relations: A contextualisation p. 36
   a. NAFTA as seen by the US p. 36
   b. Negative consequences for Mexico p. 38
   c. Imperialism and Mexico p. 40
B. South Korea and the IMF p. 43
   a. The International Monetary Fund p. 43
   b. The IMF in South Korea – Post-1997 Crisis p. 44
   c. South Korea in Neoliberal Empire p. 46

Chapter 6: Client States within the G20: Room to Manoeuvre? **P. 49**

A. The G20 as a neoliberal forum: Contextualisation p. 50
   a. How does the G20 function? p. 52
   b. Problems of inclusiveness and legitimacy p. 53
B. Client States in the G20: Agenda-Setting? p. 54
   a. A growing G20 Development Agenda: Success for South Korea p. 54
   b. Mexico in the G20 p. 57
   c. Mexico Domestically p. 60
C. Deviation from Neoliberal Imperial Terms? P. 62
   a. South Korea: Playing it safe p. 62
   b. Mexico: Bringing Forwards the Question of Multipolarity p. 64

Chapter 7: Conclusion and Prospect **p. 66**

Reference List **p. 70**

Appendix A **p. 74**

Appendix B **p. 92**

Chapter 1: Introduction

A. Background to the study

Since the end of the Second World War, the United States of America (US) took centre stage as a world superpower. Alongside the Soviet Union, a bipolar global order emerged in the context of the Cold War. The major actors in this ideological war strived to spread their system of norms, ideologies and politico-financial processes. In its aftermath, the West and the United States emerged as the victorious bloc, enrooting a unipolar world order. The American nation became then a clear agent for globalisation, the managing force behind global capitalism, economic globalisation and neoliberalism as promoted by Ronald Reagan and Margaret Thatcher. The superpower obtained an opportunity to spread its liberal democratic ideals based on capitalist neoliberal undertakings. This role was concretised through the US' new pillars of strength: its multi-dimensional and unrivalled power, the Western-shaped organisations and institutions created in the World War aftermath, namely the United Nations, the General Agreement on Tariffs and Trade (GATT), the World Trade Organisation (WTO), the International Monetary Fund (IMF) and the World Bank, and finally the dense network built with fellow capitalist states. A certainty emerged, the US would remain an engaged actor, with or without the Soviet Union. It would not retreat back into isolationism as it had done prior to World War II.

Yet the engagement displayed by the US demonstrated a particularity within the superpower. Not only were trade exchanges increased and relations with other states multiplied, the very nature of the latter exposed specific underlying dynamics. In effect, while the US was spearheading the neoliberal global enterprise, it was also reshaping the world to its own image. The might of US power developed through the harnessing and controlling of global capital through financial systems, multinational corporations or US led international institutions. However, this surge in power was not an overthrow of a previous system or a radical take over. Rather, the rise of US neoliberal power came in as a seemingly rational process. Other states were not forced into the system but joined in, based on rational calculations. The US way was the only way, because it was presented as the most beneficial and logical option for others. Herein lays the US' greatest power, the rallying of state economic political allies and clients, not through coercion but through persuasion and organic

processes. Perceptions of the United States as a new form of Empire started to emerge rapidly in this changing framework.

Since the early 2000s, Empire theory has gained significant attention in academic circles. In their early formulations, theories of imperialism were based on traditional understandings of time and space. In this sense, imperial spread was to be observed through complete political and economic coercion, alongside territorial conquest and economic (and at times social) exploitation. The discourses involved were numerous ranging from physical violence, race, resource abuse and political domination. Examples of traditional Empires are the Roman and Ottoman Empire or more recently, the British Empire. However, the end of colonial times saw the rise of a new form of "world conquest", a conquest not through physical violence, colonisation and resource pillage, but rather through the spread and voluntary acceptance of ideology, ideals and economic processes. This, termed as 'Empire by invitation' by Panitch and Gindin (2012), is essential in grasping the process of how the United States accessed the role of world agent and capitalist managing force today.

However, the unipolar world under US imperial control order has been questioned. Claims have been made that the United States may not have an all-encompassing power over its "realm". The rise of the political voice of its own client states has shown the possibility for state mobility within the current world order. While neoliberal institutions are controlling agents in the current world system, the upsurge of alternative political blocs has shown the opportunities for alternative functioning and possible replication of the later within the US' hubs and spokes. This emergence sparks the need for a re-assessment of the United States as an imperial power and more specifically of Empire theory itself. Is there a clear break away from the American neoliberal narrative within the Empire's networks?

B. Rationale and Aim of Research

This research aims to examine the effectiveness and viability of Empire Theory as an analytical theoretical tool. This will be conducted through the assessment of the role played by the United States in the international arena. This study, while investigating the rise of the United States as Empire, seeks to evaluate the accuracy of Empire Theory through the analysis of the financial and political interactions between neoliberal institutions and US client states. More specifically, this research will focus on the political and financial relationships of the North American Free Trade Agreement (NAFTA) and the IMF with

respectively, Mexico and South Korea. This study aims to look at the patterns of dominance exercised by the neoliberal processes on these states. In effect, it will be determined that these processes are a mere reflection of US Empire on its client states. The latter have been chosen as referential points; as although they are within the capitalist system, they cannot be compared to the United States' leading competing capitalist regions such as Europe or Japan, where deviation from Empire would be almost inexistent.

Furthermore, this study does not focus on coalitions such as BRICS (Brazil Russia India China South Africa) or IBSA (India Brazil South Africa), as their alternative world views do not offer the nuances needed to test Empire Theory. Indeed, it is within the intricacies of the least probable cases that a theory can be thoroughly examined. For the purpose of this research, a client state will be defined as a state that is economically and politically subordinate to a more powerful state as well as engaging in commercial exchanges, in this instance the United States. This research aims to unpack the notion of two of the US' client states, Mexico and South Korea, their financial and political relationship with Empire and whether they have room to manoeuvre in this imperial process. Although financial domination remains apparent, this study will attempt to uncover whether these states have the ability to formulate and shape agendas independently of US neoliberal influence. This research seeks to understand whether Mexico and South Korea can dissociate themselves from Empire thus showing a break in US imperial domination as well as unexplained gaps in Empire Theory.

C. Research Questions

Does Empire Theory adequately explain the United States' relationship with states within its sphere of influence? In other words, are these 'client states' mere passive instruments or 'spokes linked to the hub'?

- Are these states capable of acting beyond the disciplinary boundaries and control of US Empire? Can they deviate from the US standard? Does this support the underlying assumptions of Empire theory?
- What does Empire Theory entail? In what ways is the US imperial? How does imperialism manifest itself in a post-colonial, post-Cold War and market centred world order?

- Are neoliberal institutions and processes instruments of the US Empire? Does their implementation within the US' client states confirm or disprove the position of the US as an Empire?

D. Theory Component

This research utilises Empire theory as its theoretical paradigm. Furthermore, it is also one of the variables analysed. In effect, through the investigation of case studies, Empire theory will be tested in order to determine its accuracy as an international relations theory. This study locates itself in a critical analysis of the state and more specifically a neo-marxist study of international relations. This can also be referred to as a structuralist approach within Marxism. Structuralism claims that it is the function of the state to protect and reproduce the social structure of capitalist societies in as much as this is not attained by the instinctive processes of the economy (Barrow 1993, 51). Therefore, structuralist theory argues that state policies and state institutions are best defined by their maintaining of the capitalist system. The key objective of institutional and policy analyses informed by a structuralist approach is to investigate how the effects of state institutions and state policies function to achieve this general maintenance function (Barrow 1993, 51). In this particular study, the state in question is the United States of America as the globalising and neoliberal agent maintaining its control over its fellow capitalist states and international financial institutions. The researcher selected Empire theory as defined by Leo Panitch and Sam Gindin from *The Making of Global Capitalism – The Political Economy of American Empire* (2012). While this choice will be further explained in Chapter 2, it is important to note that it is one of the only interpretations of Empire theory which focuses specifically on the United States as an imperial force rather than just the concept of Empire itself.

E. Chapter Outline – Structure of the Study

Chapter 2 will outline the core theory of this study, Empire Theory, investigating its origins, history and contemporary interpretations. It will also be providing an overview of academic works relevant to the research by the means of a literature review. The latter will also focus on two major themes of this study, US dominance and neoliberalism. This section will attempt to provide an overview of the literature as well as contextualisations. **Chapter 3** will present a discussion of the implementation of the methodology used, the justification for a

case study approach, the challenges faced as well as the lessons learned during the process. **Chapter 4** will be looking at the United States as an informal Empire. The functioning and spread of the US imperial processes will be observed and critically discussed after an elaborate discussion on Panitch and Gindin's approach to Empire theory.

Chapter 5 will provide case studies to support the perspective of the US as Empire through its influence on its client states as symbols of the US neoliberal project. In this instance, the impact of NAFTA in Mexico and of the IMF in South Korea will be assessed. These cases will allow the researcher to determine the nature of inter-state relations within Empire and demonstrate the usefulness of Empire theory as an accurate theoretical tool.

Chapter 6 will investigate the G20 as a neoliberal forum but also as a context where capitalist states can formulate agendas. In particular, the researcher will focus on the membership of Mexico and South Korea and whether the latter have been able to shape consistent discussions within the framework. This will lead to a critical analysis of their G20 projects, within their own domestic environment, as well as in relation to the US neoliberal conversation. The result of this investigation will determine whether Empire theory is still an exact theoretical paradigm to apply to the United States and fellow capitalist states. **Chapter 7** will provide a summary of the findings and their contribution to the academic field. A final critical assessment of Empire theory will be conducted as well as a discussion on further prospects.

Chapter 2: Theory and Literature Review

This chapter will provide a contextualisation of the study. In order to understand Empire, the researcher will present the theories which have helped Empire theory gain theoretical soundness within international relations. The theory section will focus on the evolution of Empire theory, and the justification for using Panitch and Gindin's realm of understanding. The literature review of this chapter will identify and elaborate on two major themes within this paper, US influence and power, and neoliberalism as an economic model essential to US control. First, the theoretical paradigm of this paper will be divided into two sections, the old theories of imperialism and second, the modern understanding of Empire. For this purpose, the researcher focused on the following authors: Hilferding, Luxemburg, Kautsky, Bucharin and Lenin for the old theories of imperialism; and Amin, Hardt and Negri and finally Panitch and Gindin for the modern notions of Empire. All authors were critically addressed and the choice of Panitch and Gindin, justified. A literature review will be conducted and focused on US power and neoliberalism. Here, the researcher will seek to provide a broader understanding of the terms and definitions to help contextualise the research.

A. The Traditional Theories of Imperialism

The amalgamation of imperialism in the Marxist paradigm brought about five major works by Hilferding (1981, orig. 1910), Luxemburg (1913), Kautsky (1914), Bucharin (1917) and Lenin (1917). Hilferding's work took imperialism and inter-imperialist rivalry within the Marxist framework. However, it was Bucharin that reorganized Hilferding's concepts into a more intelligible outline. Lenin mostly promoted these ideas, instead of adding original ones. Luxemburg's work differs as it is attempting to scrutinize the relation of capitalist and non-capitalist modes of production. Finally, Kautsky's notion of ultra-imperialism comes in against the inclination of inter-imperialist rivalry.

Hilferding (1910) believed that capitalism had altered since Marx's time therefore new theories should accommodate these changes. He focused on the treatment of money and follows the analysis of the joint stock company as the main form of capitalist firm, which facilitated the centralization of capital. This led to the rise of a very small group of capitalists with vast wealth and an extensive choice of business interests extended to countless sectors, as well as banking. Hilferding (1910) also emphasised the fusion of the banking and industrial capital and their common support for monopoly capitalism. Hilferding (1910)

maintained that domestically, finance capital necessitates the full support of the state. Unlike British capitalism with its stress on competition and political liberalism, in Europe capitalism was shaped through the dynamic support of the state, including protectionism, a strong state was needed for a dominant financial capital. Imperialism is the outcome of the political control exercised by finance capital. Thus, Hilferding's (1910) analysis speaks of a specific model of capitalist development with emphasis on the state, the regulated internal monopolistic markets and the intended drive to exports of capital and goods. Hilferding's (1910) study of the relation between monopolies in industry and banking and the state and the combination of national protectionism and geographical expansion, through trade and export, remained the main themes in later theoretical foundations.

Luxemburg (1913) emphasises the incorporation of pre-capitalist formations inside the capitalist production as a perpetual process of disabling consecutive waves of under consumption crisis. In all spheres of an under consumption crisis, capitalism was supposed to try to find non-capitalist formations where surplus products could be absorbed and non-capitalist production would produce new surpluses. This endless process would come to an end when the incorporation of pre-capitalist formations would be final, implying a state of stagnation or collapse of capitalism. Luxemburg (1913) believed that Marx undervalued the problem of realization of the surplus value. Wages and the consumption of capitalists let a significant part of value produced, non-realized and investment had to engross this surplus. An ever-augmenting mass of commodities has to be produced through this investment procedure. In this sense, production just for the purpose of production makes the whole process almost unattainable. Therefore, external buyers from the non-capitalist world have to absorb these surpluses. Luxemburg (1913) views the system in this contrast of the capitalist and non-capitalist sectors, the internal and the external, and inspects how this has functioned. Luxembourg's (1913) process is the first methodical effort to scrutinize the movement of capitalism in search of new geographical space, the incorporation of the pre-capitalist formations as a necessary parallel aspect in the accumulation process and the identification of primitive accumulation as a perpetual characteristic of capitalist accumulation.

Kautsky's (1914) idea was that national bourgeoisie was very much in a process of synergy with other national bourgeoisies fitting in with the notion of common interest. In effect, he argues that the major powers would have an interest to exploit the world together, rather than

struggle over the division of this world. Kautsky's (1914) ultra-imperialism recognizes imperialism and militarism as the work of finance, and he feels that the industry would find an interest in the peaceful exploitation of the world with other national capitals. The rise of monopolies did not prevent competition as competition generates monopoly and monopoly generates, at a different level, competition. In effect, Kautsky (1914) indicated that even the First World War would not prevent the common interest of capital to exploit the rest of the world and this process would produce peace among the industrial nations in the long run.

Bucharin's (1917) work trails the line of arguments found in the Communist Manifesto, where the movement to global capitalism is well-matched with the strengthening of the nation state. His perception of globalization indicates that while inter-capitalist rivalry may lead to war and the national domination of one or more powers over the others, globalization and international competition will return in the future to challenge current systems of national domination. For Bucharin (1917), the movement towards global capitalism is the complete imperative of capitalism. As national capital and the state merge as Hilferding (1910) had indicated, national blocks are formed which compete at the international level, and as there is no international state, the formation of giant national blocks may lead to the common exploitation of the periphery of underdeveloped countries, but also to the amplified competition among dominant national blocks. The anarchy of capitalist production may be controlled at the national level only to be reproduced at the international level. For Bucharin (1917), imperialism, as both policy and ideology, expresses this important concentration and centralization of capital that engulfs states.

Most of Lenin's (1917) work fights Kautksy's ideas that capitalism may be compatible with peace, rather than be in a state of crisis and war. His theory of imperialism lies with the rise of monopolies, the formation of finance capital, the export of capital as distinct from the export of commodities, the formation of international monopolistic combinations sharing the world and the completion of the territorial division of the world. All these conclusions took form from the previous literature on imperialism from Hilferding and Bucharin, with the rise of monopoly and the uneven development of world capitalism at the centre of the latter. For the revolutionary movement, the urgency should be to locate the weak link in the world hierarchical structures and gain power wherever such a possibility is feasible. Fragmentation and the split of the world into scopes of influence of national capitalisms seem to weaken the

globalization process of capitalism. This process can be inverted by the formation of world monopolies in certain sectors, which reflects Bucharin and Kautsky's work. However, Lenin's (1917) work became the most influential. This had a negative consequence as the preceding works with sounder theoretical undertakings had been forgotten. Imperialism was reduced to an expected phenomenon, which common political action could properly fight. Imperialism lost in this respect, the theoretical momentum it gained from the classic works.

B. New Theories of Imperialism

Until the early 1970s the term of imperialism was widely in use, but in a new background. The basic idea was that development and underdevelopment are factually the result of a joint process, the formation of world capitalism from the 16th century onwards. Accumulation was always taking place in the world system. Surplus from the periphery was shifted to the centre through unequal exchange, the relocation of profits and incomes in the centre and financial dependency, producing polarization and increasing the gap between the industrial centre and the rural periphery. In fact, imperialism is the continuation of colonialism. Then during the 1980s and the 1990s the term imperialism was left aside. However, it started being used again, either through the term new imperialism, or through its traditional understanding but again in a diverse context. Among the many works that attempt to define the concept is the work of Amin (2001). as well as the theory of Empire as presented by Hardt and Negri (2000) and Panitch and Gindin (2012).

Amin (2001) developed the notion of collective imperialism, referring to the US, Western Europe and Japan coalition. The shared interest rises from a different perception of the new oligopolistic formations. Multinational companies, regardless of their national background, have to be able to have a strong international position in large markets in order to ensure their domestic competitiveness concurrently. These oligopolistic structures have common interest not only in globalized markets, but also in the constant support of American hegemony, the only force that can keep the world under control, as claimed by Amin (2001). However, the American hegemony sits on a colossal irregularity. Because of the loss of its economic competitive advantage, the US seems to attempt to utilise its military power and political supremacy, to turn to its own advantage the common provisions of collective imperialism, supposedly to be shared by all. The militarism of the US and the shift to extreme policies by the Bush administration at the time of Amin's (2001) analysis brought forward a number of

questions with regards to the viability of the "collective imperialism" arrangements. Furthermore, Amin (2001) raises the question over development within the debate of imperialism. Amin (2001) states that polarisation on a world scale is inevitable in the process of globalisation and increases the phenomenon of pauperisation, described as inherent to 'real-existing capitalism', leading the academic to call it as "imperialist by nature".

Hardt and Negri (2000) have taken the theory of imperialism further and helped conceptualise the theory of Empire. They have posed a challenge to the connection between the state and imperialism. They contend that imperialism, as it was, is over. No state today can be the centre of an imperialist project, as sovereignty lies beyond the nation state. One of their most fundamental points is the organisation of capitalism along transnational lines. In this sense, the notion of the state has become obsolete. In this instance, the US is not an imperial power in itself but rather part of a decentred Empire acting as the main agent for global capitalism. Hardt and Negri (2000) maintain that a form of global sovereignty has emerged, stemming from crises within the legitimising project of modernity such as industrial unrest among the labouring classes in developed world, anti-imperial pressure from unpopular wars and the failure of planned socialist economies to provide liberty. There is no competition or emerging between capitalist states as they all form part of the global transnational state acting in the best interest of the transnational capitalist class, or global elite (Hardt and Negri 2000). This has apparently now resulted in the evolution of a form of global governance that is contested, but which is seen as hegemonic. Hardt and Negri's (2000) understanding can be described as post-modern. Yet, this perception of Empire has its limitations. The post-modern understanding appears as too abstract and lacks applicable evidence of their assumptions. In effect, in their view, states have become obsolete in the agency of the imperial project and claim the existence of a transnational state. However, the role of the United States is here clearly undermined. This research will attempt to demonstrate that the superpower, as a state, is the sole driver behind the imperial project and the valorisation of US interests over global interests.

Panitch and Gindin (2012) suggest a different approach bringing back the idea of state and class, two concepts that previous theorists had undermined. Panitch and Gindin (2012) critique all theories of imperialism that try to interpret the phenomenon simply in economic terms. They shift the importance to politics, identifying imperialism as a political project

conjoining elements of formal and informal Empire. It is thus about the state making "free markets" possible and then to make them work, through the unique state agent: the American imperial state. The US managed to reconstruct the world through "informal imperial rule" in order to open the world in cultural, political and economic terms. Through this active process the American state was internationalised, preparing itself through the transitional "golden age" of the 1950s and the 1960s, for the constitution of American Empire in the neo-liberal era. Neoliberalism is viewed as a political project, changing the capital-labour relation in favour of the former. It was done in the US and was followed by most of the rest of the world.

Hence this study will be using Panitch and Gindin's (2009) approach to Empire identified by the spread of an informal Empire with the United States as its central agent, focusing on the idea of supremacy. As so, the US proceeds to imperial violence to ensure order and legitimise its practices through the control of finance, the economy and the markets. The informality of Empire is central to Panitch and Gindin's (2009) argument. A formal Empire suggests that economic and political control is coupled, yet in an informal Empire, these entities are decoupled. This means that the US informal Empire is a form of political rule, not based on the expansion of territorial acquisitions, but rather on the removal of barriers to US and global capital by the promotion of free trade and deregulation, thus echoing notions of global capitalism, or neoliberalism. Unlike Hardt and Negri (2000), Panitch and Gindin (2009) emphasise the importance of the state system for capitalism to be spread. The authors claim that free trade is what has made the US Empire come to existence, as the latter took the opportunity to re-shape world politics and economy to its own image, taking responsibility for the spread of capitalism, and more specifically neoliberalism. The 2008 economic crisis stands as a demonstration of US imperial stretch (Panitch and Gindin 2009). While this research acknowledges the importance of territory and the spread of US cultural norms as imperial factors, it will rather be the informal financial and political aspect of US Empire, as outlined by Panitch and Gindin (2009) which will be used to undertake this research.

C. Contextualising American Power

Hormats (1991) credits American achievements domestically and internationally over the last decades for the important foundations constructed by past generations. Their vital savings and immense investments in schools, factories, farms, infrastructure and technology, in

addition to their leadership in forming market-oriented international institutions, provided the support for America's existing strengths. After the Second World War, America produced tens of millions of new jobs, significantly raised living standards, engrossed large numbers of immigrants, spear-headed the world in medicine, science and technology and aided in the reconstruction of Europe and Japan. This context is a testimonial to many years of anticipating policies by private enterprise as well as government that amplified and improved the quality of America's human and physical capital. During much of the 1980s, the US economy constructed on this strong foundation and continued to prove remarkable strength in spite of deplorable financial excesses (Hormats 1991, 134).

Nederveen Pieterse (2004) sees US dominance more critically. Important earlier Empires claimed legal status. The Roman and British Empires conveyed the rule of law as the foundation of their perceived entitlement to constitute a ‘Pax’. Yet, neoliberal globalization is rules-based, and the new Empire is formed on the rule of power, and not the rule of law. The United States does not sanction the International Criminal Court. The superpower claims exemption from its mandate for American nationals and utilises the latter in trade and aid negotiations. The US exists in a state of ‘international legal nihilism’ with an increasingly rising record of breaches of international law (Nederveen Pieterse 2004).

For Wade (2013), with the US dollar as the international reserve currency, the United States fully controls the global capital market along with fellow capitalist states such as the United Kingdom, Europe, and Japan. The rest of the world wants to hold the dollar, approximately three-quarters of world foreign currency reserves are held in US dollars (Wade 2011). This provides the US central bank and the US government unlimited influence over other governments, especially in crisis circumstances as was experienced in 1997 or more recently in 2008. Furthermore, the fact that the US government’s success in holding the presidency of the World Bank proves the institutional apparatuses that allows it to guard its monopoly even whilst facing a normative consensus that such situations should not be limited to specific nationalities. The US has the largest and most liquid capital markets globally, continuously refilled by American deficit financing, this has been accompanied by a constant drive to get other states to open their capital accounts and remove any obstacles to the input and output of capital (Wade 2013). In effect, free capital is a vital part of the architecture underlying US dominance and ultimately, Empire. When the dominant powerful state, namely the United

States, opens capital markets and in relation to the other prosperous capitalist states, with the least regulation of business, the lowest taxes, and the most stringent social security system, the aptitude of other states to form social controls on markets is abridged (Wade 2011). Their capacity to do so is even more reduced when they are prohibited by the rules of the world economic order to implement limitations on the inflow or outflow of financial capital, and their own prudential regulations of banks and other financial organisations are not enough to keep inflows and outflows within safe limits. All states then see it as more problematic to establish and keep a national capitalism embedded in social controls (Wade 2011).

D. Neoliberalism: The US Political Economy

This literature review seeks to provide an overview of the various understandings of neoliberalism. For the purpose of this research, neoliberalism is here referred to as the economic or political process rather the international relations neoliberal theory (i.e. neoliberal vs. neorealist debate). This research maintains that Empire, although viewed as a political project, has been associated with neoliberalism as a greater capitalist undertaking. In effect, the case studies in this research focus on the influence exerted by neoliberal institutions over client states of the United States, and finally the conclusion of this paper relies on the compatibility of these states agendas with the neoliberal paradigm. A thorough understanding of the project is thus needed.

Smith (1776) laid the fundamentals of neo-liberalism with his notion that free exchange was a transaction from which both parties inevitably benefited, since no one would willingly engage in an interchange from which they would come out as worse off. Any constraint on the freedom of trade will lessen well-being by negating individuals the occasion to advance their situation. Furthermore, Smith (1776) argued, the growth of the market allowed for growing specialisation and therefore the expansion of the division of labour. The benefits attained through exchange were not benefits gained by one party at the expense of another. Exchange was the means by which the compensations increased through the augmented division of labour were shared between the two sides to the exchange. The immediate insinuation of Smith's argument is that any obstacles to the freedom of exchange infringe on the development of the division of labour and then on the development of the wealth of the nation and the affluence of its citizens (Smith 1776).

According to Harvey (2003), imperialism is intrinsically linked to capitalist crises, as he detects connections between the new imperialism and the overaccumulation crisis that capitalism has found itself in since the 1970s. Harvey states that there are two possible exits from this outcome, the first enabling capitalism to survive through 'a series of spatio-temporal fixes that absorb the capitalist surpluses in productive and constructive ways' (Harvey 2003, 135). The second route would instruct the use of political, military and financial instruments to change the international competition to the advantage of the more powerful states in order 'to rid the system of overaccumulation by the visitation of crises of devaluation upon vulnerable territories' (Harvey 2003, 136). Owing to the lack of any other solution, the new imperialism is what emerges from the second exit in the escape from capitalism's declining profitability. In effect, Harvey (2003) states that in moments of crises, capitalism must continuously have support outside of its own boundaries in order to maintain its own stability.

Harvey (2005) furthers his views by emphasising the links existing between the state and neoliberalism. The neoliberal state ought to support durable individual private property rights, the rule of law, and the institutions of freely operative markets and free trade. These are the institutional provisions considered vital to assure individual liberties. The inviolability of contracts and the individual right to freedom of action, expression, and choice must be secured (Harvey 2005). The state must consequently use its monopoly of violence to maintain these freedoms by all means. In addition, the freedom of businesses and corporations to function within this institutional structure of free markets and free trade is viewed as central. Private enterprise and entrepreneurial initiative are perceived as the solutions to innovation and wealth creation. The lack of clear private property rights is seen as one of the utmost institutional obstructions to economic development and the upgrading of human welfare (Harvey 2005). Sectors previously run or controlled by the state need to be shifted to the private sphere and be liberalized. Competition is seen as the principal virtue (Harvey 2005). Therefore, it is claimed that privatization and deregulation along with competition, eradicate bureaucratic red tape, upturn efficiency and productivity, advance quality, and decrease costs, both directly to the consumer via cheaper commodities and services and indirectly thanks to reducing the tax burden. The neoliberal state should determinedly look for internal reorganizations and new institutional provisions that expand its competitive situation in relation to other states in the global market (Harvey 2005).

For Radice (2008), in the 1990s the denial of class to vanish from the lives and consciousness of citizens led to a greater reformulation of liberal ideology: neoliberalism. Notions such as governance and civil society were positioned in ways that refracted the citizen from class identification in favour of a contractual relationship with the state. In reality, this relationship has gradually become one of individual consumption of services organised through the state, but delivered by private-sector capitalists. The representative-politics element of the relationship has been mostly abridged to a circulation of political elites over a commonplace and diminished electoral formula of democracy. Effectively current neoliberalism pursues the commoditisation of the state–citizen relationship in a way that lessens that relationship completely to individual economic self-interest (Radice 2008).

Nederveen Pieterse (2004) studies neoliberalism in relation to power. He claims that the combination of business and coercion is not a new phenomenon. In effect, the Cold War also brought together military power and free enterprise. But the form of neoliberalism that has risen during past decades is more distinct than the Cold War free market paradigm, and economic deregulation since the Reagan years is increasingly more developed. The neoliberal regime and the imperial turn share their doctrine-like values and involve vast military spending and marketing. From the perspective of the United States, permanencies between neoliberal globalization and neoliberal Empire comprise:

- *State intervention in favour of corporations*
- *Free market ideology conceals corporate redistribution*
- *Conservative ideology of authoritarian moralism*
- *Defunding social government*
- *Funding punitive government*
- *Privatizing government functions*
- *Threat inflation, massive defence contracts, militarism*
- *Marketing and spin*
- *Internationally: structural adjustment and aggressive trade policies* (Nederveen Pieterse 2004, 123).

The International Initiative for Promoting Political Economy (IIPPE 2014), a School of Oriental and African Studies (SOAS) University of London initiative comprising Patrick Bond and Susanne Soederberg as members, offers a critical definition of neoliberalism.

Neoliberalism is defined as a contemporary form of globalisation, closely associated with the inception of new modalities of imperialism (IIPPE 2014). The neoliberal transition leads to the transformation of conditions of economic and social reproduction in diverse countries and regions as well as consequent changes in the modes of exploitation and domination (IIPPE 2014). The Initiative concluded that neoliberalism is based on the systematic use of power to impose a hegemonic project of capital domination, through the appearance of no intervention, in other words free markets, deregulation and reduced state spending. Global power is exercised by the drive for the reproduction of capital through financial markets and the interests of US capital itself. Neoliberalism is not about the promotion of rapid growth, but rather the subordination of domestic accumulation and workers to international constraints (IIPPE 2014).

Soederberg (2006), through Marx's historical materialist perspective, attempts to show how global governance institutions relate to one another as well as to global capital. Soederberg (2006) sees the emergence of the US, as a leading and controlling forced in the reproduction of capital after World War II, as being enforced by the establishment of the neoliberal international financial institutions, the World Bank, the IMF and the World Trade Organisation (WTO – first created as the General Agreement on Tariffs and Trade, GATT). These post-War institutions were founded with the intention of a new financial world, contributing to the rebuilding of Europe in the aftermath of war. Yet, this reconstruction took place under specific auspices, those of US interests and neoliberal policies. Hence, as financial institutions, conditions for reconstruction and investment loans were embedded in neoliberalism, via privatisation, market deregulation and the reduction of governmental social spending (Soederberg 2006). This undertaking did not, and still does not take into account national specificities leading to a 'wrong fit' of policies, thus demonstrating the imperial processes of these US-led institutions.

Soederberg (2006) maintains that the state continues to play a vital role in the mediation of neoliberalism; for instance, the US' expanding control over global governance through various strategies of exploitation (i.e. neoliberal institutions and projects). New imperialism, as coined by Soederberg (2006), displays the increasing dependence and loss of sovereignty of developing nations. This view is also echoed by Craig Murphy (2002) identifying post-War regimes such as the IMF and the World Bank as causes for this loss. Murphy (2002)

maintains that neoliberalism is triumphant through these very institutions as well as powerful clubs of states, the US and its leading capitalist states.

When many of the Left did not fully grasp an understanding of the spread and impact of neoliberalism, Stephen Gill (1995) brought forward a critical insight into the project as early as the 1990s, still applicable today. Although being inspired by Gramsci, Gill (1995) did not identify the neoliberal system in a Gramscian understanding, as a hegemony, but rather through the concept of supremacy. While hegemony absorbs and undermines opposition movements to the system, supremacy simply seeks to dominate and create a non-cohesive opposition, thus reducing the opportunities for contest (Gill 1995). Neoliberalism is about the class power of capital and the extension of markets and commoditisation through privatisation, deregulation and competitiveness (Gill 2003; Harvey 2005). As highlighted both by Gill (2003) and Harvey (2005), neoliberalism epitomises the polarisation of income and life chances, in other words it is not about the increase of wealth, but rather its redistribution in the favour of the capitalist elite. However, Gill (1995) notes that neoliberal dominance is temporary because of its reliance on short-term supremacy rather than a long-term hegemonic strategy. In effect, echoing Karl Polanyi's concept of 'double movement', Gill (1995) claims neoliberal control relies on the imposition of market values even in instances of incompatibility. This process then leads to a backlash by social forces fighting against the one-size-fits-all imperial neoliberal project (Gill 1995).

Chapter 3 : Methodology

This research took on a theoretically-grounded approach in its entirety. Not only did the researcher select the Marxist-rooted Empire theory as the lens of the work, but it is also one of the crucial variables. In this sense, Empire theory was the object of analysis of this paper, the interrogation being on its accuracy as an applicable theoretical tool in contemporary international relations. The methodology of the paper is straightforward, first unpacking the notion of Empire and its relation to the United States, more particularly based on Panitch and Gindin's understanding. Empire theory is then put against case studies, which seek to provide a solution to the paper's queries. Within this methodology chapter, the researcher will prove the importance of a theoretical variable and the contributions to the field which should ensue, followed by the justification of the use of case studies, concluding with the problems encountered and the limitations to the study.

A. Variables and Resources Used

The dependent variable of this research was Empire theory. The study sought to explain how and to what extent the United States' client states Mexico and South Korea can deviate from the control of informal Empire. Independent variables were the financial and political impact of the United States through neoliberal institutions and agreements, the IMF and NAFTA. It is important to note that this research was theory-oriented, and not content-focused. Rather than verifying a factual variable, this research assessed theoretical precision, following a theory-testing method of inquiry. Hence these variables were intrinsically linked to Empire theory itself.

This study relied on qualitative research using secondary sources extensively such as books, journal articles and media clippings. The crux of this research, its theoretical approach, was essentially based on seminal books, journal articles and reviews. In particular, the research used a collection of Panitch and Gindin's writings on Empire ranging from their book *The Making of Global Capitalism* to articles such as "Finance and American Power", "Superintending Global Capital" among others, published in journal and information websites. With regards to case study applications, the researcher sourced data and information from journal articles, academic papers and media clippings. It is important to note that considering the nature of case studies, the researcher had to expand beyond peer

reviewed primary sources and use secondary open sources and opinion pieces. In effect, the researcher used documentation from alternate sources as to provide a non-mainstream-controlled perspective.

B. Case Study Approach

A case study approach was chosen for this research as the study of the spread of US power can be observed through its impact identified in various contexts. This study did not select coalitions such as BRICS (Brazil Russia India China South Africa) or IBSA (India Brazil South Africa) as case studies. These groups often demonstrate a clear alter-American stance and thus, their alternative world views do not offer the nuances needed to test Empire Theory. Indeed, it is within the intricacies of the least probable cases that a theory can be thoroughly examined. Mexico and South Korea represent such cases and do not offer an apparent answer to this paper's query without prior investigation. As was demonstrated in this research, the mentioned client states are very much part of the neoliberal paradigm, they are part of Empire. It is of greater value to this paper to question the theory within its own realm, as it will provide more depth to the final conclusions.

The research took on a case study methodology. Within this section the choice of this instance will be justified and a breakdown of the various case studies undertaken will be provided. The case study is often described as the most flexible of research methods, bringing through a holistic approach and integrating many characteristics of general truths while focusing on specific empirical events (Schell 1992). As Schell (1992, 2) defined it, a case study is an empirical inquiry which 'investigates a contemporary phenomenon within its real-life context: when the boundaries between phenomenon and context are not clearly evident and in which multiple sources of evidence are used'.

Case studies are one of numerous techniques within social science research, with experimentation and observation matched to a research problem, a degree of experimenter control over events and historical perspective and focus. Case studies usually take as their principal subject selected examples of a social entity within its normal context (Schell 1992). In this instance, the case study provides descriptive accounts of one or more cases, yet it can also be used in an intellectually rigorous manner to achieve experimental isolation of one or more selected social factors within a real-life context. Despite the popular misconception that

case studies are limited to qualitative analysis they can use both qualitative and quantitative information (Schell 1992). In this research however, case studies were used solely for qualitative purposes. The researcher not only has the historian's primary and secondary documentation as resources, but also can add direct observation and systematic interviewing. The case study's strength is thus its ability to deal with a full range of evidence such as documentation, artefacts, interviews and observations. Schell (1992) classified case studies into three categories: exploratory (traditional form), descriptive and explanatory. There is no exclusivity between exploratory, descriptive and explanatory case studies, in fact some of the best case studies are either exploratory and descriptive or descriptive and explanatory (Schell 1992). In this study the researcher attempted to accomplish the latter, descriptive and explanatory, answering the questions of “how” and “why”.

a. Case Study 1

The first case study focused on Mexico, client state of the US. Central and Latin America have often been described as the ‘backyard’ of the United States. Therefore, in testing US imperialism, the study of US-Central American relation comes to the fore. The dominance of US Empire over Mexico will be assessed through the investigation of US financial and political influence over the latter, through the neoliberal project NAFTA. The research aims to analyse how this neoliberal project is part of the imperium and has constricted the financial role played by Mexico domestically and in its international relations.

b. Case Study 2:

The second case study looked at South Korea, a second US client state. The latter has become the US’ closest ally in the South East Asian region, an area gaining significant interest for the United States. Since the IMF bailout of 1997, following the Asian financial crisis, the US has forged even more resilient ties with the Asian nation. This case study aims to unpack how the IMF bailout is part of the imperial network project and is a symbol of US domination. The researcher will attempt to prove that the US, through the IMF intervention, has financial and political domination over South Korea.

A clarification is needed as to the choice of these two case studies. While it may seem as redundant to study the well-established dominance of the United States and its global institutions over its client states, the aim is precisely this. In order to consider questioning

Empire theory, it appears logical to provide case studies which can potentially prove and disprove respectively the theory. To understand the possibility of a breakaway from imperial neoliberal paradigm, it is essential to first describe and explain it in its context.

c. Case Study 3:

The third case study was the crux of the research process as after contextualising Empire, this background was essential in determining whether Empire theory is a valid tool of analysis. It is important to note that this paper did not seek to proceed to a judgment of said theory but simply attempted to identify loopholes which may persist. In this sense, while Mexico and South Korea are part of and engulfed in the US neoliberal imperium, one needs to understand whether they bring forward any challenges to Empire theory. Although a process of a neoliberal undertaking, the G20 theoretically offers a platform for states to shape discourses and consensus in G20 actions and discussions. The case focused on the policies put forward on the agenda by both client states during their rotational presidency respectively. These policies were also assessed on a domestic level and finally contrasted with the US neoliberal paradigm in order to formulate a firm conclusion to this study's interrogations.

C. Problems and Limitations of the Study

The major problem that the researcher faced in this study was the theoretical nature of this paper. Not only was Empire theory the paradigm of research but it was also a variable of analysis. In this sense, it was challenging to keep in mind that the case studies related back not just to the United States, Mexico and South Korea but ultimately to Empire theory. Furthermore, the researcher did not have any consolidated prior knowledge of the theory and this required additional research and understanding. While the field of neo-Marxism was not an unknown matter, the specificities of Empire needed to be further explored.

Although, the study relied on primary and secondary resources, the latter could have been completed by interviews of key policy individuals within the respective institutions. However, considering the critical nature of this research, it is noted that these may not have been as fruitful as suggested. In effect, the researcher was investigating the controlling nature of the United States and neoliberal institutions, obtaining a similar statement from officials would have been unrealistic to expect. This study could have been applied to further case studies of client states, in addition to Mexico and South Korea, however, time and space

constraints limited this possibility. If more space and time were allocated to this study, the evidence could have been pushed further with a cross-analysis of United Nations Security Council voting patterns and the similarities or disparities existing between the United States, Mexico and South Korea.

Chapter 4: Panitch and Gindin – US Empire

Empire theory gained greater academic attention in the early 2000s following the publishing of Hardt and Negri's (2000) *Empire*. From then stemmed a multitude of interpretations of Empire theory, all focusing on different aspects of the framework such as the state, globalisation, neo-colonialism, the loss of state sovereignty, economic institutions or even neoliberalism. Panitch and Gindin locate themselves in this succession of writings on Empire theory, offering a distinct perspective of the concept shaped of the American neoliberal Empire. This chapter is the theoretical crux of this paper as it attempts to offer a thorough understanding of Empire. This section will historically contextualise the rise of American Empire and will focus on the factors and events which led to its position in the world today. The particularities of Panitch and Gindin's view of Empire such as the 'informal Empire' or the 'Empire by invitation' will be explained. Finally, this section will explore further the connections existing between Empire, neoliberal and the institutions guiding its process globally.

A. Historicising America: Post WWII

The essential position the United States holds within global capitalism relies on a singular junction of structure and history. The important part in the rebuilding of global capitalism, following previous failures, took place during and after World War Two. A new wave of global capitalism was only reached after the Great Depression of 1929 and the Second World War. However, this relied heavily on the rise of an irregular historical development of a group of structures brought about under the direction of a specific and exclusive conductor, namely the American imperial state (Panitch and Gindin 2009, 15). The liberal-democratic legitimacy of the informal US Empire has led to the common usage of the term 'hegemony', rather than imperialism. But it is dubious whether the full measure of the nature of American power since World War II can be adequately grasped by the concept of hegemony alone. Such a displacement has often led to the underestimation of the scope and breadth of American structural power and its capacity to reproduce its imperial status (Panitch and Gindin 2005).

The part played by the United States in world capitalism was not unavoidable as Panitch and Gindin (2009) claim, but neither was it unintentional, it was a section of capitalist history.

The ability with which the US groomed to marry its singular form of control with a general managerial task of coordination founded on the attractive US model of production and culture created a greater unification in world consumption. In effect, the continuous activity of American capitalism and its global attractiveness underlined the future of an informal Empire, extending far beyond the one the British Empire had attempted to construct. Furthermore, through the hyper development of the modern understanding of multinational corporation, that is thriving on foreign direct investments in production and services expanding beyond the primary and secondary sectors of activity (resource exploitation and manufacturing), the American informal Empire was an extensive penetrative force in relation to any other previous social force (Panitch and Gindin 2009, 16).

Panitch and Gindin (2009) highlight that it was not only the economic and cultural specificities of American capitalism that contributed to the new informal Empire but also the formation of the American state itself. Unlike traditional notions of Empire which were based on mercantilism and territorialism among other characteristics, the American state embodied itself in a Republican ideal of liberty closely linked to the idea of 'extensive Empire and self-government' which had been enshrined in the American federal constitution (Panitch and Gindin 2009, 17). As Panitch and Gindin state, an essential characteristic was that America was not to perceive or reduce the West to colonies, but the latter should remain states.

This was confirmed during the New Deal, in the midst of the crisis of global capitalism and following the grand domestic working class mobilisations, when the US state really began to develop the modern development abilities that would transform and vastly spread America's informal imperialism. This was the final stage set for a massively protracted and much more powerful informal US Empire outside its own hemisphere (Panitch and Gindin 2009, 20).

The change of objectives within the US, shifting from domestic-focused to internationally-interventionist, was key to the revitalisation of capitalism's globalizing inclinations after the Second World War. This did not just unfold through the wartime reconstruction of the American state itself, but also through the post-war reconstruction of all the states at the centre of the old inter-imperial rivalry. This also led to the formation of new states out of their old colonial Empires. Among the various scopes of this new relationship between capitalism and imperialism, the most significant was that the densest imperial networks and institutional connections, which had previously gone north-south between imperial states and

their colonies, now existed between the US and the other major capitalist states (Panitch and Gindin 2009, 20).

What the British Empire had not been able to accomplish in the 19th century now was managed by the American informal Empire, which thrived in integrating all the other capitalist powers into one effective organisation of coordination under its guidance. The devastation of the European and Japanese economies and the feeble political legitimacy of their ruling classes at the war's end shaped a historically unparalleled opportunity which the American state was now prepared and eager to exploit (Panitch and Gindin 2009). Moreover, the enlargement of the informal American Empire after the Second World War was barely a one-way or coercive imposition; it was often more appropriately described by 'imperialism by invitation'. Imperialism by invitation is the notion that capitalist states have indirectly, or even directly at times, asked the United States to step in first and take responsibility for the current political economy. Therefore this emphasises the apparent 'non-coerciveness' of the US and highlights the conscious choice made by fellow capitalist states.

While the development of national security and the military were important in the framework of the Cold War environment, the role played by the Treasury and State Department during the war to plan the launching of a synchronized liberal trading regime and a rule-based financial order was of no less importance. This was achieved by manipulating its key allies' debtor status, the total domination of the dollar as the world currency and the fact that the 50% of world production was now taken credit for by the American economy (Panitch and Gindin 2009). The American state had learned from its previous mistakes of its post-First World War incapacity to combine liberal internationalist rhetoric with an institutional pledge to manage an international capitalist order. Through the complex mutual planning by the British and American Treasuries during the war, the same process that led to Bretton Woods, the Americans guaranteed that the British were not only

> *'accepting some obligation to modify their domestic policy in light of its international effects on stability, but also the liquidation of the British Empire by throwing Britain into the arms of America as a supplicant, and therefore subordinate; a subordination masked by the illusion of a "special relationship" which continues to this day'* (Panitch and Gindin 2009, 22).

Following the New Deal, mutual trust was then promoted between businesses and the state so that government could implement its responsibilities to use its fiscal policy as a balance wheel, and to use its legislative and administrative power to promote and foster private enterprise, by removing obstacles to its growth (Panitch and Gindin 2009). This would create an expansionist background where tariffs, subsidies, monopolies, restrictive labour rules, plantation feudalism, poll taxes, technological backwardness, obsolete tax laws, and all other impediments to greater development can be eliminated. After all global free trade is the final goal of a rational world. Therefore a new American imperialism is quite dissimilar from the British imperial background (Panitch and Gindin 2009).

American imperialism does not necessitate extraterritoriality, nor is the United States afraid to help shape industrial competitors to its own power, the reason being is that industrialization stimulates rather than confines international trade. The Bretton Woods conference towards the end of war established as nothing else had yet achieved, the vast managerial capacity the American state had developed. The Commission entitled in establishing the IMF was chaired and firmly controlled by Harry Dexter White for the American Treasury, and even though Keynes chaired the Commission, which was accountable for the World Bank, and although the other committees were also chaired by non-Americans

> *'they had American rapporteurs and secretaries, appointed and briefed by White' who arranged for a conference journal to be produced every day to keep everyone informed of the main decisions'* (Panitch and Gindin 2009, 24).

As the IMF and the World Bank set up their headquarters in Washington D.C. as per US insistence, the trajectory for international economic management was set. This is ongoing and it is a pattern in which European or Japanese finance ministries and central banks propose and the US Treasury and Federal Reserve that dispose (Panitch and Gindin 2009). The dense institutional connections linking these states to the American Empire were also institutionalized through various institutions such as NATO and importantly as well through the hub-and-spokes networks binding all leading capitalist states to the intelligence and security mechanisms of the US as part of the strategy of containment of Communism during the Cold War.

B. Defining Empire: Post-Boom

Though the new informal Empire still allowed for other leading states to act as autonomous organizing centres of capital accumulation, the imitation of US technological and managerial Fordist procedures was enormously reinforced by the penetration of these countries by US foreign direct investment. And here, the majority of the American imperial network shifted towards to the advanced capitalist countries, which resulted from 1950 to 1970 a fall in American FDI from 40 to under 20 percent, whereas Western Europe's more than doubled (Panitch and Gindin 2009).

This did not mean that the North-South perspective of imperialism became inconsequential. But it indicated that the other principal capitalist countries' relationships with the Third World and their former colonies were swaddled in American informal imperial rule. In effect, the North-South political divide could continue to provide advantages for leading capital states, but any involvements had to be either American-initiated or have American endorsement. Alongside this fact, Panitch and Gindin (2009, 27) state that

> *'only the American state could appropriate to itself the right to intervene against the sovereignty of other states and only the American state reserved for itself the 'sovereign' right to reject international rules and norms when necessary'.*

It is in this sense that the American state was actively 'imperialist'.

The new informal imperial rule, not just in the advanced capitalist world but also in the Third World was characterized by the penetration of borders, not their dissolution. The global capitalist order was organized and regulated not through the territorial expansion of traditional Empire but rather via the reconstitution of states as being entirely part of the informal American Empire (Panitch and Gindin 2009). States continued to be the main means through which the social relations and institutions of class, property, currency, contract and markets were created and replicated and the international accumulation of capital was conducted. Capital as an effective social force in a state now was inclined to include foreign and domestic capital with international connections and drives. Their interpenetration made the concept of separate national bourgeoisies ever more outdated (Panitch and Gindin 2009).

Another dimension of the new association between capitalism and Empire was the internationalisation of the state, viewed in terms of any given state's degree of internalisation of the responsibility to control its domestic capitalist order so it may contribute to managing the global capitalist order. Yet, for the American imperial state, the internationalisation of the state had an unusual quality (Panitch and Gindin 2005). It involved defining the American national interest in terms of acting not only in the best interests of its domestic capitalist class but also on behalf of the expansion and reproduction of global capitalism. The purpose of what this required continued to demonstrate the singularity of the American state and social formation, but it was gradually more changed towards a vision of the United States' role as that of guaranteeing the survival of free enterprise in the US itself through its promotion of free enterprise and free trade internationally (Panitch and Gindin 2005). The saturation and incorporation by US multinationals as well as the state meant that American capital was now a material social force inside numerous other social formations. This had greater consequences on social relations, property rights and labour relations than what financial flows would have done. Furthermore, the integrated production processes that transnational corporations reproduced had the outcome of preventing protectionist measures and strengthening pressures for free trade (Panitch and Gindin 2005).

The strains between the United States and the other leading capitalist states that arose in the context of international competition at the end of the 1950s were about renegotiating the strategies and instruments of the post-war measures, and not contesting American dominance ((Panitch and Gindin 2005). In addition, the resolving of the economic crisis of the 1970s depended on the conclusive stages taken by the American state to reconstruct the material basis of its imperial role. This was accomplished through neoliberalism. While the technicalities of neoliberalism, such as an anti-inflationary discipline and the liberalization and expansion of markets, may have been economic, it was essentially a political strategy to alter the balance of class forces. Reforms which had been reached by secondary classes in the 1960s were now showcased as obstacles to accumulation (Panitch and Gindin 2005). Neoliberalism did not just include the reversal of earlier gains, but it also weakened their institutional foundations, here a change in the hierarchy of state institutions in America towards the Treasury and Federal Reserve, at the expense of the old New Deal agencies domestically and internationally. Capitalism would function under a new system of social rule that undertook not only a renewal of the productive base for American power but also a

juridical agenda for integrating global capitalism. This resulted in the 'constitutionalisation of disciplinary neoliberalism through the IMF and World Bank restructuring programmes and the increasing Americanization of commercial law' (Panitch and Gindin 2005). American industrial and financial capital extended its diffusion in Europe and Asia, while European and Japanese capital largely involved the competitive environment defined by neoliberalism. Indicating further integration, Panitch and Gindin give the example of General Motors' restructuring of the South Korean automobile industry in a way no chaebols (South Korea industrial hubs) could have achieved (Panitch and Gindin 2005). It is in the context of this integration that the Federal Reserve began to emerge as the world's central bank, in terms of bringing in liquidity and maintaining the baseline for global interest-rate changes. In a way, the 'mutual embeddedness' of Wall Street and the US state confirmed further more imperial capacities (Panitch and Gindin 2005).

As the domestic divide of the economic and political is expanded on an international level, it is feasible to understand the notion of an informal Empire. As other states take on liberal-democratic forms, and the United States comes to supervise global capitalism through these countries, a single type of imperial political rule develops. Panitch and Gindin (2005) identify four features of this specific political rule. First, instead of the earlier disintegration of international capitalism, the post-war growth of the American Empire characterised an incremental political project leaning towards the goal of an inclusivist liberal world of unified accumulation. The United States is the first Empire completely oriented to the constitution of a global capitalism. New international institutions were formed and constituted by national states as well as being entrenched in the new American Empire (Panitch and Gindin 2005). Second, the US state was more than just a representative American capital interests, it also took on the responsibilities for the creation and management of global capitalism. American transnational corporations reinforced state capacities, and American imperial power was dispersed through them. At the same time, the interpenetration of capital at an international level diluted the autonomy of national bourgeoisies and made them hostile to plans that would profoundly challenge the American informal Empire (Panitch and Gindin 2005).

Thirdly, the American imperial form of rule consisted of the structuring of the options of other state elites in a manner that they would see the reproducing of conditions for global capital accumulation as essential for their own reproduction. The densest institutional and

economic connections in the new Empire were built among the developed capitalist states. They continued to profit from the reproduction of Third World dependency, but their position within the informal American Empire restricted their autonomy in initiating imperial measures. The neoliberal turn in the US and its almost-universalisation, comprised the rearrangement and liberalisation of the world's states to economic competition, the free movement of capital and the extending of capitalist social relations. Both financial markets and international financial institutions acted vitally in enabling this and in strengthening American imperial power (Panitch and Gindin 2005).

Chapter 5: US Client States and Neoliberal Processes

This chapter seeks to investigate the existing relationship between the US-controlled North Atlantic Free Trade Agreement and Mexico and the International Monetary Fund and South Korea. The objective of the study within this chapter is to establish and demonstrate the status of client states in relation to the US. These case studies seek to come as a support to Empire theory by demonstrating the spread of informal Empire. The concept of Empire by invitation will be clearly demonstrated as both nations took on neoliberal reforms voluntarily, although many critics have argued that no other alternatives presented themselves and these states found themselves locked into this process in order to facilitate and promote growth.

As it has been established, neoliberal institutions and agreements form the basis of American Empire, they can be considered as the instruments of the latter, spreading the US-led neoliberal consensus. This chapter will provide an assessment of the US-client state relation, but also provide a critical reading of the role of these institutions and the consequences they have had on domestic economies keeping in mind that although an import, neoliberal processes were internally accepted. First, this chapter will focus on the involvement of Mexico within NAFTA. An understanding of NAFTA will be provided as well as a critical analysis of its consequence on the state of Mexico. This will be concluded by demonstrating how Mexico is very much part of Empire. Second, the study will investigate South Korea following the 1997 Asian crisis and the IMF bailout loan. The section will scrutinise in particular the transition from a developmental state to a neoliberal one, following the conditionalities imposed by the IMF, and accepted by South Korea. As with Mexico, this will utilised in order to demonstrate South Korea's place within US Empire.

A. Mexico – United States relations: A contextualisation

a. NAFTA as seen by the US

The North Atlantic Free Trade Agreement took effect on January 1st 1994 and regrouped the three North American trade partners, the United States, Canada and Mexico (North Atlantic Free Trade Agreement 1994). The principles and objectives were established in line with the General Agreement on Tariffs and Trade (now known as the World Trade Organisation). The objectives were outlined as such:

> *a) eliminate barriers to trade in, and facilitate the cross-border movement of, goods and services between the territories of the Parties;*
> *b) promote conditions of fair competition in the free trade area;*
> *c) increase substantially investment opportunities in the territories of the Parties;*
> *d) provide adequate and effective protection and enforcement of intellectual property rights in each Party's territory;*
> *e) create effective procedures for the implementation and application of this Agreement, for its joint administration and for the resolution of disputes; and*
> *f) establish a framework for further trilateral, regional and multilateral cooperation to expand and enhance the benefits of this Agreement.* (North Atlantic Free Trade Agreement 1994).

The bilateral economic relationship with Mexico is of crucial interest to the United States because of Mexico's closeness and of durable cultural and economic links between the two countries. The economic relationship between the United States and Mexico has strengthened significantly under the North American Free Trade Agreement (NAFTA), with trade between the two countries more than tripling ever since the agreement was signed (Villarreal 2010). With NAFTA, the United States, Mexico, and Canada form the world's largest free trade area, with about one-third the world's total gross domestic product (GDP). The United States and Mexico share numerous mutual interests related to trade, investment, and regulatory cooperation and are closely linked in other areas. The two countries share a 2,000 mile border and have wide interconnections via the Gulf of Mexico. There are relations through migration, tourism, environment issues, health concerns, and family and cultural relationships (Villarreal 2010).

Some studies have established that NAFTA has brought economic and social advantages to the Mexican economy all together, yet the distribution of these benefits has not been done evenly throughout the country. It is said that the effects on the Mexican economy inclined to be uncertain at most. Although its net economic consequences may have been constructive, the agreement has not been sufficient to lesser income inequalities within Mexico, or between Mexico and the United States or Canada (Villarreal 2010). Several economists have noted that it is probable that NAFTA helped Mexico's economic recovery directly and indirectly after the 1995 currency crisis. Mexico responded to the crisis by implementing a strong

economic adjustment program but also by observing its NAFTA responsibilities to liberalize trade with the United States and Canada. The World Bank study assesses that Foreign Direct Investments (FDIs) in Mexico would have been about 40% less without NAFTA. One of the key opinions supporting NAFTA at the time it was being presented by policymakers was that the agreement would progress economic conditions in Mexico and narrow the income break between Mexico and the United States (Villarreal 2010). It has been argued that NAFTA is not sufficient to help reduce the gap in economic conditions between Mexico and the United States and that Mexico should invest further in education; innovation and infrastructure; and in the quality of national institutions and adding that Mexican institutions did not advance significantly further than in other Latin American states during the post-NAFTA period (Villarreal 2010). Parenthetically, one can here observe how the blame is put on Mexico for not following a 'one size fits all' model of development, blaming internal factors rather than external impositions.

b. Negative consequences for Mexico

In order to better comprehend the consequences of NAFTA over Mexico, it is essential to briefly contextualise the state in which Mexico found itself in following the 1982 debt crisis and 1995 peso crisis. In August 1982, Mexico was not able to service its sovereign debt obligations, marking the start of the Latin American debt crisis, sixteen other states followed suit shortly (Sims and Romero, 2013). After many years of external debt accumlulation, the increasing world interest rates, the global recession and the abrupt devaluation of the peso prompted external debt payments to rise steeply (Sims and Romero, 2013). After November 1982, various debt restricting measures were put in place such as the Baker plan and Brady plan, sponsored by US banks which assumed the losses on Mexican debt. The IMF provided assistance with three financial packages, as well as much contested financial reforms (Sims and Romero, 2013). A few years later in 1995, Mexico entered its peso crisis, also referred to as the 'Tequila crisis' (Musacchio 2012, 3). The latter started after the Mexican government devaluated the peso in December 1994. This provoked the worst banking crisis in the country's history, the largest depreciation of the peso in a single year (the peso plummeted down from 5.3 to 10 pesos per dollar) as well as the most austere recession in more than ten years, with GDP decreasing by more than 6% in 1995 (Musacchio 2012).

Just over two decades ago, the North American Free Trade Agreement between the US, Canada, and Mexico was implemented. NAFTA was a far-reaching experiment, never before had a fusion of three nations with such fundamentally different levels of development been endeavoured (Weisbrot 2014). Furthermore, up until NAFTA, the sole purpose of so-called trade agreements was only to cut tariffs and lift quotas to set the terms of trade in goods amongst countries. However, NAFTA was set on a 900-page document of one-size-fits-all rules to which the three states were obligated to conform all of their domestic laws accordingly, regardless of whether voters and their democratically-elected representatives had previously rejected the identical rules in Congress, state legislatures or city councils (Public Citizen's Global Trade Watch 2014). In fact, it is said that calling NAFTA a trade agreement is deceptive; NAFTA is rather an investment agreement. Its essential requirements award foreign investors an outstanding set of new rights and privileges that endorse overseas relocation of factories and jobs and the privatization and deregulation of vital amenities, such as water, energy and health care. Oddly, many of NAFTA's most fervent promoters in Congress never read the agreement. They made their far-fetched promises of NAFTA advantages based on trade theory and ideological bias for everything with the term free trade enclosed in it (Public Citizen's Global Trade Watch 2014).

The most rudimentary ratio of economic progress, particularly for a developing country such as Mexico, is the GDP per capita. Weisbrot (2014) states that out of twenty Latin American countries (South and Central America plus Mexico), Mexico ranks itself in 18th position, with growth of less than 1% per annum since 1994. From 1960 to 1980 Mexico's GDP per capita almost doubled. This resulted in consequent increases in living standards for the most of Mexicans. If the country had pursued this growth rate, it would currently have European living standards (Weisbrot 2014). Parenthetically, this is what took place in South Korea, for example. Nonetheless Mexico, like the rest of the region, instigated a lengthy period of neoliberal policy changes that got eliminated industrial and development policies, provided a larger role to deregulated international trade and investment, and prioritized tighter fiscal and monetary policies (Weisbrot 2014). These policies brought to an end the preceding period of growth and development. The region grew just 6% per capita from 1980 to 2000; and Mexico grew by 16% , nothing in the likes of the 99% of the previous 20 years. In Mexico, NAFTA facilitated the consolidation of the neoliberal, antidevelopment economic policies that had started been instigated in the previous years, protecting them in an international treaty. It also

brought Mexico closer to the US economy, which was particularly unfortunate considering that the Federal Reserve's interest rate increased in 1994, the US stock market bust from 2000 to 2002 and a recession hit in 2001, and furthermore, the housing bubble collapse and Great Recession of 2008 and 2009 had a greater impact on Mexico than almost anywhere else in the region (Weisbrot 2014).

Since 2000, the Latin American region has improved its growth rate to about 1.9% per annum and capita and showed improvement over the previous twenty years when it was just 0.3%. Following this growth recover, and also the antipoverty policies applied by the left governments that were elected in South America in the last 15 years, the poverty rate in the region has dropped substantially (Weisbrot 2014). In effect, it fell from 43.9% in 2002 to 27.9% in 2013. But Mexico has not been part of this recovery. Since 2000, its growth has persisted under 1%, less than half the regional norm. And Mexico's national poverty rate stayed constant between 1994 and 2012, as it was 52.4% and 52.3% respectively (Weisbrot 2014). It is important to note that had the large migration not taken place, the statistics would have been even worse. Indeed, millions of Mexicans were displaced from their farms after being forced into competition with subsidized and high productivity agribusiness in the United States, following the implementation of NAFTA. Remarkably, when economists who have endorsed NAFTA from the start are asked to support the agreement, the best that they can propose is that it amplified trade, "but trade is not, to most humans, an end in itself. And neither are the blatantly misnamed free trade agreements" (Weisbrot 2014).

c. Imperialism and Mexico

From the viewpoint of the ruling class, NAFTA is the crucial legal structure for future United States economic relations with the remainder of South America. NAFTA assimilates the economies of Mexico, the United States and Canada by removing most trade and investment controls over 10 years, with some agricultural tariffs spread over 15 years (Lotta 2001). NAFTA was built on the US-Canada Free Trade Agreement signed in 1988. Prior to NAFTA, Mexico could appraise all foreign investment offers to decide whether they were in the national interest, yet the agreement prohibits the practice. It stops governments giving preference to obtainment from local suppliers or promoting local content necessities. Under Chapter 11 provisions, NAFTA authorises investors to prosecute host governments in front of undisclosed boards of trade experts, who are forbidden from taking into account national laws

or traditions in making their decisions (Lotta 2001). Deliberations are made in secret and civil society is banned from giving testimony. The Mexican Solidarity Front (2004) maintains that in preparation for signing NAFTA, the US insisted on over 300 alterations in Mexico's constitution and legal structure, the most significant being the reform of Article 27 of the Mexican Constitution, stopping land distribution to campesinos (peasants) as established under previous programs.

Mexico is systemically penetrated by U.S. imperialism (Lotta 2001). This can be observed through the accession of US multinational corporation and banks exerting crucial influence within important sectors. But it is not only economic penetration. Politically, US imperialism can be observed within the Mexican state. The American power is responsible for economic aid and assistance, supplying training, equipment, and services to Mexico's military (Lotta 2011). Parenthetically, some main government Mexican ministers have been qualified in the United States. The leading business clusters and banks in Mexico have close associations and connections with the Mexican state and with US capital. Imperial domination does not solely refer to American corporations which are within Mexico, but it also refers to that Mexico is inside the imperialist world economy itself, unified in the exploitative world capitalist system (Lotta 2001).

The US-Mexico relationship has been a clear proof for the everyday truths of the Washington consensus: production for export replacing production for internal consumption, the use of debt as a lever to force structural adjustment programs, loose investment rules that allow hot money to cross borders in seconds, and a trade agreement that is the example for a new legal framework that extends the rights of corporations at the expense of civil society (Mexico Solidarity Network 2004). Processes which function from the perspective of transnational capital are exported to other countries. This is perfectly illustrated by the US-led financial institutions loans in exchange of conditionalities, or even free trade agreements. This infers a comprehensive reshuffling of the economies, politics and cultures in question to make them constant with the neoliberal ideal. Most of society’s aspects are up for change such as economic policy, public subsidies, social programs, industrial policy, government procurement, intellectual property rights, patents, banking and financial services, agricultural policy, foreign direct investment, energy policy, labour regulations, environmental protection, public education and health care among others. This demonstrates that, “twenty-first century

neoliberalism is a project for world domination, and the US and Mexico are at the centre of the vortex" (Mexico Solidarity Network 2004, 1).

The results of NAFTA are unequivocal for corporations as they have benefited substantially while the working class has suffered declining living standards (Mexico Solidarity Network 2004). In the Chiapas, an agricultural region in Mexico, most peasants used to grow corn and beans. But over the years many substituted to growing coffee. This was because the Mexican government was no longer committed to giving them financial assistance for growing food crops (Lotta 2001). Beans are not profitable on the world market even though people need them to sustain themselves. The Mexican government had been endorsing crops that could be sold on the world market to pay off its debt, coffee being one of those. But in 1990, the price of coffee on the world market plummeted. Many peasants in Chiapas were financially ruined and they had less beans and corn to eat (Lotta 2011). This is informal Empire in action. Mexico's economy has been formed, shaped, and remoulded neither to serve the needs of independent national economic development, and neither to meet the needs of the people but rather to attend to the requirements of imperialism and its local partners, all accomplished under "non-coercive" means as such. Mexico was a self-sufficient nation in food production, yet it is now one of the four largest importers of grain globally (Lotta 2001). The most important alteration caused by imperialism is what it has done to the Mexican rural areas. The agrarian question and the peasant struggle for land are central to the neoliberal debate in Mexico (Lotta 2001).

Neoliberal advocates assured that NAFTA would grow trade between the United States and Mexico and would upturn foreign investment in Mexico, and this has been verified. A critical analysis though reveals considerable downturns. In 2003, Mexico's foreign debt was of US$140 billion, corresponding to 21.6% of total GNP (Gross National Product), and interest payments amounted to US$37 billion per annum (Mexico Solidarity Network 2004). The totality this debt is dollar-denominated, giving Mexico no choice but to increase exports just to provision for the debt (Mexico Solidarity Network 2004). Foreign investment expects legal structures that protect the "rights" of investors, and gradually these structures are transnational, becoming international trade agreements instead of national laws (Mexico Solidarity Network 2004).

B. South Korea and the IMF

a. The International Monetary Fund

The idea of the International Monetary Fund (IMF) came to the fore at the Bretton Woods conference in July 1944 (Sanford and Weiss 2004, 2). It has since then become the pivotal centre of today's international monetary system. Formed in 1946 with 46 members, it has developed to comprise 188 countries. The IMF set itself six main purposes: the promotion of international monetary cooperation, the expansion and balanced growth of international trade, exchange rate stability, the elimination of restrictions on the international flow of capital, insuring confidence by making the general resources of the Fund temporarily available to members and the orderly adjustment of balance of payment imbalances (Sanford and Weiss 2004, 2). At the Bretton Woods conference, the IMF was given the task of managing the system of fixed exchange rates to assist the international economy in its recovery from two world wars and the instability in the interwar period triggered by competitive devaluations and protectionist trade policies. From 1946 until 1973, the US dollar was fixed to gold at $35 per ounce, and all other member countries' currencies were fixed to the dollar at differing rates (Sanford and Weiss 2004, 2). This system of fixed rates terminated in 1973 when the United States detached itself from the gold standard.

In the 1990s, floating exchange rates and more exposed capital markets brought about a new goal for the IMF, the resolution of recurrent and unstable international financial crises. The Asian financial crisis of 1997 and the consecutive crises in Russia and Latin America in 1998 exposed many flaws within the world monetary system (Sanford and Weiss 2004, 2). Originally created to offer short-term balance of payments loans and observe the macroeconomic policies of its member states, the IMF has since gradually combined microeconomic factors such as institutional and structural reforms into its mandate, which had previously been solely attached to the World Bank and development agencies (Sanford and Weiss 2004, 2). IMF member countries agreed on a quota increase in 1997. The US Congress consequently allocated added funding to the IMF in October 1998 in the midst of the Asian financial crises, an action that provoked significant debate considering the growing criticism of the IMF and its lending practices. Although allocations of new funds for the IMF are not in waiting, Congress still exercises oversight control over US policy at the IMF and over its lending practices (Sanford and Weiss 2004, 2).

b. The IMF in South Korea – Post-1997 Crisis

'The Fund's hidden purpose [in the South Korea bailout] is to open doors for American business' (Geier 2000, 1).

The IMF intervention in the 1997 Asian crisis demonstrated the hidden interests which lay within structural adjustment policies. The crisis raised many questions about the international monetary system's sustainability and objectivity to act on problems of global finance. Throughout this case study, the objective was not to blame the IMF as responsible for the Asian crisis directly, but rather to observe how it created the conditions for the crisis to develop as well as how it took advantage of a developing nation's financial low in order to impose US foreign policy objectives, thus once again contributing to the enforcement of an American financial Empire.

The Asian Financial Crisis originated in Thailand in 1997 on 2nd July after the Bhat was devalued by the government. A lack of confidence in the economy led international investors to remove their money, fearing a loss of profit. The speed and volume with which capital can be withdrawn in the global economy created an excess supply of the Baht on the international currency exchange markets. This resulted in a rapid and continuous devaluation of the Baht (Ping 2007, 1-2). The collapse can also be attributed in large part to South Korea, Thailand, the Philippines, Indonesia and Malaysia's heavy reliance on short-term foreign loans and overtness to short-term easily accessible capital. This dependence was spawned by US Treasury and IMF "expert" advice (Essential Action). International investors did not perceive the variations and differences between the labelled miracle economies and as a result, they were identified as all the same and lost confidence in all of them (Ping 2007). In August 1997, Indonesia, Malaysia and the Philippines were impacted by the identical process of capital withdrawal, in turn leading to a collapsing exchange rate. Singapore, Taiwan and Hong Kong were put under pressure in September and October 1997, followed by South Korea in November. These devaluations were also echoed in 1998 in states such as Russia and Brazil (Ping 2007).

When it became clear in 1997 that private enterprises would not be able to meet their payment obligations, international currency markets panicked. Currency traders sought to convert their Asian money into dollars, and the Asian currencies plunged. That made it harder

for the Asian countries to pay their loans, and it made imports suddenly very expensive (Ping 2007, 2). The depreciated exchange rates spread a deep recession as previously viable ventures became unprofitable. For example, loans made in US dollars for projects in Indonesia preceding the depreciation would need to become 350% more profitable in order to be repaid at the same rate. The consequences of this were inflation, bankruptcies, falling real wages, unemployment, poverty and social unrest (Ping 2007, 2).

The receipt of IMF assistance is often as a last resort, taken on in fear of political and cultural interference. Indonesia, Thailand and South Korea all accepted IMF-supported programs (Ping 2007, 2). Yet, 'by opting for the Fund's resources the countries in distress seemed to have become turkeys voting for Xmas[sic]' (Khatkhate 1998, 963). The crisis prompted an increasing sense of nationalism with Koreans boycotting imported goods and angrily criticising IMF intervention in their economy (Corning 2000). In effect, having contributed in many aspects to the expansion of the crisis, the IMF proceeded to make it worse. The Fund made loan arrangements to enable countries to meet foreign debt payments, largely to private banks, on the condition that the crisis-red countries adopt structural adjustment policies (Essential Action). These policies have three key elements – financing packages, structural reforms and macroeconomic policies. These are grouped into an IMF-supported programme (Ping 2007, 3). These elements follow a chronological order of implementation, as when financing packages are accepted in order to reverse the consequences of currency devaluation, structural reforms and macroeconomic policies must be carried out (Ping 2007, 3). With the financial bail-out settled by the IMF, supplementary package programs which were envisioned for not only stabilization but also far-reaching restructuring of the domestic economy involved the cessation of bankrupt financial institutions, the closure of bank loans to financially troubled firms, the fostering of trade and capital-account liberalization, the formation of the flexible labour-market, and enhancement in transparency and the debt-to-equity ratio in the corporate sector. The Fund also pressed for government budget-cut, higher interest rates, and reduced growth. Under the crisis-ridden conditions after 1997, the South Korea government completed the final blows with the IMF's adjustment programs against the developmental state that had already started being undone since the 1980s inconsistently. With the goal of reforms in four key sectors, namely, the financial, corporate, labour and public sectors, the government in some ways forced strict reform-standards and processes on those sectors.

The ability of the IMF to deal with the consequences was hindered by a lack of understanding about the causes of the collapse. Unlike previous recipients of IMF assistance, these Asian states had high private savings rates, low inflation and good fiscal surpluses (Ping 2007, 2). Through structural adjustment policies, the Fund instructed them to cut spending, a recessionary policy that deepened the economic slowdown (Essential Action). In effect, the programmes applied in Asia were the same which were instrumented in Mexico in the mid-1990s, despite the fact that Asia's crisis emanated from the private sector, while Mexico's meltdown emanated from the failure of state measures. Here, the IMF applied a 'one size fits all' policy, leading to the questioning of its objectivity (Ping 2007, 2).

The foundations for this questioning were grounded in the close involvement of the US Treasury functionaries at all stages of programme negotiations with the countries, at a point that it appeared to be a joint operation (Khatkhate 1998, 967). It had been claimed that the US and other OECD countries had been pressing the East Asian countries to open their markets for foreign ownership in financial services as well as other facets of the corporate sector. For instance, in South Korea's case, such measures had been stipulated as preconditions for entry into OECD (Khatkhate 1998, 967). These speculations led former chairman of the Council of Economic Advisors, Martin Feldstein, to doubt the Fund's neutrality within the process:

> *'Several features of the IMF plans are a replay of the policies that Japan and the United States have long been trying to get Korea to adopt… Others saw this aspect of the plan as an abuse of IMF power to force Korea at a time of weakness to accept trade and investment policies it had previously rejected'* (Feldstein, as quoted in Khatkhate 1998, 967).

c. <u>South Korea in Neoliberal Empire</u>

South Korea dropped from being ranked the world's eleventh largest economy to seventeenth in just a few weeks (Corning 2000). Yet, the crisis was not the demise of Korea as a centre of capitalist accumulation. In fact, it marked the end of the era of state-led capitalist development. Korea must now be seen as an unmistakably neo-liberal state and that the state's interferences in the economy since the crisis have been prompted by openly neo-

liberal motivations (Pirie 2008). The crucial mechanisms of a neo-liberal regulatory regime have been put in place. Systems of corporate governance and financial regulation have been entirely reshaped so as to bring them in line with global expectations of best practice as defined by top neo-liberal states and supranational institutions. The institutional arrangements of the state and legally defined policymaking procedures have been overhauled since 1998 (Pirie 2008). This transformation has served to maintain the neo-liberal alterations that have already been passed and sequester economic policy from political burdens. Important features of economic policy, comprising financial and monetary policies, have been distributed out to independent agencies that have clear mandates to pursue market compliant objectives (Pirie 2008). Moreover, policymaking measures have been reformed so as to place a great set of difficulties in the way of any effort to revive the dirigiste policies of the past. Hence, and notwithstanding both the stunted progress in marketising the state itself and the persistence of fundamentally dirigiste structures of power, it is correct to describe the current Korean state as a neo-liberal competition US client state (Pirie 2008).

It is important to understand that neo-liberal reform cannot be described as something that external political mediators have imposed upon unwilling domestic elites. In effect, the direct controlling role of external political agents in the reform course should not be overstated. The suggestion that the IMF, acting for US financial elites, made the Korean government participate in neoliberal restructuring following the 1997 crisis, is just erroneous. The intricacy of Empire, as demonstrated by Panitch and Gindin (2012), lies in its apparent non-coercive process. If anything, coercion can be found in the fact that neoliberal capital has eliminated the possibility of any other alternative. Empire by invitation as a concept emphasises the delegation of managerial duties to the United States and therefore accepting the accompanying neoliberal reforms. Market-based reform has unfailingly gone beyond what the IMF initially required and there has been no effort to disengage with prior reform following the reimbursement of the original IMF loans (Pirie 2008).

While it is significant to acknowledge the significance of the Korean state in the progress of neo-liberal reform it is as important to comprehend how the state's actions and decisions were shaped by, and to a degree even influenced by shifts in the composition of global markets (Pirie 2008). There is an easy escape in exaggerating the levels of agency the Korean state has truly implemented in the complete course of events. In effect, on one hand, the

Korean state evidently decided to follow neo-liberal reform. On the other hand, however, it is to be questioned whether other possible alternatives were in place for South Korea. Pirie (2008) argued the only plausible alternative to constructing a programme of neo-liberal restructuring was to consent to a long-term decline of the Korean economy as a place of accumulation in the global economy.

In conclusion, it is doubtful that the global neo-liberal project can be correctly understood as being a triumph when evaluated on its own terms. It is incorrect to understand the neo-liberal scheme as just being about implementing a redistribution of wealth from the working and middle classes to the *haute* bourgeoisie (Pirie 2008). Instead, the project must be seen as having established in response to structural problems in the global economy, in other words the weakening in profitability in the most vital capitalist economies. It is not apparent that global restructuring has prospered in making adequate occasions for profitable investment to solve the crisis of over-accumulation that came about in the late 1960s. These contradictions render the future of the Korean political economy and the global political economy extremely unclear (Pirie 2008). The neoliberal restructuring in South Korea may have thrived in addressing the structural problems which were part of the crisis but it does not do much to guard the economy against harms emanating from an uneven global economy. In conclusion, it is not possible to analyse the progress of South Korea and the stability of its political economy, without concurrently analysing the changing configuration of the global market. In order to understand the development of the current South Korean economy we must refer back to tools such as Empire theory.

Chapter 6: Client States within the G20: Room to Manoeuvre?

As it has been illustrated throughout this research, there is no doubt as to how the United States formulates and spreads informal Empire. Institutions have been key instruments in ensuring American dominance over financial, and to some extent, political issues worldwide. More specifically, this paper focused on the particular relationship existing between the United States and its client states, namely Mexico and South Korea, via American-led neoliberal institutions. The previous two case studies have confirmed that the connection between these institutions, the IMF and NAFTA, and these American client-states has been representative of the informal Empire, and at times 'Empire by invitation' process to which Panitch and Gindin refer. Thus, seemingly confirming the notion that Empire theory, as viewed by these academics, remains a relevant tool of analysis in the study of the United States as an informal Empire.

This following case study seeks to investigate in even more depth the intricacies of Empire. The aim of this chapter is to understand whether there is in fact room to manoeuvre for Mexico and South Korea, as American client states. Questions which will be asked are: How are US client states engaging outside the theoretical neoliberal paradigm within a neoliberal institution such as the G20? Are these client states actually deviating from US neoliberal imperialism or are they simply perpetuating the system? This case study is specifically framed within a neoliberal institution, as once again, the nuances of deviation are theoretically more valuable than shifts within an explicitly alternative organisation. The G20 was chosen as a framework as both client states which have been studied so far are members of the groups and have had their opportunity respectively to chair the G20 since its inception thus offering greater research material.

First, this chapter will seek to provide an in depth understanding of the G20 as an international political group, from its inception to its current agendas. The role played by non-leading capitalist states within the forum will be unpacked and discussed. It is within this context, that the research will seek to look more specifically at Mexico and South Korea and their experiences within the G20. In particular, this chapter will look at their policies and agendas as G20 chairs and attempt to identify whether the latter can be seen as a clear breakaway from the US neoliberal imperialist influence. An insight into the client states' domestic realities will also be provided. In this sense, the researcher will see if the global

dialogue is similar to the domestic one. Ultimately, this chapter seeks to establish whether client states can really break away from the US paradigm and thus argue against Empire theory as an up-to-date theoretical tool.

A. The G20 as a neoliberal forum: Contextualisation

The Asian crisis of 1997 and its spread to major states such as Brazil and Russia in 1998 created much freneticism and questioning within the leadership of world finance. This prompted many proposals for a revisited, new financial world architecture. In this instance, the G7 extended their circle of discussion to a larger forum of deliberation, a more representative one. Behind the normative flag of "more representation," the United States wanted to bring in more US allies to counter the overrepresented Europeans, as part of a broader effort to de-Europeanize the governing boards of the IMF, the World Bank, and many other multilateral organizations (Wade 2011, 354).

The initiative of creating a larger forum group came from then Canadian Prime Minister Paul Martin and U.S. Treasury Secretary Lawrence Summers. The selection of the new state members was made by Timothy Geithner then in charge of international economic affairs and Ciao Koch-Weser, former managing director at the World Bank (Wade 2011 354). Having acknowledged the visible impact emerging nations could have on the global economy, they proceeded to invite counterparts deemed 'systemically important' from different regions around the globe (Vestergaard 2011, 13). Wade recounts the process of selection which took place,

> *"they had several transatlantic telephone calls, each equipped with a list of the world's countries and their GDP, population, trade, and the like. They proceeded down the list, ticking some countries and crossing others: Canada in, Spain out, South Africa in, Nigeria and Egypt out, Argentina in, Colombia out, and so on"* (Wade 2011, 354).

The manner in which Wade describes the process gives the impression of a biased selection over G20 members and raises many questions as to the forum's legitimacy in relation to these choices. This will be elaborated on shortly. Once the list was approved by G7 members, invitations were sent to the first congregation of G20 central bankers and finance ministers. The forum then comprised nineteen states and the European Union. The 12 new joiners were

said to be selected owing to their large GDP or population, although as Wade (2011) remarks, none are the largest of either category. Furthermore, the United States did push for the inclusion of some of its relatively small allies such as Australia, Argentina, Saudi Arabia and South Korea (Wade 2011, 354). The Asian crisis now in the past, the G20 was concretised in 1999 ready to take on an ever evolving financial context (Vestergaard 2011, 13).

The forum was established to provide a new mechanism for informal dialogue in the framework of the Bretton Woods institutional system, broadening dialogue on policy and central economic issues and promoting cooperation to achieve a stable and sustainable world economy that benefits all (Vestergaard 2011, 13). The forum is described as informal as it has no charter, no secretariat, no staff, no headquarters and no legal system with incentives and sanctions. Unlike the United Nations, the International Monetary Fund and the World Bank, the G20 does not comprise state contributions, votes or veto power (Oxfam Mexico 2012, 3). The G20 relies on decision-making through consensus of its members.

Member states to the G20 include Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, the Republic of Korea, Mexico, the Russian Federation, Saudi Arabia, South Africa, Turkey, the UK, the USA as well as the European Union (Vestergaard 2011, 13). The forum is supported by international organisations such as the Financial Stability Board, the International Monetary Fund, the World Bank, the Organisation for Economic Co-operation and Development, the United Nations and the World Trade Organization (G20 2014, 1). These and several other organisations are invited to attend key G20 meetings. Furthermore, guest countries are invited to the summits each year. Guests typically include Spain as an agreed permanent guest, the Chair of the Association of South-East Asian Nations (ASEAN), the head of the African Union and the head of the New Partnership for Africa's Development (NEPAD) as well as countries invited by the incumbent G20 President reflecting its regional relationships (G20 2014a, 1). In an attempt of implementing fairness, the G20 changes presidential leadership each year which leaves all members the opportunity to shape global dialogs and agendas, "what the G20 says and does depends heavily on the chair, or on the ability of others to manipulate and incentivize the chair" (Wade 2011, 354).

While the first meeting took place in December 1999, the forum attracted little attention until 2008. Following the global economic crisis, G20 meetings, which used to only be conducted

by finance ministers and central bank governors were now a matter relying on Heads of State and Government. Leaders of great powers started to make use of the G20 as a forum to discuss and coordinate responses to the crises. It became a key platform for the most important industrialised and emerging economies to discuss major issues of international currency, financial policy and important global challenges. The G20 emerged from obscurity to hit the centre stage of world politics (Vestergaard 2011, 14).

a. How does the G20 function?

Following the 2008 crisis, it was agreed that financial stability was just one of many elements and that the recovery and growth of the world economy was incomplete without considering the issues of development, food security, employment, social security, global trade, and the fight against corruption. Thus, other than just focusing on what is termed as the Finance Track, the G20 incorporated the Sherpa Track. The term *Sherpa* refers to members of the Himalayan people who are efficient guides (Biswas 2012, 1). Sherpa are assigned to represent each head of state and are responsible for conducting preparatory work to guide their leaders prior to the annual G20 Summits. Sherpa focus on political, non-financial issues such as employment, agriculture, energy, the fight against corruption and development, among others. Under both Tracks of the G20, come the working and experts groups. These groups are generally co-chaired by one advanced and one emerging economy (Biswas 2012, 1).

The Finance track of the G20 includes the annual meetings of the G20 finance ministers and central bank governors which started from 1999. These meetings since 2008 have primarily focused on the recovery of the global financial markets and reforming them in order to avoid future crisis. Numerous working groups and experts groups have been assigned the duty of assessing the global financial market conditions and submitting reports for the finance ministers and the leaders at the Summits. These groups hold their meetings prior to the leaders' summits to prepare reports to be presented and discussed at the summits (Biswas 2012, 1). The working and experts' groups under the Finance Track have been focusing on issues such as enhancing financial regulations and transparency, establishing financial safety nets, increasing trade finance, facing the curbing the volatility of commodity prices, creating

channels of green growth, and promoting climate finance (Biswas 2012, 1).

On the other hand, Sherpas shift their focus on non-financial political affairs and organizes reports and assessments via its working groups who meet throughout the year prior to the summit. For instance, Sherpa Track under the Mexican Presidency of the G20 in 2012 has working groups on Employment, Anti-Corruption, Development and Multilateral Trade. Many have claimed that it is this informal structure of summits and working groups which have allowed world powers and emerging nations to sit and discuss issues that cannot be addressed in other less flexible forums (Biswas 2012, 1).

b. Problems of inclusiveness and legitimacy

Despite the G20 having set itself as a central forum for financial and global issues, some structural elements need to be addressed. Representing approximately two-thirds of the world population, the G20 has considerable weight in the global economy, as its member countries produce about 90% of the global economic output and have a share of around 80% of world trade (Berensmann, Fues, Volz 2011, 2). The G20 members do not question the legitimacy of the group, while sitting at the summit of global governance. As quoted by the G20, its "economic weight and broad membership gives it a high degree of legitimacy and influence over the management of the global economy and financial system". Yet the G20's legitimacy is not unquestioned by other states which do not belong to the group.

As stated by Wade (2011), the G20 members do not differentiate between legitimacy and efficiency. It is said that within their environment, legitimacy is often confused with representativeness or efficiency. Questions are rarely answered with regards to the selection process of members, the lack of clear criteria for membership, the idea of exclusive membership and finally the narrow regional representation. In effect, critics of the forum highlight that its membership meets no criteria that would justify the accession of Argentina, with 40 million population, rather than Columbia, with 46 million population, or even more noticeable South Africa, 50 million population, rather than Nigeria's 158 million population (Wade 2011). The then Norwegian foreign minister described the project as "one of the greatest setbacks since World War II". Furthermore, the United Nations, symbol of inclusive multilateralism, resisted for a very long time the upgrading of the G20 from finance ministers

to heads of states on the principle that the organisation described the G20 as self-selecting, exclusive and non-rotating, going against the foundations of universality (Wade 2011).

Since the first two summits of November 2008 and April 2009, regional organisations have demanded for greater inclusion. The African Union has stated that Africa is truly underrepresented, having only one African state (South Africa) and that a seat for the organisation would contribute to greater representation. The Association of Southeast Asian Nations (ASEAN) has echoed similar ideas which led the G20 to invite ASEAN to nominate a country to represent it and the African Union to send representatives from two of its member states (Wade 2011). At the 2011 Seoul Summit, twenty countries represented themselves alone, along with Spain which by then had become a permanent guest four countries represented groupings, two from the African Union, one from ASEAN and Singapore which represented the Global Governance Group, covering 28 small states, and finally the EU occupied one seat. In effect, the G20 had shifted to the G20 + 5. However, the complaints have not dissipated as the G20 permanently excludes 168 countries of the World Bank and IMF and 172 countries of the UN. It remains difficult to call it a non-biased forum representative of multiple interests.

B. Client States in the G20: Agenda-Setting?

Having reviewed the G20, it is now of importance to locate the client states of this study within the forum. In simple terms, this case study seeks to establish whether South Korea and Mexico have room to manoeuvre, formulate policies and shape agendas outside of the US neoliberal context, and more particularly within the G20 forum. The role played by South Korea during the 2010 Seoul Summit and the impact of Mexico during the 2012 Los Cabos Summit will be examined to uncover their potential agenda-setting opportunities. This will be substantiated by contrasting with their domestic policies in the matter. In effect, questions asked will be: are these states maintaining a consistent dialog domestically and internationally? Are the agendas formulated a breakaway from neoliberal Empire?

a. A growing G20 Development Agenda: Success for South Korea

As host of the G20 summit on November 11 and 12, 2010, the country wanted to be recognized as “a new linchpin of global politics and not just a peripheral state in East Asia” (Durkop and Ratzer 2010, 70). As the first country outside the G8 to host a G20 summit,

South Korea sought to demonstrate that the G20 format really does make it possible to make more progress on the big issues. The central question of the imbalance in trade and the movement of capital is a particular topic that threatens to result in differences of opinion between Asian nations and industrialized nations of the West, these inconsistencies in world trade are claimed to be one of the critical reasons for the economic crisis (Durkop and Ratzer 2010, 72). The G20 presidency was opportunity for the Asian state to demonstrate this potential.

South Korea took the responsibility to make the summit in November a success, also in terms of the credibility of the G20 proceedings themselves. The country had travelled a tumultuous economic path over the past decade, facing devastation during the Asian financial crisis and an unexpectedly quick recovery after the crisis passed (Borst 2009, 137). South Korea at that point occupied a unique position. The current global economic crisis had overturned old models of economic growth and led to a resurgence of interest in South Korea's development model. This change had occurred simultaneously with the rise of the G20 and of emerging nations as politically influential entities (Borst 2009, 137). South Korea's position as both a member of the G20 and the host of the fall 2010 Summit gave it a unique opportunity at a pivotal moment to help reform the global economic system (Borst 2009, 137). South Korea seized this opportunity and assumed a global leadership role unprecedented in its national history. The hosting of the fall 2010 G20 summit was a critical test of South Korea's ability to act on the world stage and take a role in international economic leadership. This is illustrated through the implementation of the Development Working Group.

By 2010, it had become apparent that the economy was running on two different speeds. Core countries had already become stagnant or shrinking while smaller nations had quickly resumed growth. South Korea, which was to be the first emerging nation to host a G20 summit successfully pressured G20 leaders to take on broader and a more cautious agenda for international development (Brodie 2013, 1). Since, leaders have claimed that boosting global economic growth requires reducing poverty and narrowing the development gap. A Development Working Group of officials was founded to set an international development agenda which would eventually propose Seoul summit multi-year action plans. In effect, by the time of the Seoul Summit G20 and under South Korea leadership, G20 members were collectively able to draft a development strategy that included the objectives of the core and

of semi-peripheries, leading the effort to learn from the United Nation's Millenium Development Goals and present a post-2015 global development agenda (Brodie 2013, 1). The Seoul Development Consensus set out six principles for the G20 development agenda (Appendix A):

- Economic growth was to be the primary goal, rather than social development.
- The G20 would forge new partnerships with peripheries rather than imposing a certain model of development.
- Regional or systemic issues would take priority over domestic concerns.
- Encouraging the private sector to become a partner.
- The G20 would draft its agenda as a complement of the work of other institutions, rather than merely replicating their actions.
- Finally, the concern of outcomes and results over rhetoric would dominate.

These principles were to be applied in nine areas of work in order to achieve aspirations namely, infrastructure, human resources, trade, private investment, food security, growth with resilience, financial inclusion, domestic resource mobilisation and knowledge sharing (Brodie 2013, 1). Its agenda was to help other countries attain economic development as this enables the continued growth of the world economy, and reinforces developing countries which are critical to North-South cooperation.

Strengthening development still remains central to the G20's objective of achieving strong, sustainable and balanced growth and ensuring a more robust and resilient global economy (G20 2014, 1). As G20 host and chair of the Development Working Group in 2014, Australia pursues South Korea's legacy along with other G20 members, and focuses on practical, high-impact development outcomes in areas that support the G20's broader growth agenda, including in infrastructure, domestic resource mobilisation and financial inclusion (G20 2014, 1). South Korea's Presidency over the forum showed a clear contrast in G20 agenda. Global growth, including that of low income countries, had become central to the G20 discourse thanks to South Korean leadership. South Korea has shown improved leadership in development cooperation. The South Korea–initiated development agenda is currently one of the most esteemed priorities of the G20 and one of the few with undivided support from all members. Parenthetically, Mexico's inclusive green growth conversation is another issue on

the G20 agenda that has produced tangible outcomes and that still has the avid support of many G20 members, such as Australia. Furthermore, outside the G20 framework South Korea took the initiative in creating a "global development cooperation partnership" by effectively hosting the Busan High-Level Forum on Aid Effectiveness in 2011 (Kim 2013). However, South Korea's narrative of an effective development seems to crumble when looking at its domestic policies.

b. Mexico in the G20

Mexico has had a significant participation in the G20 due to its efforts to promote economic issues, to increase the representation of emerging economies in the most important economic and financial organisations and to push the development agenda, in addition to its focus on the fight against climate change (Oxfam Mexico 2012, 6). Mexico is the world's 11th largest economy, it has a population of 113 million and it is the second largest trading partner of the United States. It has good reputation in international diplomatic circles due to its wide experience in foreign policy, its long-standing tradition in the field of international cooperation and its engagement in international organisations such as the United Nations, the World Health Organisation and the Organisation for Economic Cooperation and Development (Oxfam Mexico 2012, 6). Not only was Mexico emerging as an economic powerhouse, it has become a significant political power with a responsible and enlightened global attitude, 'Mexico is now a player rather than an observer of global changes' (Mexico's Economy Secretary Bruno Ferrari, as cited in Glickhouse 2012, 1).

Furthermore and rightly a full member of the G20 and the OECD, Mexico offers strong and energetic leadership. For instance, its role on climate change in Cancun, followed by South Africa's leadership in Durban, shows that it has earned its place at the top table (Browne 2012, 1). The Mexican government considers itself in the vanguard with regards to green growth, social programs and free trade, which it pushed forwards during its G20 leadership. Mexico, as the chair of the G20 during 2012, had to steer the other members to get the global economy on to a sustainable footing. The huge economic growth and advances in health, education and social welfare in Mexico demonstrated its capability to effectively lead discussions. Mexico had captured the spirit of what the G20 is about: mutual co-operation on issues of mutual importance, as equals, away from old divisions based on geographical politics and historic labels (Browne 2012, 1). That is why Mexico's Minister for Foreign

Affairs called foreign ministers from the G20 together for the first time to talk about a wider set of challenges we face as a global community.

Traditionally, the G-20 yearly summit host country adds issues to the agenda beyond the core topics. As previously discussed, the 2010 Seoul Summit gave priority to shared development and closing the development gap between advanced and developing countries. Mexico took on a new topic that had not been selected by former hosts (Appendix B):

> *Climate change will continue to have a significant impact on the world economy, and costs will be higher to the extent we delay additional action. We reiterate our commitment to fight climate change and welcome the outcome of the 17th Conference of the Parties to the UN climate change conferences. We emphasize the need to structurally transform economies towards a climate-friendly path over the medium term.*

Following the 2010 UN Climate Change Conference which was held in Mexico, the issue of a greener economy gathered much international attention. Mexico seemed honoured of playing a leading role in international talks on such a global issue (Xinquan 2013, 8). Therefore, it was natural for the President Calderon to focus his attention on the green economy at the 2012 Los Cabos Summit. Mexico established five priorities before the conference:

- economic stabilisation and structural reforms as foundations for growth and employment
- strengthening the financial system and fostering financial inclusion to promote economic growth
- improving the international financial architecture in an interconnected world
- enhancing food security and addressing commodity price volatility
- promoting sustainable development, green growth and the fight against climate change (Xinquan 2013, 8).

Only the fifth issue about sustainable development and the green economy had not been mentioned previously at G-20 summits which led Mexico to set high expectations for sustainable development. Sustainable development has three pillars: economic,

environmental, and social sustainability. Green growth policy had to be carefully designed to maximize benefits for, and minimize costs to, the poor and most vulnerable (Xinquan 2013, 8). In effect, Mexico emphasised the idea of sustainable development for all. The Latin American nation saw itself as a representative of emerging and developing countries by ensuring that the work conducted on a global issue would trickle down globally and not simply remain beneficial to some.

Literature on the concept of green growth and more specifically, green capitalism, has gained recognition in contemporary academic debates. Following the issuing of a United Nations Environment Programme (UNEP) report in 2011 on green economy and sustainability, Edgardo Lande (2011) sought to reject the premise that there is a contradiction between economic progress and environmental sustainability. One should not question the notions of economic growth and progress, but rather focus on the reorientation of investments and technological innovation towards the green economy. Lange (2011) states that the various crises which have emerged (climate crisis, crisis in biodiversity, water crisis and financial crisis among others), all share one core fundamental cause, 'the gross misallocation of capital' (Lange 2011, 5). For the past two decades, capital has been streamed into property, fossil fuels and structured financial assets with embedded derivatives, yet in comparison minimal amounts has been invested in renewable energy, energy efficiency, public transportation, sustainable agriculture, ecosystem and biodiversity protection, and land and water conservation (Lange 2011). Indeed, most economic development and growth strategies promoted rapid accumulation of physical, financial and human capital, but at the cost of excessive dissipation and destruction of natural capital, namely natural resources and ecosystems. Lange (2011) offers a critical response to the UNEP report by concluding that the agency does not consider these crises and market failures as a possible consequence of 'the growing power of the financial markets, of the increasing subjugation of any other social logic, be that democracy, equality, solidarity, or even the preservation of life, to a single criteria: the maximisation of short-term profits for capital' (Lange 2011, 6).

Inclusive green growth does not only comprise the green economy, sustainable development and the fight against climate change, topics which were initially identified by Mexico and valued by the core countries. Inclusive green growth also includes social and economic development dimensions, which are in turn crucial to emerging and developing nations

(Xinquan 2013, 9). This justifies the rearticulation of green growth to inclusive green growth by Mexico during its G20 summit. The green economy and sustainable development are generally considered to be of advantage to developed countries, since they have higher developmental and technological levels in this respect. However, the concept of inclusive green growth was finally assimilated into structural reform agendas. In the G20 Leaders' Declaration of the Los Cabos Summit, all members put forward reform pledges, including to 'promote inclusive green growth and sustainable development as appropriate to country circumstances' (Appendix B). Members also committed to upholding a focus on inclusive green growth as part of the G20 agenda encouraging investment, capacity-building and continual reforms. While the contrast between the G20 leaders' inspiring announcements and the imperceptible policy actions by some members showed that the idea of inclusive green growth was not necessarily converted into tangible measures, it was a success on the part of Mexico to have had the idea accepted by G20 members (Xinquan 2013, 8).

c. Mexico Domestically

Faced with the growing threat of extreme weather, droughts, hurricanes and rising coastal waters, Mexico has positioned itself as a leader in the fight against climate change. It pledges to curb the rise in emissions significantly by 2020 and to produce one third of its energy from clean sources by 2024 (Burnett 2014, 1). Mexico, the world's 13th biggest emitter of carbon dioxide, has passed a stack of federal and state laws that regulate emissions, promote sustainable forest management and establish funds for renewable energy and energy efficiency. In 2012, it became one of the first countries in the world to pass a climate change law (Burnett 2014, 1).

In effect, the Federal Government of Mexico published in 2013 a 60-page strong National Climate Change Strategy document. It is an instrument that will guide Mexico's actions against the irresponsible exploitation of natural resources, aiming at a climate friendly path of green growth. The strategy poses feasible goals that go beyond reducing greenhouse gases. It sets a long term route to improve the health and quality of life of the population, while also turning Mexico into a more resilient society. As a result, it will help to guide the national climate change policy over the next 40 years. Mexico's Climate Change Strategy is an outcome of the joint participation of citizens, enterprises, academics and the Government. It

takes advantage of Mexico's potential to develop clean energies; to correct inefficiencies in the use of energy; to generate jobs within a green economy; to promote sustainable territorial development; to increase competitiveness, and to improve public health and quality of life. The document focuses mainly on cross-sectoral climate policy, adaptation to climate change and reduction of greenhouse gas emissions. However some analysts disagree as to whether Mexico is really up for the climate change challenge,

> *Mexico put on the climate change Tshirt because it was in vogue. We are the champions of the climate change fight - the good boy who does his homework - but the resources dedicated to climate change are few* (Tornel, as cited in Burnett 2014, 1).

In January 2014, the government introduced a carbon tax in that charges $3 in average per ton of carbon emitted, and in 2013 Mexico's stock exchange launched a platform to trade carbon credits. Mexico has also been among the most industrious of developing nations in submitting its record of greenhouse gas emissions under the United Nations convention, an organization that promotes sustainable development laws. Yet it is important to remember that there are no penalties for missing emissions goals, and some experts claim that initiatives are falling short. In effect, while there is a comprehensive strategy for federal entities to decrease emissions, targeting to cut down 83 million tons of carbon dioxide between 2014 and 2018, there is no such plan established for the private sector, state and municipal institutions. Furthermore, Burnett (2014, 1) adds that a fund established in 2012 to finance climate initiatives was given $78,000 to launch and start their work but has yet to obtain any other financial contribution and support. While the Mexican government wants to pursue a set of initiatives including cutting pollutants like methane, shifting from diesel and gasoline to natural gas in cars and public transportation, and developing climate change programs with state governments. However, critics have argued that measures passed in August 2014, which opened Mexico's oil and gas reserves to foreign investors, have reduced incentives for renewable energy. Miguel Soto, a spokesman for Greenpeace Mexico's renewable energy program said, "There is a very strong perception that oil is part of our culture, and that renewables aren't viable" (Soto, as cited by Burnett 2014, 1). There is blame towards the Mexican government's inefficiency and the power of entrenched interests for a lack of progress toward the country's haughty climate goals. It is said that climate change does exist

within the minds of the ruling class "but there is a lack of political will, and a lack of institutional coordination at the state and municipal levels to design initiatives and take action" (Burnette 2014, 1).

C. Deviation From Neoliberal Imperial Terms?

As it has been shown client states such as Mexico and South Korea have made significant progress in raising their voices within the international community. They have shown a clear commitment to bringing forwards non-main stream, at the time, economic issues such as development and climate change. The G20 was initiated to endorse multilateral cooperation, but in the background of a system still mainly dominated by the United States. The question now lies as to whether this illustrates a clear break away from Empire, the influence of the United States and neoliberal institutions. In order to investigate, each client state and their agenda will be looked at consecutively starting with South Korea and its Development Agenda and ending with Mexico and climate change.

a. South Korea: Playing it safe

South Korea was the first non-leading capitalist nation to take up the presidential seat of the G20. It put at the forefront the issue of global development and spear headed the G20 congregation towards new conversations and debates. It cannot be debated that South Korea does have an increasing political voice within international fora and demonstrates clear leadership skills. Yet it is more difficult to affirm whether these policies and agendas deviate from the imperial neoliberal discourse. The following statements are issued from the G20 Seoul Summit Document (Appendix A):

- *"Significant steps have been taken to strengthen the capacity of international financial institutions (IFIs) in support of development."*
- *"We committed to modernize the institutions fundamentally so that they better reflect changes in the world economy and can more effectively play their roles in promoting global financial stability, fostering development and improving the lives of the poorest."*

Seoul's Development priority is consistently maintained throughout its G20 document. However, this is always done in relation to the international financial institutions. In effect,

Seoul closely identifies the possibility for growth and development in association with the IMF for instance. It appears that Seoul's developmental goals are closely intertwined with the current neoliberal dialogue. Following a wave of critic of neoliberal rising in the early 2000s, neoliberal institutions have associated themselves with development programmes in the attempt to demonstrate a new face of capitalism. While this is merely a veil, it appears that South Korea stays very much in the same dynamic. In effect, following the end of the developmental state post-1997 crisis, South Korea has been a neoliberal example of success. Its policies have been very much influenced and engulfed in the American way. Although heeding the title of emerging nation, South Korea has proved itself as a vocal and influential nation, it still executes so within the context of Empire.

In addition, Wade (2011) adds that the G20 has functioned toward the hegemonic amalgamation end of the spectrum. It is claimed that it has been normal practice for the chair country to direct proposals for the meeting and the communiqué to the US government first to get its own views on the matter. In October, a report from the G20 finance ministers' meeting in South Korea stated that the ministers had had intense meetings built mostly around an agenda the United States brought with to the meeting (Wade 2011). It is important to note that the United States has dominated in an unconcealed manner, or rather its representatives, fellow leading capitalist states, have often played the sturdy, quiet types, satisfied to let US take the lead. In effect this refers to Panitch and Gindin's (2012) "Empire by invitation", where states take America's agenda, replicate it and let it manage global capitalism. In this instance, the key animators and organizers have been the Canadians and the Australians,

> *They repeatedly got the G20 working groups and ministers' meetings to endorse the formula that "globalization works," where globalization policies amount to privatization, liberalization, and stabilization, plus social safety nets* (Wade 2011, 357).

Parenthetically, the World Bank provided support for this agenda, sending reliable staff to address G20 technical meetings (Wade 2011). Here the influence of IFIs is more than apparent.

b. Mexico: Bringing Forwards the Question of Multipolarity

Mexico was the first nation to bring forward climate change issues to the G20 table. Thanks to its presidential round of the G20 in 2012, Mexico was able to reaffirm climate change as a variable which should be on all members' agendas. It is clear that this initiative demonstrates Mexico's growing leadership skills and its rise in shaping global conversations. However, it needs to be established whether this initiative clearly places Mexico outside of its client state relationship with the United States on a political and policy level. Climate change is not a traditional topic on the neoliberal agenda. Yet, one could argue that the United States has put on a front of climate change strategies and condones the promotion of the latter. In this sense, Mexico is not taking a clear non-neoliberal stance. It can be said that Mexico does not exit the realm of Empire, as its main agent, the United States, has not condemned this policy strategy and have appeared to encourage it. Yet, this paper seeks to look at the issue at a different angle, focusing on the intricacies of the process.

The researcher believes that to a relative extent Mexico is stepping further outside its neoliberal boundaries than South Korea has. While South Korea clearly associates the drive for development with financial institutions, Mexico presents a different conversation. Although the green neoliberalism discourse has emerged in recent years, many critics have investigated and demonstrated how neoliberal policies and their consequences have been all but considerate of climate change. While it cannot be denied that Mexico formulated its climate change agenda within a neoliberal institution and with the consent of US Empire, the statement in itself does not traditionally fit in the American neoliberal discourse.

In this sense, while Mexico could have pioneered issues of emerging nations working towards increasing growth or the reform of financial institutions as examples, the South American state championed a route less taken, the route towards the fight against climate change, a definitive result of neoliberalism and the constant strive for greater global capital accumulation. It was acknowledged that while National Strategic Plans have been established by the Mexican government and resources have been attributed towards the project domestically, Mexico still requires much effort to be envisioned as a true leader behind the cause. However, this initiative helps the client state to distinguish itself among others in its strive for political and economic independence from Empire. As a conclusion, or rather a prospect for this paper, the researcher seeks to elaborate on this very notion of rising middle-

income states, such as Mexico, and multipolarity which, although engulfed in the neoliberal paradigm, demonstrate rising political voices which could in time offer a counter movement to the US led world system.

Empire theory does provide a theoretically accurate interpretation of US relations with its client states. It emphasises that the agendas launched and proposed new dialogues still very much take place within the neoliberal imperial network, and in this sense clearly answers the research question of the researcher. However, the theory fails to take into account the existing possibility for states such as South Korea and Mexico to gradually increase their room to manoeuvre in the system, to a possible point of break away. It is acknowledged that issues such as development and climate change are not close to alternative methods of governance, as their agenda-setters are nothing more than neoliberal states. Nevertheless, states such as Mexico have increasingly shown an aversion to US dominance, through movements such as the Zapatistas, farmers and peasants uniting to fight against NAFTA and its imperial stretch. In this sense, as a middle-income country, Mexico may very well use the neoliberal forums to which it has access in order to recurrently bring forward non-American led issues. Multipolarity as a contemporary concept is not catered for in Empire theory. The politico-economic context today is US-dominated, yet Panitch and Gindin do not provide for the emergence of other leading powers. This gap is here demonstrated by the rising voices of states such as Mexico.

Chapter 7: Conclusions and Prospects

This research has demonstrated a thorough understanding of Panitch and Gindin's Empire theory and has applied in the context of the United States and relations with its client states, Mexico and South Korea. The paper sought to assess the strengths and weaknesses of the theory through the impact of neoliberal institutions and agreements on client states, as well as the latter's ability to shape and formulate policy within a neoliberal context however, out of US meddling. This conclusion chapter will now summarise the main findings uncovered from each case study to consequently provide answers to the research questions outlines in Chapter 1. This section will conclude by raising new questions on the prospects this research offers.

Theories of old and new imperialism were defined at length in order to provide an in-depth knowledge on the paradigm. This research focused specifically on the modern understanding of imperialism, in other words, the theory of Empire. While other writers have provided valuable contributions to the field, this study necessitated a theoretical approach focused on the same subject matter as the research, namely the United States of America. Panitch and Gindin explain at length how the American power got to its current role and offer perspectives as to its rise. Instead of the preceding fragmentation of international capitalism, the post-war rise of the American Empire characterised a political project focused on the goal of an inclusivist liberal world of continuous accumulation.

It was the first Empire completely focused on the making of a global capitalism. The creation of new international institutions did not signify the advent of a proto-international state. Instead, these institutions were and are still constituted by national states and embedded in the new American Empire. The Keynesian forms of social rule and international economic management adopted in 1945 came into crisis in the 1970s, but no essential challenge to the American informal Empire arose from the other leading capitalist states. The neoliberal turn in the American state, and its ensuing universalisation, involved the rearrangement of the world's states to become more compliant to economic competitiveness, the free movement of capital and the extending of capitalist social relations. Both financial markets and international financial institutions played a vital role in enabling this and in strengthening American imperial power. At the head of a global Empire, the American state is more than just an agent of the particular interests of American capital, it also takes responsibility for the creation and running of global capitalism. American multinational corporations and

international financial institutions underpin the capabilities of the American state, and hence American imperial power is diffused through them. At the same time, the interpenetration of capital internationally weakens the autonomy of national bourgeoisies and makes them hostile to strategies that might ultimately challenge the American informal Empire.

The research then focused on applying and testing the theory within case studies. The first two case studies sought to identify and investigate the relations existing between US client states and US-led institutions and agreements, first the impact and significance of NAFTA in Mexico and second, the consequence of the IMF intervention in South Korea following the 1997 Asian crisis. The findings of these investigations are unequivocal. Mexico and South Korea form a definitive part of Empire following the implementation of such programmes. Both NAFTA provisions and IMF bail-out plan recommendations prompted for domestic political and economic changes in each state. However, it is important to note that these changes were not in any way coercive, and here lies the importance of Panitch and Gindin's 'Empire by invitation". These alterations were taken on by the client states as they were presented to them as solutions for greater growth, increased economic participation and deeper integration. Following this, the researcher felt the need to highlight some of the negative consequences these neoliberal turns have had within the respective states. This was done with the objective of demonstrating the perpetual conflict with neoliberalism and its crisis-prone nature. While these shifts might have solved occurring crises at the time, there is no telling when the next crisis will hit, within the same neoliberal context. It was concluded that in this instance, Empire theory accurately depicts inter-capitalist relations via the means of institutions. This was deemed as necessary to demonstrate so as to first understand the importance Empire theory has in this respect.

The third case study sought to provide a contrasting approach to assessing Empire theory. Both client states studied were then investigated in the G20 context. The G20 was chosen as a framework, as both Mexico and South Korea are members of this neoliberal forum and have both had the opportunity to chair the group. The researcher attempted to uncover whether both states have been able to form a political voice and furthermore define agendas outside of the neoliberal imperial perimeter. The findings were of mixed results which will be further explained here. It was uncovered that both client states demonstrated a rising voice within political affairs. In effect, South Korea took leadership at the G20 2010 Seoul Summit by re-

introducing the concept of development to a previous Western-focused approach of issues. As the first non-leading capitalist state chairing the group, South Korea took it upon itself to showcase its leadership skills and its ability to shape discussions, as the Development Working Group set up then is still very much active. During the G20 2012 Los Cabos Summit, Mexico brought to the discussion table the notion of inclusive green growth and climate change. The South American state became a champion of the cause and was the first state to introduce the topic as an issue of global governance. Here again, a leading political momentum was visible.

However, the researcher stayed pragmatic in approaching the subject matter. While rising political voices are empirically verifiable and undeniably observable, the context in which they operate does not provide a clear alternative. It was conceded that these agenda-setting moments did not fully challenge the US-led neoliberal imperial project. The United States did not condemn these policies, and at times it has even supported them. It was concluded that South Korea does not in the least break away from the imperial pattern as its development discourse is intertwined with the international financial institutions. Yet, while the United States supported the climate change agenda, it was established that this issue does not necessarily fit into the neoliberal paradigm itself, therefore it could be seen that Mexico did go the extra-length in formulating a non-neoliberal agenda. Nevertheless, Empire theory in itself was not completely challenged by these case studies thus demonstrating its accuracy in describing US relations with its client states.

The research questions set in Chapter 1 of this paper were all answered throughout this research. Empire theory does adequately explain the United States' relationship with states within its own sphere of influence. The latter are not passive instruments as they are intertwined within the neoliberal system of 'hubs and spokes'. Mexico and South Korea do not seem to deviate from the US standard as although new political agendas are formed, these are not contested by the imperial power. Empire theory, as understood by Panitch and Gindin, explains the rise of the United States as informal Empire, manifesting itself as the only agent for global neoliberalism and diffusing its influence in a non-coercive manner via political and economic solutions, institutions and programs. Empire by invitation as a concept justified the non-violent (physically observable) approach, by providing an insight into states willingly integrating the neoliberal paradigm. Finally, it was established that neoliberal institutions and

processes are instruments of US Empire and confirm Empire theory's analysis and the position of the US as Empire.

However, some prospects were outlined following these conclusions. In effect, while it has been demonstrated that Empire theory still provides an accurate depiction of current imperial relations, there is still room for improvement. Empire theory does not take into account the rising political voices of states internal and external to Empire. Mexico and South Korea formulated their agendas in a neoliberal consensus, yet they were still able to do so. This opportunity and the current rise of distinct political blocs challenging the US-led neoliberal discourse do present opportunities. These contestations in the future could again pose a challenge to the US world order and consequently to Empire theory. In conclusion, the subject matter of this research leads to many more openings and possibilities in the academic study of American power and its theoretical background.

Reference List

Amin, Samir. 1991. "Imperialism and Globalization." *Monthly Review*, June.

Barrow Clyde W. 1993. *Critical Theories of the State*. Madison: The University of Wisconsin Press Madison.

Berensmann, Kathrin, Thomas Fues and Ulrich Volz. 2011. "The G20: Its Role and Challenges." Briefing Paper for the German Development Institute.

Biswas, Aurko. 2012. "How does the G20 Function? A Primer on the Working Model of the G20." Accessed on http://youthpolicy.in/index.php/initiatives/international-relations/g20-mexico-analysis/160-how-does-the-g20-function-a-primer-on-the-working-model-of-the-g20.

Borst, Nick. 2009. "South Korea and the G20." In *SAIS: US-Korea Yearbook 2009*, edited by John Hopkins University, 137-149.

Brodie, Ian. 2013. "Is the G20's Working Group on the right track?" Accessed on http://policyschool.ucalgary.ca/?q=content/g20s-development-working-group-right-track.

Browne, Jeremy. 2012. "Mexico's G20 Leadership Represents a Global Shift." Accessed on http://www.huffingtonpost.co.uk/jeremy-browne/mexico-g20-leadership-represents-global-shift_b_1287617.html.

Bucharin, Nikolai. Orig 1917. "Imperialism and the World Economy." Accessed on https://www.marxists.org/archive/bukharin/works/1917/imperial/.

Burnett, Victoria. 2014. "As Mexico Addresses Climate Change, Critics Point to Shortcomings". Accessed on http://www.nytimes.com/2014/11/30/world/americas/as-mexico-addresses-climate-change-critics-point-to-shortcomings-.html.

Corning, Gregory. 2000. "Managing the Asian Meltdown: The IMF and South Korea." *Institute for the Study of Diplomacy*. ISBN: 1-56927-235-2.

Durkop, Colin, and Sebastian Ratzer. 2010. "South Korea and the G20." In *International Reports*, edited by Konrad-Adenauer-Stiftung, 59-75.

Essential Action. "How the IMF helped create and worsen the Asian financial crisis". Accessible on: http://www.essentialaction.org/imf/asia.htm.

Geier, Joel. 2000. "International Monetary Fund: Dept Cop." *International Socialist Review* 11: online edition. Accessible on: http://www.isreview.ord/issues/11/dept_cop.shtml.

Gill, Stephen. 1995. "Globalization, Market Civilization and Disciplinary Neoliberalism." *Millennium: Journal of International Studies* 24(3): 399-423.

Gill, Stephen. 2003. *Power and Resistance in the New World Order*. London and New York: Macmillan-Palgrave.

Glickhouse, Rachel. 2012. "Mexico marks the G20's Latin American Debut." Accessed on http://www.as-coa.org/articles/mexico-marks-g20s-latin-american-debut.

Hardt, Michael and Antonio Negri. 2000. *Empire*. Harvard: Harvard University Press.

Harvey, David. 2003. *The New Imperialism*. Oxford: Oxford University Press.

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

Hilferding, Rudolf. 1981 orig 1910. *Finance Capital*. London: Routledge & Kegan Paul.

Hormats, Robert. D. 1991. "The Roots of American Power." *Foreign Affairs* 70(3): 132-149.

International Initiative for Promoting Political Economy (IIPPE). 2014. "Neoliberalism Working Group." Accessed 1 May 2014. http://iippe.org/wp/?page_id=275.

Kautsky, Karl. Orig 1914. "Ultra-imperialism". Accessed on https://www.marxists.org/archive/kautsky/1914/09/ultra-imp.htm.

Khatkhate, Deena.1998. "East Asian Financial Crisis and the IMF – Chasing Shadows." *Economic and Political Weekly* April 25: 963-969.

Lange, Edgardo. 2011. "The Green Economy: the Wolf in Sheep's Clothing." *Transational Institute*. Accessed on www.tni.org.

Lenin, V.I. orig 1914. "Imperialism, the Highest Stage of Capitalism." Accessed on https://www.marxists.org/archive/lenin/works/1916/imp-hsc/.

Lotta, Raymond. 2001." The Truth of U.S. Domination over Mexico." *Revolutionary Worker #1092.*

Luxemburg, Rosa. Orig 1913. *The Accumulation of Capital.* Accessed on https://www.marxists.org/archive/luxemburg/1913/accumulation-capital/.

Musacchio, Aldo. 2012. "Mexico's financial crisis of 1994-1995". Working Paper. Harvard Business School.

Mexico Solidarity Network. 2004. "Mexico: A Neoliberal Experiment." Accessed on: http://mexicosolidarity.org/programs/alternativeeconomy/neoliberalism.

Nederveen Pieterse, Jan. 2004. "Neoliberal Empire." *Theory, Culture and Society* 21(3).

North Atlantic Free Trade Agreement 1994

Oxfam Mexico. 2012. "Mexico, an emerging country in the club of the powerful". Accessed on http://oxfammexico.org/oxfam/descargas/g20noviembreing.pdf.

Panitch, Leo and Sam Gindin. 2005. "Superintending Global Capital" *New Left Review* 35: 101-123.

Panitch, Leo and Sam Gindin. 2009. "Global Capitalism and American Empire." *Socialist Register* 40: 1- 62.

Panitch, Leo and Sam Gindin. 2012. *The Making of Global Capitalism – The Political Eocnomy of American Empire*. New York: Verso.

Ping, Jonathan H. 2007. "The Asian Financial Crisis: The International Monetary Fund's Increasing Importance." In *The Globalisation of World Politics*, Online Material. Accessible on: www.oup.com.au/__data/assets/pdf_file/0004/125599/Case_14.pdf.

Pirie, Ian. 2008. *The Korean Development State. Routledge Studies in the Growth Economies of Asia*. Routledge.

Public Citizen's Global Trade Watch. 2014. *NAFTA's 20-Year Legacy and the Fate of the Trans-Pacific Partnership*. February 2014 Issue.

Radice, Hugo. 2008. "The Developmental State under Global Neoliberalism." *Third World Quarterly* 29(6): 1153 – 1174.

Sanford, Johnathan and Martin Weiss 2004. "International Monetary Fund: Organization, Functions, and Role in the International Economy". Accessed on http://dx.doi.org/10.2139/ssrn.540482.

Schell, Charles. 1992. "The Value of the Case Study as a Research Strategy". Accessed on: www.finance-mba.com/**Case**%20Method.pdf.

Sims, Jocelyn and Jessie Romero. 2013. "Latin American Debt Crisis of the 1980s". Accessed on: www.federalreservehistory.org/Events/DetailView/46.

Smith, Adam. 1993 orig. 1776. *The Wealth of Nations*. Oxford: Oxford University Press.

Soederberg, Susanne. 2006. *Global Governance in Question: Empire, Class, and the New Common Sense in Managing North-South Relations*. London: Pluto Books.

Stathakis, George. 2009. "Imperialism: Old and New Theories." *International Journal of Economic Sciences and Applied Research* 1(1): 100-124.

The G20. 2014a. "G20 Members." Accessed https://www.g20.org/about_g20/g20_members

Vestergaard, Jakob. 2011. "The G20 and Beyond – Towards Effective Global Economic Governance." Report for the Danish Institute for International Studies.

Villareal, Angeles M. 2010. " U.S.-Mexico Economic Relations: Trends, Issues, and Implications." CRS Report for US Congress.

Wade, Robert H. 2011. "Emerging World Order? From Multipolarity to Multilateralism in the G20, the World Bank, and the IMF." *Politics & Society* 39(3): 347-378.

Wade, Robert. 2013. "The Art of Power Maintenance" *Challenge* 56(1): 5-39.

Weisbrot, Thomas. 2014. "NAFTA: 20 years of regret for Mexico." Accessed on: http://www.theguardian.com/commentisfree/2014/jan/04/nafta-20-years-mexico-regret

Xinquan, Tu. 2013. "The Green Economy in the G20, Post-Mexico: Implications for China." Occasional Paper 162, South African Institute of International Affairs.

Appendix A

THE SEOUL SUMMIT DOCUMENT

Framework for Strong, Sustainable and Balanced Growth

1. Our unprecedented and highly coordinated fiscal and monetary stimulus worked to bring back the global economy from the edge of a depression. This has highlighted that the world would benefit from more effective international cooperation. In Pittsburgh, we launched the Framework for Strong, Sustainable and Balanced Growth and committed to work together to assess the collective implications of our national policies on global growth and development, identify potential risks to the global economy, and take additional actions to achieve our shared objectives.

2. Since then, we have made important progress through our country-led, consultative Mutual Assessment Process (MAP) of the Framework:

   - Supportive economic policies have been put in place to promote ongoing recovery and job creation;
   - Explicit commitments have been made to put public finances on a sustainable track;
   - Strong measures have been adopted and are being implemented to safeguard the stability of our financial system;
   - Important structural reforms have been launched and/or planned to boost global demand and potential growth; and
   - Significant steps have been taken to strengthen the capacity of international financial institutions (IFIs) in support of development.

3. Since we last met, the global recovery continues to advance, but downside risks remain. We are resolved to do more. Our strengthened collaborative and collective policy actions can further safeguard the recovery and lay a solid foundation for our shared objectives of strong, sustainable and balanced growth.

The Seoul Action Plan

4. Today we are launching the Seoul Action Plan. We shaped the Plan with unity of purpose to:

   - ensure an unwavering commitment to cooperation;
   - outline an action-oriented plan with each member's concrete policy commitments; and
   - deliver on all three objectives of strong, sustainable and balanced growth.

5. Specifically, we commit to actions in five policy areas with details of specific commitments by G20 members set out in the Supporting Document.

6. *Monetary and Exchange Rate Policies:* We reaffirm the importance of central banks' commitment to price stability, thereby contributing to the recovery and sustainable growth. We will move toward more market-determined exchange rate systems and enhance exchange rate flexibility to reflect underlying economic fundamentals and refrain from competitive devaluation of currencies. Advanced economies, including those with reserve currencies, will be vigilant against excess volatility and disorderly

movements in exchange rates. Together these actions will help mitigate the risk of excessive volatility in capital flows facing some emerging market economies. Nonetheless, in circumstances where countries are facing undue burden of adjustment, policy responses in emerging market economies with adequate reserves and increasingly overvalued flexible exchange rates may also include carefully designed macro-prudential measures. We will reinvigorate our efforts to promote a stable and well functioning international monetary system and call on the IMF to deepen its work in these areas.

7. *Trade and Development Policies:* We reaffirm our commitment to free trade and investment recognizing its central importance for the global recovery. We will refrain from introducing, and oppose protectionist trade actions in all forms and recognize the importance of a prompt conclusion of the Doha negotiations. We reaffirm our commitment to avoid financial protectionism and are mindful of the risks of proliferation of measures that would damage investment and harm prospects for the global recovery. With developing countries' rising share in world output and trade, the goals of global growth, rebalancing and development are increasingly interlinked. We will focus efforts to resolve the most significant bottlenecks to inclusive, sustainable and resilient growth in developing countries, low-income countries (LICs) in particular: infrastructure, human resources development, trade, private investment and job creation, food security, growth with resilience, financial inclusion, domestic resource mobilization and knowledge sharing. In addition, we will take concrete actions to increase our financial and technical support, including fulfilling the Official Development Assistance (ODA) commitments by advanced countries.

8. *Fiscal Policies*: Advanced economies will formulate and implement clear, credible, ambitious and growth-friendly medium-term fiscal consolidation plans in line with the Toronto commitment, differentiated according to national circumstances. We are mindful of the risk of synchronized adjustment on the global recovery and of the risk that failure to implement consolidation, where immediately necessary, would undermine confidence and growth.

9. *Financial Reforms:* We are committed to take action at the national and international level to raise standards, and ensure that our national authorities implement global standards developed to date, consistently, in a way that ensures a level playing field, a race to the top and avoids fragmentation of markets, protectionism and regulatory arbitrage. In particular, we will implement fully the new bank capital and liquidity standards and address too-big-to-fail problems. We agreed to further work on financial regulatory reforms.

10. *Structural Reforms:* We will implement a range of structural reforms to boost and sustain global demand, foster job creation, contribute to global rebalancing, and increase our growth potential, and where needed undertake:

    - Product market reforms to simplify regulation and reduce regulatory barriers in order to promote competition and enhance productivity in key sectors.

    - Labor market and human resource development reforms, including better targeted benefits schemes to increase participation; education and training to increase employment in quality jobs, boost productivity and thereby enhance potential growth.

- Tax reform to enhance productivity by removing distortions and improving the incentives to work, invest and innovate.

- Green growth and innovation oriented policy measures to find new sources of growth and promote sustainable development.

- Reforms to reduce the reliance on external demand and focus more on domestic sources of growth in surplus countries while promoting higher national savings and enhancing export competitiveness in deficit countries.

- Reforms to strengthen social safety nets such as public health care and pension plans, corporate governance and financial market development to help reduce precautionary savings in emerging surplus countries.

- Investment in infrastructure to address bottlenecks and enhance growth potential.

In pursuing these reforms, we will draw on the expertise of the OECD, IMF, World Bank, ILO and other international organizations.

11. *MAP beyond the Seoul Summit:* In addition, we will enhance the MAP to promote external sustainability. We will strengthen multilateral cooperation to promote external sustainability and pursue the full range of policies conducive to reducing excessive imbalances and maintaining current account imbalances at sustainable levels. Persistently large imbalances, assessed against indicative guidelines to be agreed by our Finance Ministers and Central Bank Governors, warrant an assessment of their nature and the root causes of impediments to adjustment as part of the MAP, recognizing the need to take into account national or regional circumstances, including large commodity producers. These indicative guidelines composed of a range of indicators would serve as a mechanism to facilitate timely identification of large imbalances that require preventive and corrective actions to be taken. To support our efforts toward meeting these commitments, we call on our Framework Working Group, with technical support from the IMF and other international organizations, to develop these indicative guidelines, with progress to be discussed by our Finance Ministers and Central Bank Governors in the first half of 2011; and, in Gyeongju, our Finance Ministers and Central Bank Governors called on the IMF to provide an assessment as part of the MAP on the progress toward external sustainability and the consistency of fiscal, monetary, financial sector, structural, exchange rate and other policies. In light of this, the first such assessment, to be based on the above mentioned indicative guidelines, will be initiated and undertaken in due course under the French Presidency.

12. We have a shared responsibility. Members with sustained, significant external deficits pledge to undertake policies to support private savings and where appropriate undertake fiscal consolidation while maintaining open markets and strengthening export sectors. Members with sustained, significant external surpluses pledge to strengthen domestic sources of growth.

13. Recognizing the benefits of the Framework, we agreed to expand and refine the country-led, consultative MAP by including monitoring of the implementation of our commitments and assessment of our progress toward achieving our shared objectives. This process will be adopted in 2011 under the French Presidency.

International Financial Institution Reforms

14. When the world was in the middle of the global financial crisis, we met and agreed to provide the IFIs with the resources they needed to support the global economy. With our agreements to increase their resources substantially and endorse new lending instruments, the IFIs mobilized critical financing, including more than $750 billion by the IMF and $235 billion by the Multilateral Development Banks (MDBs). Financial markets stabilized and the global economy started to recover. Even in the midst of the crisis, we knew that further reforms of the IFIs were required.

15. We committed to modernize the institutions fundamentally so that they better reflect changes in the world economy and can more effectively play their roles in promoting global financial stability, fostering development and improving the lives of the poorest. In June 2010, we welcomed the reforms to increase the voting power of developing and transition countries at the World Bank. We also remained committed to strengthening the legitimacy, credibility and effectiveness of the IMF through quota and governance reforms.

Modernized IMF governance

16. Today, we welcomed the ambitious achievements by the Finance Ministers and Central Bank Governors at the Gyeongju meeting, and subsequent decision by the IMF, on a comprehensive package of IMF quota and governance reforms**.** The reforms are an important step toward a more legitimate, credible and effective IMF, by ensuring that quotas and Executive Board composition are more reflective of new global economic realities, and securing the IMF's status as a quota-based institution, with sufficient resources to support members' needs. Consistent with our commitments at the Pittsburgh and Toronto Summits, and going even further in a number of areas, the reforms include:

    - Shifts in quota shares to dynamic emerging market and developing countries and to under-represented countries of over 6%, while protecting the voting share of the poorest, which we commit to work to complete by the Annual Meetings in 2012.

    - A doubling of quotas, with a corresponding rollback of the New Arrangements to Borrow (NAB) preserving relative shares, when the quota increase becomes effective.

    - Continuing the dynamic process aimed at enhancing the voice and representation of emerging market and developing countries, including the poorest, through a comprehensive review of the quota formula by January 2013 to better reflect the economic weights; and through completion of the next general review of quotas by January 2014.

    - Greater representation for emerging market and developing countries at the Executive Board through two fewer advanced European chairs, and the possibility of a second alternate for all multi-country constituencies.

- Ÿ Moving to an all-elected Board, along with a commitment by the IMF's membership to maintain the Board size at 24 chairs, and following the completion of the 14th General Review, a review of the Board's composition every eight years.

17. We reiterate the urgency of promptly concluding the 2008 IMF Quota and Voice Reforms. We urge all G20 members participating in the expanded NAB to accelerate their procedures in completing the acceptance process. We ask the IMF to report on the progress, in accordance with agreed timelines, toward effective implementation of the 2010 quota and governance reforms to our Finance Ministers and Central Bank Governors at their periodic G20 meetings.

18. When combined with the already agreed voice reform of the World Bank, these represent significant achievements in modernizing our key IFIs. They will be even stronger players in promoting global financial stability and growth. We asked our Finance Ministers and Central Bank Governors to continue to pursue all outstanding governance reform issues at the World Bank and the IMF.

Surveillance

19. We recognize the importance of continuing the work on reforming the IMF's mission and mandate, including strengthening surveillance.

20. IMF surveillance should be enhanced to focus on systemic risks and vulnerabilities wherever they may lie. To this extent, we welcome the decision made by the IMF to make financial stability assessments under the Financial Sector Assessment Program (FSAP) a regular and mandatory part of Article IV consultation for members with systemically important financial sectors. We call on the IMF to make further progress in modernizing the IMF's surveillance mandate and modalities. These should involve, in particular: strengthening bilateral and multilateral work on surveillance covering financial stability, macroeconomic, structural and exchange rate policies, with increased focus on systemic issues; enhancing synergies between surveillance tools; helping members to strengthen their surveillance capacity; and ensuring even-handedness, candor, and independence of surveillance. We welcome the IMF's work to conduct spillover assessments of the wider impact of systemic economies' policies.

Multilateral Development Banks

21. We reiterate our commitment to completing an ambitious replenishment for the concessional lending facilities of the MDBs, especially the International Development Association, to help ensure that LICs have access to sufficient concessional resources.

Strengthened global financial safety nets

22. As the global economy became more interconnected and integrated, the size and volatility of capital flows increased significantly. The increased volatility was a source of instability during the financial crisis. It even adversely affected countries with solid fundamentals and the effects were greater on those with more open economies. These problems persist. Current volatility of capital flows is reflecting the differing speed of recovery between advanced and emerging market economies. National, regional and multilateral responses are required. Strengthened global financial safety nets can help

countries to cope with financial volatility, reducing the economic disruption from sudden swings in capital flows and the perceived need for excessive reserve accumulation.

23. Therefore, we asked our Finance Ministers and Central Bank Governors to prepare policy options to strengthen global financial safety nets for our consideration at this Summit.

24. We welcome the following achievements from our mandate:

- The enhancement of the Flexible Credit Line (FCL) including the extension of its duration and removal of the access cap. Countries with strong fundamentals and policies will have access to a refined FCL with enhanced predictability and effectiveness.

- The creation of the Precautionary Credit Line (PCL) as a new preventative tool. The PCL allows countries with sound fundamentals and policies, but moderate vulnerabilities, to benefit from the IMF's precautionary liquidity provision.

- The recent decision by the IMF to continue its work to further improve the global capacity to cope with shocks of a systemic nature, as well as the recent clarification of the procedures for synchronized approval of the FCLs for multiple countries, by which a number of countries affected by a common shock could concurrently seek access to FCL.

- The dialogue to enhance collaboration between Regional Financing Arrangements (RFAs) and the IMF, acknowledging the potential synergies from such collaboration.

25. Building on the achievements made to date on strengthening global financial safety nets, we need to do further work to improve our capacity to cope with future crises. Therefore, we asked our Finance Ministers and Central Bank Governors to explore, with input from the IMF:

- A structured approach to cope with shocks of a systemic nature.

- Ways to improve collaboration between RFAs and the IMF across all possible areas and enhance the capability of RFAs for crisis prevention, while recognizing region-specific circumstances and characteristics of each RFA.

26. Our goal is to build a more stable and resilient international monetary system. While the international monetary system has proved resilient, tensions and vulnerabilities are clearly apparent. We agreed to explore ways to further improve the international monetary system to ensure systemic stability in the global economy. We asked the IMF to deepen its work on all aspects of the international monetary system, including capital flow volatility. We look forward to reviewing further analysis and proposals over the next year.

Financial Sector Reforms

27. The global financial system came to a sudden halt in 2008 as a result of reckless and irresponsible risk taking by banks and other financial institutions, combined with major failures of regulation and supervision. While our initial priority was to move quickly to

stabilize financial markets and restore the global flow of capital, we never lost sight of the need to address the root causes of the crisis. We took our first step at the Washington Summit, where we developed the Action Plan to Implement Principles for Reform. Since then, we built on the progress made in London, Pittsburgh, and Toronto, and together, took major strides toward fixing the financial system with the support from the international organizations, particularly the Financial Stability Board (FSB) and the Basel Committee on Banking Supervision (BCBS).

Transformed financial system to address the root causes of the crisis

28. Today, we have delivered core elements of the new financial regulatory framework to transform the global financial system.

29. We endorsed the landmark agreement reached by the BCBS on the new bank capital and liquidity framework, which increases the resilience of the global banking system by raising the quality, quantity and international consistency of bank capital and liquidity, constrains the build-up of leverage and maturity mismatches, and introduces capital buffers above the minimum requirements that can be drawn upon in bad times. The framework includes an internationally harmonized leverage ratio to serve as a backstop to the risk-based capital measures. With this, we have achieved far-reaching reform of the global banking system. The new standards will markedly reduce banks' incentive to take excessive risks, lower the likelihood and severity of future crises, and enable banks to withstand – without extraordinary government support – stresses of a magnitude associated with the recent financial crisis. This will result in a banking system that can better support stable economic growth. We are committed to adopt and implement fully these standards within the agreed timeframe that is consistent with economic recovery and financial stability. The new framework will be translated into our national laws and regulations, and will be implemented starting on January 1, 2013 and fully phased in by January 1, 2019.

30. We reaffirmed our view that no firm should be too big or too complicated to fail and that taxpayers should not bear the costs of resolution. We endorsed the policy framework, work processes, and timelines proposed by the FSB to reduce the moral hazard risks posed by systemically important financial institutions (SIFIs) and address the too-big-to-fail problem. This requires a multi-pronged framework combining: a resolution framework and other measures to ensure that all financial institutions can be resolved safely, quickly and without destabilizing the financial system and exposing the taxpayers to the risk of loss; a requirement that SIFIs and initially in particular financial institutions that are globally systemic (G-SIFIs) should have higher loss absorbency capacity to reflect the greater risk that the failure of these firms poses to the global financial system; more intensive supervisory oversight; robust core financial market infrastructure to reduce contagion risk from individual failures; and other supplementary prudential and other requirements as determined by the national authorities which may include, in some circumstances, liquidity surcharges, tighter large exposure restrictions, levies and structural measures. In the context of loss absorbency, we encourage further progress on the feasibility of contingent capital and other instruments. We encouraged the FSB, BCBS and other relevant bodies to complete their remaining work in accordance with the endorsed work processes and timelines in 2011 and 2012.

31. In addition, we agreed that G-SIFIs should be subject to a sustained process of mandatory

international recovery and resolution planning. We agreed to conduct rigorous risk assessment on these firms through international supervisory colleges and negotiate institution-specific crisis cooperation agreements within crisis management groups. Regular peer reviews will be conducted by the FSB on the effectiveness and consistency of national policy measures for these firms.

32. We reaffirmed our Toronto commitment to national-level implementation of the BCBS's cross-border resolution recommendations. To support implementation at the national level, we welcomed the BCBS's planned stock taking exercise of these recommendations. We called on the FSB to build on this work and develop attributes of effective resolution regimes by 2011.

33. Delivering on our commitment in Toronto, we endorsed the policy recommendations prepared by the FSB in consultation with the IMF, on increasing supervisory intensity and effectiveness. We reaffirmed that the new financial regulatory framework must be complemented with more effective oversight and supervision. We agreed that supervisors should have strong and unambiguous mandates, sufficient independence to act, appropriate resources, and a full suite of tools and powers to proactively identify and address risks, including regular stress testing and early intervention.

Implementation and international assessment, including peer review

34. But our reform efforts are an ongoing process. It is essential that we fully implement the new standards and principles, in a way that ensures a level playing field, a race to the top and avoids fragmentation of markets, protectionism and regulatory arbitrage. We recognized different national starting points.

35. We reaffirmed today our full commitment to action and implementation.

36. At the national level, we will incorporate the new standards and principles into relevant legislation and policies. At the global level, international assessment and peer review processes should be substantially enhanced in order to ensure consistency in implementation across countries and identify areas for further improvement in standards and principles. In this regard, we recognized the value of the FSAP jointly undertaken by the IMF and the World Bank, and the FSB's peer review as means of fostering consistent cross-country implementation of international standards.

37. We also firmly recommitted to work in an internationally consistent and non-discriminatory manner to strengthen regulation and supervision on hedge funds, OTC derivatives and credit rating agencies. We reaffirmed the importance of fully implementing the FSB's standards for sound compensation. We endorsed the FSB's recommendations for implementing OTC derivatives market reforms, designed to fully implement our previous commitments in an internationally consistent manner, recognizing the importance of a level playing field. We asked the FSB to monitor the progress regularly. We welcomed ongoing work by the Committee on Payment and Settlement Systems and the International Organization of Securities Commissions (IOSCO) on central counterparty standards. We also endorsed the FSB's principles on reducing reliance on external credit ratings. Standard setters, market participants, supervisors and central banks should not rely mechanistically on external credit ratings.

38. We re-emphasized the importance we place on achieving a single set of improved high quality global accounting standards and called on the International Accounting Standards Board and the Financial Accounting Standards Board to complete their convergence project by the end of 2011. We also encouraged the International Accounting Standards Board to further improve the involvement of stakeholders, including outreach to, and membership of, emerging market economies, in the process of setting the global standards, within the framework of independent accounting standard setting process.

39. In addition, we reiterated our commitment to preventing non-cooperative jurisdictions from posing risks to the global financial system and welcomed the ongoing efforts by the FSB, Global Forum on Tax Transparency and Exchange of Information (Global Forum), and the Financial Action Task Force (FATF), based on comprehensive, consistent and transparent assessment. We reached agreement on:

    Ÿ The FSB to determine by spring 2011 those jurisdictions that are not cooperating fully with the evaluation process or that show insufficient progress to address weak compliance with internationally agreed information exchange and cooperation standards, based on the recommended actions by the agreed timetable.

    Ÿ The Global Forum to swiftly progress its Phase 1 and 2 reviews to achieve the objective agreed by Leaders in Toronto and report progress by November 2011. Reviewed jurisdictions identified as not having the elements in place to achieve an effective exchange of information should promptly address the weaknesses. We urge all jurisdictions to stand ready to conclude Tax Information Exchange Agreements where requested by a relevant partner.

    Ÿ The FATF to pursue its successful work in identifying non-cooperative jurisdictions as well as regularly updating a public list on jurisdictions with strategic deficiencies, with next update being in February 2011.

40. We reaffirmed the FSB's role in coordinating at the international level the work of national financial authorities and international standard setting bodies in developing and promoting the implementation of effective regulatory, supervisory and other financial sector policies in the interest of global financial stability. We asked the FSB to bring forward for review by Finance Ministers and Central Bank Governors well before our next meeting in 2011 proposals to strengthen its capacity, resources and governance to keep pace with growing demands. We welcomed the FSB's outreach. We endorsed the establishment of regional consultative groups. We welcomed the FSB report on progress in the implementation of G20 recommendations for strengthening financial stability and look forward to another progress report at our next meeting.

Future work: Issues that warrant more attention

41. While we have made significant progress in a number of areas, there still remain some issues that warrant more attention:

    Ÿ *Further work on macro-prudential policy frameworks:* In order to deal with systemic risks in the financial sector in a comprehensive manner and on an ongoing basis, we called on the FSB, IMF and BIS to do further work on macro-prudential policy frameworks, including tools to mitigate the impact of excessive capital flows, and

update our Finance Ministers and Central Bank Governors at their next meeting. These frameworks should take into account national and regional arrangements. We look forward to a joint report which should elaborate on the progress achieved in identification of best practices, which will be the basis for establishing in the future international principles or guidelines on the design and implementation of the frameworks.

- *Addressing regulatory reform issues pertaining specifically to emerging market and developing economies:* We agreed to work on financial stability issues that are of particular interest to emerging market and developing economies, and called on the FSB, IMF and World Bank to develop and report before the next Summit. These issues could include: the management of foreign exchange risks by financial institutions, corporations and households; emerging market and developing economies' regulatory and supervisory capacity where necessary, including with regard to local branches of foreign financial institutions which are systemic in their host country and development of deposit insurance schemes; financial inclusion; information sharing between home and host supervisory authorities on cross border financial institutions; and trade finance.

- *Strengthening regulation and supervision of shadow banking:* With the completion of the new standards for banks, there is a potential that regulatory gaps may emerge in the shadow banking system. Therefore, we called on the FSB to work in collaboration with other international standard setting bodies to develop recommendations to strengthen the regulation and oversight of the shadow banking system by mid-2011.

- *Further work on regulation and supervision of commodity derivative markets:* We called especially on IOSCO's taskforce on commodity futures markets to report to the FSB for consideration of next steps in April 2011 on its important work.

- *Improving market integrity and efficiency:* We called on IOSCO to develop by June 2011 and report to the FSB recommendations to promote markets' integrity and efficiency to mitigate the risks posed to the financial system by the latest technological developments.

- *Enhancing consumer protection:* We asked the FSB to work in collaboration with the OECD and other international organizations to explore, and report back by the next summit, on options to advance consumer finance protection through informed choice that includes disclosure, transparency and education; protection from fraud, abuse and errors; and recourse and advocacy.

Fighting Protectionism and Promoting Trade and Investment

42. Recognizing the importance of free trade and investment for global recovery, we are committed to keeping markets open and liberalizing trade and investment as a means to promote economic progress for all and narrow the development gap. The importance of free trade and open markets is illustrated by the joint report of the OECD, ILO, World Bank and WTO on the benefits of trade liberalization for employment and growth. These trade and investment liberalization measures will help achieve the G20 Framework objectives for strong, sustainable and balanced growth, and must be complemented by

our unwavering commitment to resist protectionism in all its forms. We therefore reaffirm the extension of our standstill commitments until the end of 2013 as agreed in Toronto, commit to rollback any new protectionist measures that may have risen, including export restrictions and WTO-inconsistent measures to stimulate exports, and ask the WTO, OECD, and UNCTAD to continue monitoring the situation and to report publicly on a semi-annual basis.

43. With respect to the WTO Doha Development Round, we welcome the broader and more substantive engagement of the past four months among our representatives in Geneva. Bearing in mind that 2011 is a critical window of opportunity, albeit narrow, this engagement must intensify and expand. We now need to complete the end game. We direct our negotiators to engage in across-the-board negotiations to promptly bring the Doha Development Round to a successful, ambitious, comprehensive, and balanced conclusion consistent with the mandate of the Doha Development Round and built on the progress achieved. Once such an outcome is reached, we commit to seek ratification, where necessary, in our respective systems.

44. We strongly believe that trade can be an effective tool for reducing poverty and enhancing economic growth in developing countries, LICs in particular. To support LIC capacity to trade, we welcome the adoption of the Multi-Year Action Plan on Development. We note our commitment to at least maintain, beyond 2011, Aid for Trade levels that reflect the average of the last three years (2006 to 2008); to make progress toward duty-free quota-free market access for least developed country (LDC) products in line with our Hong Kong commitments, without prejudice to other negotiations, including as regards preferential rules of origin; to call on relevant international agencies to coordinate a collective multilateral response to support trade facilitation; and to support measures to increase the availability of trade finance in developing countries, particularly LICs. In this respect, we also agree to monitor and assess trade finance programs in support of developing countries, in particular their coverage and impact on LICs, and to evaluate the impact of regulatory regimes on trade finance.

45. We recognize the potential for faster growth in Africa, which could be unlocked by African plans for deeper regional economic integration. We therefore commit to support the regional integration efforts of African leaders, including by helping to realize their vision of a free trade area through the promotion of trade facilitation and regional infrastructure. We call on the MDBs and WTO to collaborate with us in supporting this endeavor.

Seoul Development Consensus for Shared Growth

46. The crisis disproportionately affected the most vulnerable in the poorest countries and slowed progress toward achievement of the Millennium Development Goals (MDGs). As the premier economic forum, we recognize the need to strengthen and leverage our development efforts to address such challenges.

47. At the same time, narrowing the development gap and reducing poverty are integral to achieving our broader Framework objectives of strong, sustainable and balanced growth by generating new poles of growth and contributing to global rebalancing. We are therefore using our best efforts for a rapid increase in the share of global growth and prosperity for developing countries, LICs in particular.

48. We commit to work in partnership with other developing countries, LICs in particular, to help them build the capacity to achieve and maintain their maximum economic growth potential. We have thus developed a consensus for the G20's contribution to global development efforts in line with our Toronto mandate.

49. We endorse today the **Seoul Development Consensus for Shared Growth** (*Annex I*) and its **Multi-Year Action Plan on Development** (*Annex II*).

50. The Seoul Consensus and the Multi-Year Action Plan are based on six core principles:

- First, an enduring and meaningful reduction in poverty cannot be achieved without inclusive, sustainable and resilient growth, while the provision of ODA, as well as the mobilization of all other sources of financing, remain essential to the development of most LICs.

- Second, we recognize that while there are common factors, there is no single formula for development success. We must therefore engage other developing countries as partners, respecting national ownership of a country's policies as the most important determinant of its successful development, thereby helping to ensure strong, responsible, accountable and transparent development partnerships between the G20 and LICs.

- Third, our actions must prioritize global or regional systemic issues that call for collective action and have the potential for transformative impact.

- Fourth, we recognize the critical role of the private sector to create jobs and wealth, and the need for a policy environment that supports sustainable private sector-led investment and growth.

- Fifth, we will maximize our value-added and complement the development efforts of other key players by focusing on areas where the G20 has a comparative advantage or could add momentum.

- And finally, we will focus on tangible outcomes of significant impact that remove blockages to improving growth prospects in developing countries, especially LICs.

51. The Seoul Consensus also identifies nine key pillars where we believe actions are necessary to resolve the most significant bottlenecks to inclusive, sustainable and resilient growth in developing countries, LICs in particular: infrastructure, human resource development, trade, private investment and job creation, food security, growth with resilience, financial inclusion, domestic resource mobilization and knowledge sharing. The Multi-Year Action Plan then outlines the specific, detailed actions to which we commit in order to address these bottlenecks, including to:

a) Facilitate increased investment from public, semi-public and private sources and improve the implementation and maintenance of national and regional infrastructure projects in sectors where there are bottlenecks. We agree to establish a High-Level Panel (HLP) to recommend measures to mobilize infrastructure financing and review MDBs' policy frameworks. We will announce the Chair of the HLP by December

2010;

b) Improve the development of employable skills matched to employer and labor market needs in order to enhance the ability to attract investment, create decent jobs and increase productivity. We will support the development of internationally comparable skills indicators and the enhancement of national strategies for skills development, building on the G20 Training Strategy;

c) Improve the access and availability to trade with advanced economies and between developing and LICs. Our action plans on trade are discussed in paragraphs 42 to 45 above;

d) Identify, enhance and promote responsible private investment in value chains and develop key indicators for measuring and maximizing the economic and employment impact of private sector investment;

e) Enhance food security policy coherence and coordination and increase agricultural productivity and food availability, including by advancing innovative results-based mechanisms, promoting responsible agriculture investment, fostering smallholder agriculture, and inviting relevant international organizations to develop, for our 2011 Summit in France, proposals to better manage and mitigate risks of food price volatility without distorting market behavior. We also welcome the progress of the Global Agriculture and Food Security Program, as well as that of other bilateral and multilateral channels, including the UN Committee on World Food Security, and invite further contributions;

f) Improve income security and resilience to adverse shocks by assisting developing countries enhance social protection programs, including through further implementation of the UN Global Pulse Initiative, and by facilitating implementation of initiatives aimed at a quantified reduction of the average cost of transferring remittances;

g) Increase access to finance for the poor and small and medium enterprises (SMEs). Our action plans for financial inclusion and associated implementation mechanisms are discussed in paragraphs 55 to 57 below;

h) Build sustainable revenue bases for inclusive growth and social equity by improving developing country tax administration systems and policies and highlighting the relationship between non-cooperative jurisdictions and development; and

i) Scale up and mainstream sharing of knowledge and experience, especially between developing countries, in order to improve their capacity and ensure that the broadest range of experiences are used to help tailor national policies.

52. We commit to and prioritize full, timely and effective implementation of the Multi-Year Action Plan, understanding its high potential to have a positive transformative impact on people's lives, both through our individual and collective actions and in partnership with other global development stakeholders. We will continue to work closely with relevant international organizations to push these actions forward.

53. We reaffirm our commitment to achievement of the MDGs and will align our work in accordance with globally agreed development principles for sustainable economic, social and environmental development, to complement the outcomes of the UN High-Level Plenary Meeting on the MDGs held in September 2010 in New York, as well as with processes such as the Fourth UN LDC Summit in Turkey and the Fourth High-Level Forum on Aid Effectiveness in Korea, both to be held in 2011. We also reaffirm our respective ODA pledges and commitments to assist the poorest countries and mobilize domestic resources made following on from the Monterrey Consensus and other fora.

54. We further mandate the Development Working Group to monitor implementation of the Multi-Year Action Plan, so that we may review progress and consider the need for any further steps at the 2011 Summit in France. Development based on the Seoul Consensus will therefore be an enduring part of future G20 Summits. What we promise, we will deliver.

Financial Inclusion

55. We reiterate our strong commitment to financial inclusion and recognize the benefits of improved access to finance to lift the lives of the poor and to support the contribution of SMEs to economic development. We welcome the stock taking report on successful and scalable models of SME financing in developing economies. We have developed the Financial Inclusion Action Plan based on our Principles for Innovative Financial Inclusion as the work program for the coming year.

56. Working with the Alliance for Financial Inclusion, the Consultative Group to Assist the Poor and the International Finance Corporation, we commit to launch the Global Partnership for Financial Inclusion (GPFI) as an inclusive platform for all G20 countries, interested non-G20 countries and relevant stakeholders to carry forward our work on financial inclusion, including implementation of the Financial Inclusion Action Plan. The GPFI's efforts over the next year will include helping countries put into practice the Principles for Innovative Financial Inclusion, strengthening data for measuring financial inclusion, and developing methodologies for countries wishing to set targets. We agree that the GPFI should report to us on its progress at our 2011 Summit in France.

57. Recognizing the vital role of SMEs in employment and income generation, we welcome the strong response to the G20 SME Finance Challenge and the innovative models for scaling up private SME finance that have emerged from the competition and congratulate the winners. We have constructed a flexible SME Finance Framework to mobilize grant, risk capital and private financing by using existing funding mechanisms and the new SME Finance Innovation Fund to finance the winning proposals and other successful SME financing models. We welcome the commitment of Canada, Korea, the United States and the Inter-American Development Bank of $528 million to the Framework through grants and co-financing.

Energy

Fossil Fuel Subsidies

58. We reaffirm our commitment to rationalize and phase-out over the medium term inefficient fossil fuel subsidies that encourage wasteful consumption, with timing based

on national circumstances, while providing targeted support for the poorest. We direct our Finance and Energy Ministers to report back on the progress made in implementing country-specific strategies and in achieving the goals to which we agreed in Pittsburgh and Toronto at the 2011 Summit in France.

59. We note the preliminary report of the IEA, World Bank and OECD and ask these organizations, together with OPEC, to further assess and review the progress made in implementing the Pittsburgh and Toronto commitments and report back to the 2011 Summit in France.

60. We recognize the value of the sharing of knowledge, expertise and capacity with respect to programs and policies that phase out inefficient fossil fuel subsidies.

Fossil Fuel Price Volatility

61. We recognize the importance of a well-functioning and transparent market in oil for world economic growth. We strongly support the Joint Oil Data Initiative (JODI) and ask the IEF, IEA and OPEC for a report suggesting specific steps in order to improve the quality, timeliness and reliability of the JODI Database. The report should include a proposed timeframe and implementation strategy, which will explore the ways to improve data availability on oil production, consumption, refining and stock levels, as appropriate. An intermediate report should be submitted to the February 2011 Finance Ministers' meeting, with the final report submitted to the April 2011 Finance Ministers' meeting. We also request the IEF, IEA, OPEC and IOSCO to produce a joint report, by the April 2011 Finance Ministers' meeting, on how the oil spot market prices are assessed by oil price reporting agencies and how this affects the transparency and functioning of oil markets.

62. We support the establishment of the IEF charter to strengthen the producer-consumer dialogue, and welcome the IEF plan, developed in cooperation with the IEA and OPEC, to hold an annual symposium with major relevant institutions on energy market outlooks. We call on the IEF, IEA and OPEC to produce a joint report and common communiqué, highlighting their respective outlooks and their short, medium and long-term forecasts for oil market supply and demand. We welcome their ongoing work on the linkages between oil physical and financial markets.

63. Welcoming the June and November 2010 IOSCO reports, we ask IOSCO to further monitor developments in the oil OTC markets and report to the FSB for consideration of next steps, for improved regulation and enhanced transparency of the oil financial market in April 2011 by Finance Ministers and other relevant Ministers, informed by the work of the Energy Experts Group. We ask the Energy Experts Group to extend its work on volatility to other fossil fuels as a second step.

Global Marine Environment Protection

64. We welcome the progress achieved by the Global Marine Environment Protection (GMEP) initiative toward the goal of sharing best practices to protect the marine environment, to prevent accidents related to offshore exploration and development, as well as marine transportation, and to deal with their consequences. We recognize the work done by the GMEP Experts Sub-Group and take note of the progress made on

reviewing international regulation of offshore oil and gas exploration, production and transport with respect to marine environmental protection as a first step to implement the Toronto mandate.

65. Future work on the GMEP initiative should benefit from relevant findings, as they become available, from the National Commission on the BP Deepwater Horizon Oil Spill in the United States and the Montara Commission of Inquiry in Australia. We ask the GMEP Experts Sub-Group to provide a further report, with the support of the IMO, OECD, IEA, OPEC, International Regulators Forum, and International Association of Drilling Contractors and, in consultation with relevant stakeholders, to continue work on the effective sharing of best practices at the 2011 Summit in France.

Climate Change and Green Growth

66. Addressing the threat of global climate change is an urgent priority for all nations. We reiterate our commitment to take strong and action-oriented measures and remain fully dedicated to UN climate change negotiations. We reaffirm the objective, provisions, and the principles of the UN Framework Convention on Climate Change (UNFCCC), including common but differentiated responsibilities and respective capabilities. We thank Mexico for hosting the UNFCCC negotiations to be held in Cancun beginning at the end of November 2010. Those of us who have associated with the Copenhagen Accord reaffirm our support for it and its implementation. We all are committed to achieving a successful, balanced result that includes the core issues of mitigation, transparency, finance, technology, adaptation, and forest preservation. In this regard, we welcome the work of the High-Level Advisory Group on Climate Change Financing established by the UN Secretary-General and ask our Finance Ministers to consider its report. We also support and encourage the delivery of fast-start finance commitments.

67. The ongoing loss of biodiversity is a global environmental and economic challenge. Both climate change and loss of biodiversity are inextricably linked. We acknowledge the outcomes of the global study on the economics of ecosystems and biodiversity. We welcome the successful conclusion of COP10 in Nagoya.

68. We are committed to support country-led green growth policies that promote environmentally sustainable global growth along with employment creation while ensuring energy access for the poor. We recognize that sustainable green growth, as it is inherently a part of sustainable development, is a strategy of quality development, enabling countries to leapfrog old technologies in many sectors, including through the use of energy efficiency and clean technology. To that end, we will take steps to create, as appropriate, the enabling environments that are conducive to the development and deployment of energy efficiency and clean energy technologies, including policies and practices in our countries and beyond, including technical transfer and capacity building. We support the ongoing initiatives under the Clean Energy Ministerial and encourage further discussion on cooperation in R&D and regulatory measures, together with business leaders, and ask our Energy Experts Group to monitor and report back to us on progress at the 2011 Summit in France. We also commit to stimulate investment in clean energy technology, energy and resource efficiency, green transportation, and green cities by mobilizing finance, establishing clear and consistent standards, developing long-term energy policies, supporting education, enterprise and R&D, and continuing to promote cross-border collaboration and coordination of national legislative approaches.

Anti-Corruption

69. Recognizing that corruption is a severe impediment to economic growth and development, we endorse the G20 **Anti-Corruption Action Plan** (*Annex III*). Building on previous declarations, and cognizant of our role as leaders of major trading nations, we recognize a special responsibility to prevent and tackle corruption and commit to supporting a common approach to building an effective global anti-corruption regime.

70. In this regard, we will lead by example in key areas as detailed in the Anti-Corruption Action Plan, including: to accede or ratify and effectively implement the UN Convention against Corruption and promote a transparent and inclusive review process; adopt and enforce laws against the bribery of foreign public officials; prevent access of corrupt officials to the global financial system; consider a cooperative framework for the denial of entry to corrupt officials, extradition, and asset recovery; protect whistleblowers; safeguard anticorruption bodies. We are also committed to undertake a dedicated effort to encourage public-private partnerships to tackle corruption and to engage the private sector in the fight against corruption, with a view to promoting propriety, integrity and transparency in the conduct of business affairs, as well as in the public sector.

71. The G20 will hold itself accountable for its commitments. Beyond our participation in existing mechanisms of peer review for international anti-corruption standards, we mandate the Anti-Corruption Working Group to submit annual reports on the implementation of our commitments to future Summits for the duration of the Anti-Corruption Action Plan.

Business Summit

72. Recognizing the importance of private sector-led growth and job creation, we welcome the Seoul G20 Business Summit held on November 10 and 11 that convened global business leaders under the theme “The Role of Business for Sustainable and Balanced Growth”. We look forward to continuing the G20 Business Summit in upcoming Summits.

Consultation

73. We recognize, given the broad impact of our decisions, the necessity to consult with the wider international community. We will increase our efforts to conduct G20 consultation activities in a more systematic way, building on constructive partnerships with international organizations, in particular the UN, regional bodies, civil society, trade unions and academia.

74. Bearing in mind the importance of the G20 being both representative and effective as the premier forum for our international economic cooperation, we reached a broad consensus on a set of principles for non-member invitations to Summits, including that we will invite no more than five non-member invitees, of which at least two will be countries in Africa.



Appendix B

G20 Leaders Declaration

1. We, the Leaders of the G20, convened in Los Cabos on 18-19 June 2012.
2. We are united in our resolve to promote growth and jobs.
3. Since we last met, the global recovery has continued to face a number of challenges. Financial market tensions are high. External, fiscal and financial imbalances are still prevalent, having a major impact on growth and employment prospects and confidence. Clearly, the global economy remains vulnerable, with a negative impact on the everyday lives of people all over the world, affecting jobs, trade, development, and the environment.
4. We will act together to strengthen recovery and address financial market tensions.
5. We will work collectively to strengthen demand and restore confidence with a view to support growth and foster financial stability in order to create high quality jobs and opportunities for all of our citizens. We have agreed today on a coordinated Los Cabos Growth and Jobs Action Plan to achieve those goals.
6. Euro Area members of the G20 will take all necessary policy measures to safeguard the integrity and stability of the area, improve the functioning of financial markets and break the feedback loop between sovereigns and banks. We look forward to the Euro Area working in partnership with the next Greek government to ensure they remain on the path to reform and sustainability within the Euro Area.
7. We are implementing our structural and regulatory reform agenda to enhance medium-term growth prospects and build more resilient financial systems. We remain committed to reduce imbalances by strengthening deficit countries' public finances with sound and sustainable policies that take into account evolving economic conditions and, in countries with large current account surpluses, by strengthening domestic demand and moving toward greater exchange rate flexibility.
8. Despite the challenges we all face domestically, we have agreed that multilateralism is of even greater importance in the current climate, and remains our best asset to resolve the global economy's difficulties.

9. Recognizing the impact of the continuing crisis on developing countries, particularly low income countries, we will intensify our efforts to create a more conducive environment for development, including supporting infrastructure investment. Our policy actions will improve living conditions across the globe and protect the most vulnerable. In particular, by stabilizing global markets and promoting stronger growth, we will generate significant positive effects on development and poverty reduction across the globe.

Supporting economic stabilization and the global recovery

10. Strong, sustainable and balanced growth remains the top priority of the G20, as it leads to higher job creation and increases the welfare of people across the world. We are committed to adopting all necessary policy measures to strengthen demand, support global growth and restore confidence, address short and medium-term risks, enhance job creation and reduce unemployment, as reflected in the Los Cabos Growth and Jobs Action Plan (see Annex). We will implement all our commitments in a timely manner and rigorously monitor their implementation.

11. Against the background of renewed market tensions, Euro Area members of the G20 will take all necessary measures to safeguard the integrity and stability of the area, improve the functioning of financial markets and break the feedback loop between sovereigns and banks. We welcome the significant actions taken since the last summit by the Euro Area to support growth, ensure financial stability and promote fiscal responsibility as a contribution to the G20 framework for strong, sustainable and balanced growth. In this context, we welcome Spain's plan to recapitalize its banking system and the Eurogroup's announcement of support for Spain's financial restructuring authority. The adoption of the Fiscal Compact and its ongoing implementation, together with growth-enhancing policies and structural reform and financial stability measures, are important steps towards greater fiscal and economic integration that lead to sustainable borrowing costs. The imminent establishment of the European Stability Mechanism is a substantial strengthening of the European firewalls. We fully support the actions of the Euro Area in moving forward with the completion of the Economic and Monetary Union. Towards that end, we support the intention to consider concrete steps towards a more integrated financial architecture, encompassing banking supervision, resolution and recapitalization, and deposit insurance. Euro Area members will foster intra Euro Area adjustment through structural reforms to strengthen competitiveness in deficit countries and to promote demand and growth in surplus countries. The European Union members of the G20 are determined to move forward expeditiously on measures to support growth including through completing the European Single Market and making better use of European financial means, such as the European Investment Bank (EIB), pilot project bonds, and structural and cohesion funds, for more targeted investment, employment, growth and competitiveness, while maintaining the firm commitment to implement fiscal consolidation to be assessed on a structural basis. We look forward to the Euro Area working in partnership with the next Greek government to ensure they remain on the path to reform and sustainability within the Euro Area.

12. All G20 members will take the necessary actions to strengthen global growth and restore confidence. Advanced economies will ensure that the pace of fiscal consolidation is appropriate to support the recovery, taking country-specific circumstances into account and, in line with the Toronto commitments, address concerns about medium term fiscal sustainability. Those advanced and emerging economies which have fiscal space will let the automatic fiscal stabilizers to operate taking into account national circumstances and current demand conditions. Should economic conditions deteriorate significantly further, those countries with sufficient fiscal space stand ready to coordinate and implement discretionary fiscal actions to support domestic demand, as appropriate. In many countries, higher investment in education, innovation and infrastructure can support the creation of jobs now while raising productivity and future growth prospects. Recognizing the need to pursue growth-oriented policies that support demand and recovery, the United States will calibrate the pace of its fiscal consolidation by ensuring that its public finances are placed on a sustainable long-run path so that a sharp fiscal contraction in 2013 is avoided.

13. Monetary policy will maintain price stability over the medium term while continuing to support the economic recovery. We will strengthen confidence in our banks, maintaining momentum on the financial sector reforms needed to safeguard our financial systems over the medium term while taking appropriate actions to protect credit channels and the integrity of the global payment and settlement systems. Healthy banks, with an ability to lend, are critical to the global recovery.

14. G20 members will remain vigilant of the evolution of oil prices and will stand ready to carry out additional actions as needed, including the commitment by producing countries to continue to ensure an appropriate level of supply consistent with demand. We welcome Saudi Arabia's readiness to mobilize, as necessary, existing spare capacity to ensure adequate supply. We will also remain vigilant of other commodity prices.

15. A number of emerging markets are now also experiencing a slowdown in growth. In response, these countries are appropriately directing monetary and fiscal policies to support growth while ensuring stability and, in some cases, introducing new measures to boost their economies, in particular through strengthening domestic demand in a context of weaker external demand.

16. We welcome progress by countries with large current account surpluses to increase domestic demand and actions by countries with large current account deficits to increase national savings. Emerging surplus economies will carry out further actions to increase domestic consumption, including by removing price and tax distortions and strengthening social safety nets, while advanced surplus economies or those with relatively weak private demand will promote domestic demand, notably through the liberalization of service sectors and the promotion of investment, including through the removal of inefficiencies. Higher national savings in countries with current account deficits will contribute to a lasting reduction in global imbalances. We recognize the special circumstances of large commodity exporters with regard to current account surpluses. We reaffirm our commitment to move more rapidly toward market-determined exchange rate systems and exchange rate flexibility to reflect underlying fundamentals, avoid persistent exchange rate misalignments, and refrain from competitive devaluation of currencies. We also welcome the commitment by China to allow market forces to play a larger role in determining movements in the Remnimbi (RMB), continue to reform its exchange rate regime, and to increase the transparency of its exchange rate policy.

17. All G20 members have put forward structural reform commitments to strengthen and sustain global demand, foster job creation, contribute to global rebalancing and increase growth potential. These include product market reforms to increase competition, measures to stabilize the housing sector, labor market reforms to boost competitiveness and employment, as well as steps to strengthen social safety nets in a way that is fiscally responsible, advance tax reform to raise productivity, increase investment in infrastructure, and promote inclusive green growth and sustainable development as appropriate to country circumstances. We ask Finance Ministers and Central Bank Governors to consider ways in which the G20 can foster investment in infrastructure and ensure the availability of sufficient funding for infrastructure projects, including Multilateral Development Banks' (MDBs) financing and technical support.

18. In all policy areas, we commit to minimize the negative spillovers on other countries of policies implemented for domestic purposes. We reaffirm our shared interest in a strong and stable international financial system. While capital flows can be beneficial to recipient economies, we reiterate that excess volatility of financial flows and disorderly movements in exchange rates have adverse implications for economic and financial stability.

19. Recognizing the importance of transparency and accountability in reinforcing credibility and confidence, we have agreed on the Los Cabos Accountability Assessment Framework that accompanies the Growth and Jobs Action Plan. This Framework establishes the procedures we will follow to report on progress in implementing our policy commitments. We welcome the first Accountability Report under this new framework. We task our Finance Ministers and Central Bank Governors to present the second Accountability Report for the Leaders' Summit in St. Petersburg in 2013.

Employment and Social Protection

20. Quality employment is at the heart of our macroeconomic policies. Jobs with labor rights, social security coverage and decent income contribute to more stable growth, enhance social inclusion and reduce poverty. We therefore endorse the recommendations of our Labor and Employment Ministers to urgently combat unemployment through appropriate labor market measures and fostering the creation of decent work and quality jobs, particularly for youth and other vulnerable groups, who have been severely hit by the economic crisis. We reaffirm our commitment to youth to facilitate their access to quality jobs, which will boost their life prospects. We welcome the work of the G20 Task Force on Employment and extend its mandate for an additional year in the terms proposed by our Ministers. Consistent with the Los Cabos Growth and Jobs Action Plan, we consider that structural reforms, in full respect of the fundamental principles and rights at work, can play an important role in lifting economic growth to generate labor market opportunities, mobility and jobs. We also commit to intensify our efforts to strengthen cooperation in education, skills development and training policies, including internship and on-the-job training, which support a successful school-to-work transition.

21. Creating jobs and reducing unemployment, particularly among our youth and those most affected by the crisis, is central to all our countries. We welcome the report by the International Labour Organization (ILO), Organisation for Economic Cooperation and Development (OECD), International Monetary Fund (IMF) and World Bank on boosting jobs and living standards in G20 countries. We will continue to focus on measures to accelerate the pace of the recovery in jobs and the reduction in unemployment.

22. We recognize the importance of establishing nationally determined social protection floors. We will continue to foster inter-agency and international policy coherence, coordination, cooperation and knowledge sharing to assist low-income countries in capacity building for implementing nationally determined social protection floors. We ask international organizations to identify policy options with low-income countries on how to develop effective sustainable protection floors.

23. We commit to take concrete actions to overcome the barriers hindering women's full economic and social participation and to expand economic opportunities for women in G20 economies. We also express our firm commitment to advance gender equality in all areas, including skills training, wages and salaries, treatment in the workplace, and responsibilities in care-giving.

24. We ask our Labor Ministers to review progress made on this agenda and we welcome consultations with social partners. In this regard, we appreciate the contribution of the Business-20 (B20) and Labor-20 (L20) to the process of the G20 under the Mexican Presidency.

25. We recognize the role of travel and tourism as a vehicle for job creation, economic growth and development, and, while recognizing the sovereign right of States to control the entry of foreign nationals, we will work towards developing travel facilitation initiatives in support of job creation, quality work, poverty reduction and global growth.

Trade

26. We are firmly committed to open trade and investment, expanding markets and resisting protectionism in all its forms, which are necessary conditions for sustained global economic recovery, jobs and development. We underline the importance of an open, predictable, rules-based, transparent multilateral trading system and are committed to ensure the centrality of the World Trade Organization (WTO).

27. Recognizing the importance of investment for boosting economic growth, we commit to maintaining a supportive business environment for investors.

28. We are deeply concerned about rising instances of protectionism around the world. Following up our commitment made in Cannes, we reaffirm our standstill commitment until the end of 2014 with regard to measures affecting trade and investment, and our pledge to roll back any new protectionist measure that may have arisen, including new export restrictions and WTO-inconsistent measures to stimulate exports. We also undertake to notify in a timely manner trade and investment restrictive measures. We uphold the inventory and monitoring work of the WTO, OECD and United Nations Conference on Trade and Development (UNCTAD) on trade and investment measures and encourage them to reinforce and deepen the work in these areas, consistent with their respective mandates.

29. We value the discussion held by our Trade Ministers in Puerto Vallarta on the relevance of regional and global value chains to world trade, recognizing their role in fostering economic growth, employment and development and emphasizing the need to enhance the participation of developing countries in such value chains. We encourage a deepening of these discussions in the WTO, UNCTAD and OECD within their respective mandates, and we call on them to accelerate their work on analyzing the functioning of global value chains and their relationship with trade and investment flows, development and jobs, as well as on how to measure trade flows, to better understand how our actions affect our countries and others, and to report on progress under Russia's Presidency.

30. In line with the Cannes Communiqué, we stand by the Doha Development Agenda mandate and reaffirm our commitment to pursue fresh, credible approaches to furthering trade negotiations across the board. We will continue to work towards concluding the Doha Round negotiations, including outcomes in specific areas where progress is possible, such as trade facilitation, and other issues of concern for least developed countries. We urge progress in streamlining WTO accession procedures for the world’s poorest countries.

31. We support strengthening the WTO through improving the way it conducts its regular business, and its dispute settlement system. We also direct our representatives to further discussions on challenges and opportunities for the multilateral trading system in a globalized economy.

Strengthening the international financial architecture

32. We recognize the importance of effective global and regional safety nets. We welcome the firm commitments to increase the resources available to the IMF. This is the result of a broad international cooperative effort that includes a significant number of countries. The commitments exceed $450 billion and are in addition to the quota increase under the 2010 Reform. These resources will be available for the whole membership of the IMF, and not earmarked for any particular region. These resources, which qualify as reserve assets, would be channeled through bilateral loans and investments such as note purchase agreements to the IMF’s General Resources Account under the modalities which have been approved by the IMF Executive Board. This effort shows the G20 and the international community’s commitment to take the steps needed to safeguard global financial stability and enhance the IMF’s role in crisis prevention and resolution.

33. We reaffirm our commitment to implement in full the 2010 Quota and Governance Reform by the agreed date of the 2012 IMF/World Bank Annual Meetings. These reforms are crucial to enhancing the IMF’s legitimacy, relevance and effectiveness, and will support efforts to further strengthen Fund surveillance and to ensure that the IMF is adequately resourced to play its systemic role. As part of these reforms, we are committed to completing the comprehensive review of the quota formula, to address deficiencies and weaknesses in the current quota formula, by January 2013 and to complete the next general review of quotas by January 2014. We agree that the formula should be simple and transparent, consistent with the multiple roles of

quotas, result in calculated shares that are broadly acceptable to the membership, and be feasible to implement based on timely, high quality and widely available data. We reaffirm that the distribution of quotas based on the formula should better reflect the relative weights of IMF members in the world economy, which have changed substantially in view of strong GDP growth in dynamic emerging markets and developing countries. We reaffirm the importance of continuing to protect the voice and representation of the poorest members of the IMF. We ask our Finance Ministers and Central Bank Governors to review progress on this issue when they meet in November.

34. We agreed that the current surveillance framework should be significantly enhanced, including through a better integration of bilateral and multilateral surveillance with a focus on global, domestic and financial stability, including spillovers from countries' policies. We welcome the work of the IMF to advance considerations for a proposed integrated surveillance decision and commit to support the decision process. We underscore the importance of rigorous surveillance on exchange rate policies and support a more ample coverage of surveillance activities, where relevant, including global liquidity, capital flows, capital account measures, reserve and fiscal, monetary and financial sector policies that could have an impact on external stability. We welcome the IMF's ongoing work to produce an external sector report, which would strengthen multilateral analysis and enhance the transparency of surveillance. We also recognize that political ownership and traction is critical to effective surveillance, and that the International Monetary and Financial Committee (IMFC) has a role in facilitating the active involvement of all IMF members. We look forward to substantial progress by the next IMF/World Bank Annual Meetings.

35. We welcome the interim progress report and look forward to the joint annual progress report to support the development of local currency bond markets to be prepared by the World Bank, Regional Development Banks, IMF, OECD and the Bank of International Settlements (BIS). The full report will be presented at the November meeting of G20 Finance Ministers and Central Bank Governors. This issue is of great importance to emerging markets and developing countries, recognizing that the liquidity, efficiency and operation of these markets are being challenged by the current global financial situation.

Reforming the financial sector and fostering financial inclusion

36. We welcome the progress report by the Financial Stability Board (FSB) on taking forward the G20 commitments for strengthening financial stability and the FSB's enhanced monitoring of implementation at the national level. We are committed to the timely, full and consistent implementation of agreed policies in order to support a stable and integrated global financial system and to prevent future crises.

37. We welcome the publication of the traffic lights scoreboard to track progress in the implementation of all our financial reform recommendations and pledge to take all necessary actions to make progress in the areas where difficulties in policy development or implementation have been identified.

38. In particular, we recognize the substantial progress to date in the priority reform areas identified by the FSB's Coordination Framework for Implementation Monitoring (CFIM): the Basel capital and liquidity framework; the framework for global systemically important financial institutions (G-SIFIs), resolution regimes, over-the-counter (OTC) derivatives reforms, shadow banking, and compensation practices. We commit to complete work in these important areas to achieve full implementation of reforms.

39. We reaffirm our commitment that all standardized OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central

counterparties by end-2012, OTC derivative contracts should be reported to trade repositories and non-centrally cleared contracts should be subject to higher capital requirements. We welcome the FSB progress report on implementation. Now that substantial progress has been achieved in the four safeguards for a resilient and efficient global framework for central clearing, jurisdictions should rapidly finalize their decision-making and put in place the needed legislation and regulations to meet the G20 commitment for central clearing. We acknowledge the progress made to develop the key principles to promote internationally consistent minimum standards for the margining of non-centrally cleared derivatives and encourage international standard setters to finalize the proposed global margin standards by the end of this year, to match the implementation deadline for other OTC derivatives reforms and for the Basel capital framework.

40. We welcome progress in implementing Basel II, 2.5 and III and urge jurisdictions to fully implement the standards according to the agreed timelines. We welcome the Basel Committee's consultative proposals for a fundamental review of the market risk framework. We welcome the FSB's progress report on the implementation of the principles and standards for sound compensation practices, reaffirm our commitment to ensure that these are followed and ask the FSB to continue its ongoing monitoring.

41. We reiterate our commitment to make our national resolution regimes consistent with the FSB Key Attributes of Effective Resolution Regimes so that no bank or other financial institution is "too big to fail". To this end, we also support the ongoing elaboration of recovery and resolution plans and institution-specific cross-border cooperation agreements for all G-SIFIs. We reiterate our commitment to strengthen the intensity and effectiveness of the supervision of SIFIs and ask the FSB to report on further progress in this area to the November 2012 G20 Finance Ministers and Central Bank Governors' meeting.

42. We welcome progress on developing a set of principles as a common framework for the identification of, and policy measures relating to, domestic systemically important banks (D-SIBs) and ask our Finance Ministers and Central Bank Governors to review recommendations in these areas at their meeting in November. We support continuing work for the strengthening of the oversight and regulation of the shadow banking system, and look forward to our Finance Ministers and Central Bank Governors reviewing recommendations in these areas at their meeting in November. We ask the FSB in consultation with the International Association of Insurance Supervisors (IAIS) to complete their work on identification and policy measures for global systemically important insurers by April 2013. Towards reducing systemic risk, we look forward to the preparation by the FSB in consultation with International Organization of Securities Commissions (IOSCO) of methodologies to identify other systemically important non-bank financial entities by end-2012 and call on Committee on Payment and Settlement Systems (CPSS) and IOSCO to continue their work on systemically important market infrastructures. We also ask the IAIS to continue its work to develop a common framework for the supervision of internationally active insurance groups by end-2013.

43. We call for accelerated progress by national authorities and standard setting bodies in ending the mechanistic reliance on credit ratings and encourage steps that would enhance transparency of and competition among credit rating agencies. We support continuing work to achieve convergence to a single set of high-quality accounting standards. We welcome IOSCO's report on the functioning of the credit default swap markets and ask IOSCO to report on next steps by the November 2012 Finance Ministers and Central Bank Governors' meeting.

44. We endorse the FSB recommendations regarding the framework for development of a global legal entity identifier (LEI) system for parties to financial transactions, with a global governance

framework representing the public interest. The LEI system will be launched by March 2013 and we ask the FSB to report on implementation progress by the November 2012 Finance Ministers

and Central Bank Governors' meeting. We encourage global adoption of the LEI to support authorities and market participants in identifying and managing financial risks.

45. We welcome the FSB study, prepared in coordination with the IMF and the World Bank, to identify potential unintended consequences of the agreed financial regulatory reforms for Emerging Markets and Developing Economies (EMDEs). We encourage continued monitoring analysis and reporting by the FSB and dialogue among the FSB, standard-setters, international financial institutions and national authorities of EMDEs, to address material unintended consequences as appropriate without prejudice to our commitment to implement the agreed reforms.

46. We endorse the recommendations and the revised FSB Charter for placing the FSB on an enduring organizational footing, with legal personality, strengthened governance, greater financial autonomy and enhanced capacity to coordinate the development and implementation of financial regulatory policies, while maintaining strong links with the BIS. We call for a full implementation of the recommendations by our next meeting and substantial progress by the November 2012 Finance Ministers and Central Bank Governors' meeting. We call on the FSB to continue to keep under review the structure of its representation.

47. We welcome the ongoing work by the FSB on adherence to supervisory and regulatory information exchange and cooperation standards and look forward to a further public statement on progress under the initiative ahead of the Finance Ministers and Central Bank Governors' meeting in November 2012.

48. In the tax area, we reiterate our commitment to strengthen transparency and comprehensive exchange of information. We commend the progress made as reported by the Global Forum and urge all countries to fully comply with the standard and implement the recommendations identified in the course of the reviews, in particular the 13 jurisdictions whose framework does not allow them to qualify to phase 2 at this stage. We expect the Global Forum to quickly start examining the effectiveness of information exchange practices and to report to us and our finance ministers. We welcome the OECD report on the practice of automatic information exchange, where we will continue to lead by example in implementing this practice. We call on countries to join this growing practice as appropriate and strongly encourage all jurisdictions to sign the Multilateral Convention on Mutual Administrative Assistance. We also welcome the efforts to enhance interagency cooperation to tackle illicit flows including the outcomes of the Rome meeting of the Oslo Dialogue. We reiterate the need to prevent base erosion and profit shifting and we will follow with attention the ongoing work of the OECD in this area.

49. We support the renewal of the Financial Action Task Force (FATF) mandate, thereby sustaining global efforts to combat money laundering and the financing of terrorism and proliferation of weapons of mass destruction. G20 members also welcome the adoption of the revised FATF standards and look forward to their implementation. We welcome the progress made by FATF in identifying and monitoring high-risk jurisdictions with strategic Anti-Money Laundering/Counter-Terrorist Financing (AML/CFT) deficiencies, using AML/CFT tools in the fight against corruption, improving transparency of corporate vehicles and increasing cooperation against tax crimes, addressing the risks posed by tax havens, as well as in increasing the reach and the effectiveness of AML/CFT measures by also considering financial inclusion efforts. We look forward to the completion in 2013 of the update of the FATF assessment process for the next round of mutual evaluations.

50. We welcome the progress made by the Global Partnership for Financial Inclusion (GPFI) on implementing the five recommendations set out in its 2011 report and call on the GPFI to continue working towards their full implementation. We endorse the G20 Basic Set of financial

inclusion indicators developed by the GPFI. Recognizing the key role that SMEs play in economic development, and poverty reduction, we welcome the launch of the SME Finance Compact that will support developing innovative models and approaches to address the specific access to finance challenges and constraints faced by developing countries with regards to SME finance. We welcome the forthcoming GPFI conference on standard setting bodies and financial inclusion as a means of helping to create an enabling regulatory environment, and we call on the GPFI to report progress to our Finance Ministers and Central Bank Governors in November. Finally, we support the ongoing effort to create a fourth GPFI subgroup that will focus on consumer protection and financial literacy issues.

51. We acknowledge the efforts of those G20 and non-G20 countries committed to national coordination platforms and strategies for financial inclusion under the "G20 Financial Inclusion Peer Learning Program" and encourage similar efforts to advance effective implementation of the G20 Principles for Innovative Financial Inclusion such as the commitments to concrete actions to promote financial inclusion made by developing and emerging countries under the Maya Declaration, recognizing the ongoing efforts and the support by the World Bank Group and the Alliance for Financial Inclusion, and other stakeholders including the United Nations (UN), and bilateral donors to foster financial inclusion.

52. On financial education, we endorse the OECD/International Network on Financial Education (INFE) High Level Principles on National Strategies for Financial Education, and call on the OECD/INFE and the World Bank in cooperation with the GPFI to deliver further tools to promote financial education, with a progress report to the next Summit. For advancing the financial consumer protection agenda, we take note of the discussion on the Statutes of the International Financial Consumer Protection Network (FinCoNet) and on the issues of formal structure and financial support to ensure the exchange of best practices. We also endorse the Action Plan presented by the G20/OECD Task Force on Financial Consumer Protection to develop effective approaches to support the implementation of the High Level Principles on Financial Consumer Protection, and look forward to an update report by the Leaders' Summit in St. Petersburg in 2013.

53. We recognize the need for women and youth to gain access to financial services and financial education, ask the GPFI, the OECD/INFE, and the World Bank to identify barriers they may face and call for a progress report to be delivered by the next Summit.

54. We welcome the launch of the Mexico Financial Inclusion Challenge: Innovative Solutions for Unlocking Access, a call for innovations that address barriers to financial inclusion through the creation of valuable, affordable, secure, and comprehensive financial services.

Enhancing food security and addressing commodity price volatility

55. The Action Plan on Food Price Volatility and Agriculture adopted by the Ministers of Agriculture in 2011 underlined that to feed a world population expected to exceed 9.3 billion by 2050, agricultural production will have to increase between 50 and 70 percent, and by almost 100 percent in developing countries. We recognize that increasing production and productivity on a sustainable basis while considering the diversity of agricultural conditions is one of the most important challenges that the world faces today. The crisis in the Sahel and the Horn of Africa also underscores that strengthening emergency and long-term responses to food insecurity remains a pressing challenge. We also note that chronic malnutrition is an enormous drain on a country's human resources, and we therefore support the Scaling Up Nutrition movement and encourage wider involvement of G20 members.

56. We welcome the considerable progress made in implementing the Action Plan and the food security pillar of the Seoul Multi-Year Action Plan on Development. We support the G20

Agriculture Vice-Ministers' Report annexed to this Declaration, on the progress made on previous commitments and key recommendations on sustainably increasing agricultural productivity, containing inputs from several international organizations coordinated by the Food and Agriculture Organization (FAO) and the OECD, in addition to other recommendations from B20 and civil society.

57. To fight hunger, we commit to continue our efforts on our initiatives, including the Tropical Agriculture Platform, the Platform for Agricultural Risk Management, the GEO Global Agriculture Monitoring, research initiatives for wheat, rice and corn, the Rapid Response Forum, regional emergency food reserves, the Global Agriculture and Food Security Program and support for the Principles of Responsible Agriculture Investment. Recognizing the important contribution of greater transparency to reducing food price volatility, we welcome the progress made in the implementation of the Agricultural Market Information System (AMIS). We recognize that a more stable, predictable, distortion-free, open and transparent trading system, including as regards agriculture, has a critical role to play to promote food security.

58. We reaffirm our commitment to remove export restrictions and extraordinary taxes on food purchased for non-commercial humanitarian purposes by the World Food Programme (WFP). We encourage the implementation of the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security.

59. We strongly welcome the launch of the "AgResults" Initiative, aimed at improving food security for the poor and vulnerable by encouraging private sector innovation of new agricultural products and systems constrained by market failures in agriculture. We look forward to the launch of the pilot projects focused on innovations in nutrient-fortified crops, post-harvest waste-reducing storage solutions and crop quality technologies in Sub-Saharan Africa. We commend those who have already committed or signaled their intention to commit funding to this initiative and encourage broader participation.

60. We recognize the need to adapt agriculture to climate change and we recognize the importance of improving the efficiency of water and soil use in a sustainable manner. To this end, we support the development of and a greater use of available technologies, well-known practices and techniques such as soil fertility enhancement, minimum tillage and agroforestry, and call upon international organizations to provide a report on science-based options to improve the efficiency of water use in agriculture including in ways particularly suitable for small farms.

61. We recognize the importance to the global economic recovery of maintaining stability in international commodity markets. We stress the importance of well-functioning and transparent physical and financial commodities' markets and reduced excessive price volatility to achieve food security and strong growth that is both sustainable and inclusive. We recognize that excessive commodity price volatility has significant implications for all countries, increasing uncertainty for actors in the economy and potentially hampering stability of the budgets, and predictability of economic planning. We recognize that mitigating the negative effects of commodity price volatility on the most vulnerable is an important component of reducing poverty and boosting economic growth. We therefore endorse the conclusions of the G20 report on the macroeconomic impacts of excessive commodity price volatility on growth and its identification of policy options that countries could consider, taking account of national circumstances to mitigate any such effect. We also acknowledge and appreciate the participation and valuable inputs of the IMF, World Bank and UNCTAD. We ask our Finance Ministers to report in 2013 on progress on the G20's contribution to facilitate better functioning of these physical markets, taking note of possible areas of further work outlined in the report. We reaffirm our commitment to enhance

transparency and avoid abuse in financial commodity markets, including OTC, with effective intervention powers for market regulators and authorities and an appropriate regulation and

supervisory framework. In this regard we look forward to IOSCO's report on the implementation of its recommendations on commodity derivatives markets by November 2012.

62. We recognize that excessive price volatility in energy commodities is also an important source of economic instability. We remain committed to well-functioning and transparent energy markets. We will continue to work to improve the timeliness, completeness and reliability of JODI-Oil and look forward to a progress report next year. We will work on the JODI-Gas database on the same principles. We expect the International Energy Forum (IEF) report on improving the reliability of the JODI-Oil database and the report on transparency in international gas and coal markets submitted by the International Energy Agency (IEA), IEF, and Organization of the Petroleum Exporting Countries (OPEC) to be discussed by our Finance Ministers in November. We also look forward to IOSCO's recommendations to improve the functioning and oversight of Price Reporting Agencies in November 2012, which will be produced in collaboration with other mandated organizations (IEF, IEA and OPEC), and task Finance Ministers to take concrete measures in this area as necessary.

Meeting the Challenges of Development

63. Eradicating poverty and achieving strong, inclusive, sustainable and balanced growth remain core objectives of the G20 development agenda. We reaffirm our commitment to work with developing countries, particularly low income countries, and to support them in implementing the nationally driven policies and priorities which are needed to fulfill internationally agreed development goals, particularly the Millennium Development Goals (MDGs) and beyond.

64. We welcome the initiative of the Development Working Group to build upon the work of previous G20 presidencies, and its focus on three priorities during the Mexican Presidency - food security, infrastructure and inclusive green growth. We commend the progress achieved against our commitments in the Seoul Multi-Year Action Plan, and support the 2012 Development Working Group progress report annexed to this Declaration. We invite the Development Working Group to explore putting in place a process for ensuring assessment and accountability for G20 development actions by the next Summit.

65. Investment in infrastructure is critical for sustained economic growth, poverty reduction, and job creation. We therefore welcome the strong progress made under the Multi-Year Action Plan, including in implementing the recommendations of the Multilateral Development Banks' (MDBs) Action Plan and the High Level Panel on Infrastructure.

66. While recognizing that public financing of infrastructure development projects in developing countries remains essential, we consider it should be complemented by private sector investment. We encourage MDBs to continue progress under the Action Plan, and welcome the report on addressing Misperception of Risk and Return in Low Income Countries. This contains important messages about properly perceiving the risks posed, as well as the opportunities offered, by long-term infrastructure investment in low income countries. Recognizing the challenge that rapid urbanization poses and the need to make cities more sustainable, we welcome the report on Best Practices for Urban Mass Transport Infrastructure Projects in Medium and Large Cities in Developing Countries, and support the follow-up actions as set out in the Development Working Group report.

67. We reaffirm our commitments to the global partnership for development, as set out in the MDGs, and welcome efforts to contribute to this end, including the Global Partnership for Effective Development Cooperation to be launched with voluntary participation under the auspices of the broad consensus achieved at the 4th High Level Forum on Aid Effectiveness held in Busan, Korea.

68. We recognize the value of Disaster Risk Management (DRM) tools and strategies to better prevent disasters, protect populations and assets, and financially manage their economic impacts. We appreciate World Bank and OECD combined efforts, with the UN's support, to provide inputs and broaden participation in the discussion on DRM. We welcome the World Bank's and Mexico's joint publication on country experiences in this area with the support of G20 members, and look forward to the OECD voluntary framework to facilitate implementation of DRM strategies, to be completed by November.

Promoting longer-term prosperity through inclusive green growth

69. The long-term development and prosperity of current and future generations requires us to look beyond the immediate economic crisis. We acknowledge the importance of finding ways in which economic growth, environmental protection and social inclusion can complement and reinforce each other. Inclusive green growth in the context of sustainable development and poverty eradication can help achieve our development and economic goals, while protecting our environment, and improving social well-being on which our future depends. Inclusive green growth should not be used to introduce protectionist measures.

70. We commit to continue to help developing countries sustain and strengthen their development through appropriate measures, including those that encourage inclusive green growth. We will reaffirm our commitment to sustainable development at the 2012 United Nations Conference on Sustainable Development (Rio+20). We commit to maintaining a focus on inclusive green growth as part of our G20 agenda and in the light of agreements reached at Rio+20 and the United Nations Framework Convention on Climate Change (UNFCCC).

71. Climate change will continue to have a significant impact on the world economy, and costs will be higher to the extent we delay additional action. We reiterate our commitment to fight climate change and welcome the outcome of the 17th Conference of the Parties to the UN climate change conferences. We are committed to the full implementation of the outcomes of Cancun and Durban and will work with Qatar as the incoming Presidency towards achieving a successful and balanced outcome at COP-18. We emphasize the need to structurally transform economies towards a climate-friendly path over the medium term. We welcome the creation of the G20 study group on climate finance, in order to consider ways to effectively mobilize resources taking into account the objectives, provisions and principles of the UNFCCC in line with the Cancun Agreement and ask to provide a progress report to Finance Ministers in November. We support the operationalization of the Green Climate Fund.

72. The Development Working Group discussed a broad set of practical, voluntary measures and actions that have the potential to help countries define their paths towards sustainable development based on their own circumstances and priorities. We believe that developing countries should have access to institutions and mechanisms that can facilitate knowledge sharing, resource mobilization and building technical and institutional capacity to design and implement inclusive green growth strategies and policies. We welcome international efforts in launching the Green Growth Knowledge Platform and will continue exploring options to provide appropriate support to interested developing countries. We welcome the delivery of a non-prescriptive, voluntary toolkit of policy options for inclusive green growth and encourage efforts to promote its implementation. We encourage further exploration of effective mechanisms to mobilize public and private funds for inclusive green growth investment in developing countries, including through the public-private Dialogue Platform on Inclusive Green Investments. We welcome the B20's Green Growth Action Alliance.

73. We highlight that green growth and sustainable development have strong potential to stimulate long term prosperity and well being. We welcome the report prepared by the OECD, the World

Bank and the UN on incorporating green growth and sustainable development policies into structural reform agendas, tailored to specific country conditions and level of development. We also acknowledge the G20 efforts to voluntarily self-report on current actions taken to integrate green growth and sustainable development into structural reform agendas. We will self-report again in 2013, on a voluntary basis, and ask appropriate officials to report back on countries' efforts and progress on incorporating green growth policies in structural reform agendas and in relevant national plans to promote sustainable development.

74. We welcome the progress report on fossil fuel subsidies, and we reaffirm our commitment to rationalize and phase out inefficient fossil fuel subsides that encourage wasteful consumption over the medium term while providing targeted support for the poorest. We ask Finance Ministers to report back by the next Summit on progress made, and acknowledging the relevance of accountability and transparency, to explore options for a voluntary peer review process for G20 members by their next meeting. We also welcome a dialogue on fossil fuel subsidies with other groups already engaged in this work.

75. In Cannes we committed to promote low-carbon development strategies in order to optimize the potential for green growth and ensure sustainable development in our countries and beyond. We therefore welcome the report on clean energy and energy efficiency technologies and acknowledge the G20 countries' efforts to foster investment in these technologies through the sharing of national experiences regarding challenges for technology deployment.

76. We welcome the establishment of a Global Marine Environment Protection Best Practices Sharing Mechanism website, and look forward to its launch in accordance with the Cannes mandate.

Intensifying the fight against corruption

77. Corruption impedes economic growth, threatens the integrity of markets, undermines fair competition, distorts resource allocation, destroys public trust and undermines the rule of law. We call on all relevant stakeholders to play an active role in fighting corruption.

78. Closing the implementation and enforcement gap remains an important priority, and we continue to make significant progress towards the full implementation of the Seoul G20 Anti-Corruption Action Plan, and the commitments made in the Cannes Monitoring Report. We reiterate our commitment to the ratification and full implementation of the United Nations Convention against Corruption (UNCAC), and to more active engagement with the OECD working group on bribery on a voluntary basis. We welcome continuing engagement from the B20 in the fight against corruption and, in accordance with the Terms of Reference of the review mechanism, will involve the private sector and civil society in the UNCAC review process on a voluntary basis. We endorse today the G20 Anti-Corruption Working Group principles for denial of entry to our countries of corrupt officials, and those who corrupt them, and will continue to develop frameworks for cooperation. We also endorse the Working Group's principles for financial and asset disclosure systems for relevant officials to prevent, identify and appropriately manage conflicts of interest.

79. We commit to enforcing anti-corruption legislation, and we will pursue those who receive and solicit bribes as well as those who pay them in line with our countries' legislation. To help facilitate international cooperation among G20 and non-G20 governments in their investigation and prosecution of corruption, we will publish a guide on Mutual Legal Assistance from G20 countries, as well as information on tracing assets in G20 jurisdictions. We renew our commitment to deny safe haven to the proceeds of corruption and to the recovery and restitution of stolen assets.

80. We extend the mandate of the Anti-Corruption Working Group for two years to the end of 2014 and request the Working Group to prepare a comprehensive action plan, as well as a second Working Group Monitoring Report, both to be presented for consideration and adoption by Sherpas by the end of 2012.

Other paragraphs

81. In light of the interconnectedness of the world economy, the G20 has led to a new paradigm of multilateral co-operation that is necessary in order to tackle current and future challenges effectively. The informal and flexible character of the G20 enables it to facilitate international economic and financial cooperation, and address the challenges confronting the global economy. It is important that we continue to further improve the transparency and effectiveness of the G20, and ensure that it is able to respond to pressing needs. As a contribution to this, in line with the commitment made in Cannes, Sherpas have developed a set of evolving G20 working practices.

82. An informal meeting of G20 Ministers of Foreign Affairs was held in Los Cabos in February, which explored the ways in which G20 member countries could contribute more effectively to address key challenges in global governance.

83. Recognizing the far-reaching impact of G20 decisions, we welcome the extensive outreach efforts undertaken by the Mexican Presidency, including the meetings of Business-20, Labor-20, Youth-20, and Think-20. We will continue developing efforts with non-members, regional and international organizations, including the UN and other actors. In line with the Cannes mandate, in order to ensure our outreach remains consistent and effective, we welcome a set of principles in this area, developed by Sherpas.

84. We thank international organizations, including the UN, IMF, World Bank, WTO, FSB, ILO, FAO, and OECD, as well as civil society, for their input into the G20 process. Their reports and recommendations have provided valuable inputs to G20 discussions, in areas ranging from sustainable development to financial regulation.

Conclusion

85. We look forward to the rest of the work that will take place during Mexico's Presidency until November 30. On 1 December, 2012, Russia will start chairing the G20. We will convene in St. Petersburg, under the Chairmanship of Russia. We thank Mexico for hosting a successful Los Cabos Summit.