

Internationalization and diplomatic relations

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Abstract: With regard to taxation, it must be seen from two perspectives: that of income and that of expenditure. In Latin America there are very insufficient tax revenues, as well as being inequitable and poorly distributed. On the expenditure side there is a very wrong distribution of it. The case of the Brazilian SS is an extreme case, but very illustrative (retirement at age 50 and with 100% of the salary). In general, in Latin America, the system is highly segmented and there is no universality in social benefits. Most have social security for the military, civil servants and, in some cases, unionized workers. One of the major problems plaguing the efforts of developing countries is corruption, a problem that also has a regressive effect and can discourage foreign investment.

On the other hand, we find external sources of financing. In the first place we have the private sources, among which we can highlight the Foreign Direct Investment (which has or creates productive capacity), a very beneficial form of financing due to its vocation of permanence, the transfer of technology carried outland the enormous contribution of net capital to the developing country. We also have portfolio investment, based on the purchase of stocks and government bonds with conditions of high interest rates and high liquidity, which makes it very volatile and dependent on changes in the cycle of international financial markets (with consequent vulnerability to crises). In addition, this case causes a large part of the economic independence of any State to be lost, since if it carries out policies that are negative for investors, they would sell.

It cannot be considered that there is a single model of development aid that is valid for all countries, all States must have a certain margin of maneuver to be able to move forward, so investments in quarries are a very reviled and risky method for development. It is assumed that within a transparent system this can work properly, but since that is not real, special intervention is needed by States in the face of capital movements, either for liberalization or control of them.

Keywords: Global relations, International Relations, world connectivity

Introduction

The international aid system responds to 3 historical trends: the East-West confrontation (now disappeared), the north-south conflict (derived from decolonization) and globalization.

East-West confrontation

Key dates of the East-West conflict and its relationship to aid.

- In 1947 the Marshall Plan was launched.
- In 1960 Kennedy's "Liberal Containment" takes place
- In 1989 the bipolar system collapsed.

The declared objective of the Marshall Plan was the reconstruction of Europe, although the real objective was the socio-economic-political stabilization of the region so that the borders defined in Potsdam and Yalta were not redrawn. In 1946 it is noted that the reconstruction of Europe and Japan was not taking place in the environment of the International Bank for Reconstruction and Development, which is the nucleus of today's World Bank, having not given a single dollar so far. In addition, at this time the first elections after the Second World War took place, reaching an important weight the communist parties of France and Italy in their respective governments. In addition, Greece was mired in civil war, a war in which Yugoslavia also had much to do with questioning the Western situation of Greece and supporting the Greek communists. Faced with this situation, the United Kingdom states that it cannot continue to maintain its responsibilities in the region and the United States decides to assume it through an economic and military aid program 14 weeks before the implementation of the Marshall Plan that also reached Turkey. In this way, they managed to keep Greece in the Western bloc.

The implementation of the Marshall Plan also meant a change in the form of American aid, which had been promoted in a multilateral environment and now became bilateral, which was also much simpler and faster. Economically, the credits were much more favorable but imposed a series of conditions: political (that there are no communists in the governments) and economic (that what they were going to buy for reconstruction was American, so that they did not have a surplus crisis putting resources in the hands of European countries). The

problem with the Marshall Plan is that it was limited to European countries ravaged by war, which prevented it from being effective in other regions of the planet, which is why President Truman, in his speech on point 4, proposes extending the American economic development model to the whole world through aid and technology transfer.

The result of this is the Mutual Security Act of 1950 that allows aid to any other country in the world, which also serves as a reaction to the alliance between the USSR and the new communist China of Mao TseTung. This law has no economic aspect, it is merely political and a form of economic compensation for the establishment of military bases that would allow him to control the communist alliance. To this was added in 1954 the Public Law 480 of food aid to give an outlet to the agri-food surpluses and supply the allied countries of the communist periphery. Thus, we can see how the United States was varying the geographical distribution of aid according to politics. Being a senator Kennedy is dissatisfied with the foreign policies of Eisenhower, which is shown when he arrived at the White House in 1960 he formed the "Alliance for Progress", an aid program focused on Latin America, a program that proposes a new paradigm in containment: socioeconomic development, thus founding the "Liberal Containment" with soft power measures to stop the advance of communism. Following this trend, it eliminates the MSA and establishes the Foreign Assistance Act and USAID. Also, within the OECD it creates the Development Assistance Group that today is the DAC.

With regard to the USSR, there are no data as we have for the USA. First of all, the price in convertible rubles depended on the plan, there was no stable scale or unified figures (they change from one source to another). Despite this, it can be observed how the patterns of behavior in aid are quite similar with cases such as those of El Salvador, Cuba, China, Indochina, etc. Help was used as a mechanism of influence, conditioning and even prestige.

These attitudes have led to the belief that there is a very strong link between foreign aid, the donor's foreign policy and its national interests (especially those arising from the geostrategic situation of the recipient). International aid systems were forged in this bipolar system, which is why the east-west dilemma remains in force, although to a much lesser extent.

Donor developments between 2001 and 2005

Over the years, the U.S. has maintained an official aid policy focused on political interests based on U.S. national security (importance of Central Asia, the Middle East and fluctuating Latin America). On the other hand, Japanese aid can be understood in terms of the production chain of Japanese companies in the Asian region. England, for its part, focuses its aid on a post-colonial relationship with African and Asian countries, although it has gradually adopted the American posture of war on terror. France follows the same post-colonial line as England, although it does not enter the rag in the war on terror. Portugal, although small, follows this same postcolonial line, although it has some exceptions such as FYROM and Bosnia because of the Europeanization of its policies. Germany moves like Japan in a geoeconomic key, also having special relations with Russia, the Balkans and Turkey for neighborhood issues and with Andean countries for having been one of the main drivers of the fight against drug trafficking.

In addition to these logics, the case of Congo, Nigeria and Iraq is especially paradigmatic because of the stabilization sought in Africa with the first and the debt forgiveness of the second.

Help models:

- Strategic interests defined especially in terms of national security and/or geo-economic
- Post-colonial links
- Neighbourhood policy
- Europeanization and multilateralization of policies.
- Solidarity, a model of Nordic cooperation, characterized by an orientation of aid to LDCs and SCIs; for increased support for the UN and multilateral organizations; by a relatively larger weight of humanitarian aid; and for a much greater aid effort than the rest of the countries. Denmark is the clearest case, being also Holland, Switzerland and Ireland. Sometimes it is found mixed with other models (Finland with Russia).

In Spain there is an amalgam of all models, having a geo-economic interest in China and Singapore, a very strong post-colonial link, a very clear neighborhood policy with Morocco, a clear Europeanization and multilateralization with cases such as Turkey, Iraq, Yugoslavia, Bosnia, etc. and solidarity policies that lead us to prioritize the lower income countries of Latin America.

North-South conflict

Today it focuses not only on economic diatribes, but also on issues such as the responsibility of Northern states on environmental issues. Despite this, the main controversy centers on the way in which both the WTO and the ODA issue are handled.

International multilateral financial organizations (IMF, WB and Regional Development Banks such as the IDB, ADB, AFDB and EBRD; in addition to the EIB and other Integration Banks).

The IMF does not have in its statutes the mission of promoting development, its objective is international financial cooperation. When it was born in 1944, 3 functions were attributed to it:

- Management of the international monetary system (disappears with the fall of the Bretton-Woods system in the 70s)
- Monitoring or supervision of Member States' economies on an annual basis through reports. For developing countries, this report is very important in identifying problems and establishing recommendations to overcome them. In addition, if a country needs to go to the IMF to obtain a loan, the report will mark the conditionality of the loan.
- Contingency financing, grants credits in situations of balance of payments crisis. In reality they are not credits, it works more like a mutuality to which it contributes in exchange for being able to withdraw funds from it, so that the currencies are returned with an interest rate. The IMF requires conditions to be met.

One of the novelties that occur from the Asian crisis of 98 is that it no longer acts only in post-crisis situations, but tries to detect possible crises before they arise and acts to avoid them by generating confidence in the affected economy. IMF resources never go to concrete projects, they go to the reserves of the Central Bank to maintain the appreciation of the currency.

Still, we maintain the IMF as a development institution. Its importance means that the vast majority of developing countries have implemented adjustment programs indicated by the IMF, thus marking the country's economic policy and the framework within which all economic actors in the country must act to achieve acceptable development. In addition, the IMF introduces a subsidy in loans to SCI countries that counts in the economies of donor States as ODA.

The mode of operation of the World Bank is the model in which all the multilateral banks that exist have been fixed. The main thing to note is that they are banks, they are not NGOs or state organizations in charge of the budget, nor a UN agency financed by their members. They are public financial intermediaries whose members are also customers. It has an authorized capital of 190,000 million dollars, but the paid-up capital is only 5%. The reserves are composed of the bank's profits and is approximately 20% of the authorized capital. The remainder (75-76%) is the claimable capital that, at any given time, the World Bank can claim from its members. This concept is an implicit government guarantee since the World Bank sells Bonds in the international market, bonds that offer high security and low profitability (they have the AAA classification granted by risk assessment institutions). From the money obtained from these actions, ordinary loans (at higher interest rates) are made to developing countries and, if the time comes they cannot pay it, the claimable capital is activated so that the rest cover the debt. Although this figure exists, it has never been activated since no developing country has thought of defaulting on its debts to the IMF or the World Bank due to its status as a preferred creditor.

With the differential in interest rates (ordinary loans vs. bonds) the World Bank pays ordinary expenses (around 1,200 million dollars per year), maintains reserves and allocates a part to the "Social Work" through which it grants concessional loans (IDA) to the SCI countries (\$±750) under very favorable conditions (interest rate of 1% or even lower).

The World Bank cannot forgive debt on its own since it would lose reserves, which would cause the risk rating to suffer and the interest on ordinary bonds and loans must rise. Therefore, it is the rich states that cancel the debt independently or at the request of the WB.

In short, the WB's financing falls on developing countries, which are continuously indebted. To avoid this situation, there is an alternative way that is being explored and is based on Global Taxes (charges on space activities, ecotaxes, etc.) that would help finance this type of institutions.

Multilateral banks aim to finance investment projects. The credits have a national counterpart, not being financed 100% and counting on co-responsibility, thus mobilizing national resources. Development banks organize syndicated loans. The aggregate of all development banks in these projects is about 100,000 million dollars per year, projects that must be executed through international public tenders open to all companies. The contracts are awarded through the Administration and the development banks, thus avoiding corruption and granting them in a fairly clean and transparent manner by a mechanism of mutual control between the governments that are part of the corresponding Development Bank. Thus, the most competitive companies take

70% of the contracts, companies that belong to the richest countries. In this way, richer countries see these institutions as a means to promote the internationalization of their companies and not as a mechanism to favor development.

There is a Commercial Utilization Rate that is always taken into account. The Spanish case is quite poor, having a TAC of 1100% due to its low presence in Africa and Asia, while countries like England have it around 5500%. In the case of IDA, the TAC is very low because of its special characteristics. There is also a certain interest on the part of developing countries to attract other countries as non-creditor offshore members to their regional development banks (cases of the IDB and the Central American Development Bank with Spain) to provide them with much greater stability and less dependence on the US.

Another motivation is the distribution of power, usually oriented according to the concept "1 State, 1 vote", there is another idea of distribution of power weighted according to the populations of the States that are part of the organism (European case), although there are organizations very reluctant to this type of idea (GA in the UN, NATO, etc.). Finally we have the -->plutocratic [Author:AGyM], in which the rules of voting allocation grant more participation to the countries that have a greater world production. This means that there are no organizations that show the gap between rich and poor countries better than the IMF and the WB. In reality, what prevails is this economic relationship between economic power and weight in the organization and not the *disguise* of 1 vote per State.

There are two main bodies, the Board of Governors and the Executive Board. The latter consists of 24 chairs, a fairly limited number, distributed according to fairly random rules. The US is the only one with veto power in these bodies, although others can group together to achieve the blocking minority.

There are 5 States with their own chair by weight (USA, Japan, France, Germany and United Kingdom) and another 3 that have them for political reasons (China, Russia and Saudi Arabia). In addition, mixed chairs have a common vote, so developing States usually lose their ability to disagree because of their lower weight. Normally, sending States are chosen on the basis of a majority decision, although Spain's group rotates among large States. The EU has no chair because it is not in the IMF as such.

Despite the quota allocation system, the US is undervalued for two reasons. The first is that the system of allocation of votes causes the one that was originally in the IMF to lose power as new states enter. The question that arises here is who is specifically removed from the weight given to the one who enters, with Europe being the main candidate to lose weight, taking into account that it is notoriously overrepresented. The second is the foreseeable position before a joint action of the EU, whose member states would have 34% of votes against 17% North American when the weight of both economies is similar. If the EU decided to act together, the US would not sit well with it, flatly refusing to do so and calling for a change in the rules so that the aggregate vote would be modified.

On the other hand, if we take into account income in purchasing power parity, which is how it should be done, the relations are very different between all States (the case of China is striking compared to any economy of small European States, for example). This leads to a dominant position of Western developed states, sidelining developing countries and leaving them with a sense of "*ownership*", that they are not masters of their own destiny.

The Chinese case is very particular, because its participation in the IMF is very small, which means that what it can withdraw in the face of a foreseeable crisis is a tiny amount, thus generating a situation of global crisis due to the great weight of the Chinese economy. This has led China to create its own monetary fund in which it maintains huge foreign exchange reserves (\$1.2 trillion), which produces a great imbalance in the world economy making it very fragile and weak. That is why we would all be interested in China having a greater representation (more in line with its position in the market, around 10-12%) in the IMF and being able to rely on it to solve its crises. This would make it easier for China to counter American conditionality and could actually influence the IMF, thus creating a more multipolar body. To be sure, China's weight in the world economy does not correspond to its situation in international financial institutions.

A possible reform of the IMF would lead to the creation of 3 major players (US, EU, China+) in a more stable and "*fair*" system, replacing the current model in which the US dominates widely with respect to the others and that prevents joint action by the EU for all costs. This new system would give more importance to the EU because it could exercise a bloc position in which the US could not intervene.

The Bretton Woods system established that investment capital should be raised through the private market since savings are not sufficient to meet it. Despite this, it was recognized that the market was failed and that there were States that would not have access to that market for any reason, so it is proposed that the World Bank will grant financing only to States that cannot normally obtain it in the world market. Especially, they would have a central role in sectors where private investment would not act (health, education, etc.). When the World Bank was born, the international market reacted with distrust to this new organization. The bonds issued by this organization that was going to lend to poor countries were frowned upon, with even countries prohibiting

the sale of World Bank bonds because they considered them inherently fraudulent. In fact, it was established that the president had to be a financier of recognized prestige, but no financier wanted to put his prestige at stake. Eugene Black was the first who met this criterion and who dared to show his face, being 11 years in office and lending only to solvent States to avoid moratoriums and debt rescheduling, which would give greater solidity to the bank in the face of investors. Finally, in the late 50s, the World Bank achieved AAA rating from risk agencies and even "*made money indecently*". But these solvency criteria were drowning the countries that were indebted, preventing them from borrowing more by not meeting the criteria, leaving them without customers.

In any case, the emergence of the new states through decolonization was a boost to the WB, although they did not decide to lend it anything. Decolonization meant disinvestment as companies abandoned their activities in those countries. This meant that they had to ask for loans from the WB, who did not give them these credits so as not to fall into a possible situation of moratorium that would increase the risk of their bonds and, therefore, their prestige. To correct this situation, developing countries establish an offensive in two areas: the UN and the WB.

At the UN, developing countries are pushing for the creation of a UN-owned Development Bank. The SUNFED would be nourished by mandatory and progressive contributions, creating a kind of global income tax. The funds would be granted on a concessional basis based on the wealth of the recipient countries. Rich countries were obliged to pay and poor countries had a right to receive. This body would be governed like the UN, which would lead to control over it in developing countries. The idea that being underdeveloped would entitle you to receive loans on special terms was very orthodox at the time. The US, UK and the World Bank took a position against this proposal and fought to prevent the creation of SUNFED. In exchange, the International World Bank Development Association was created, which was created in 1960.

IDA loans would be financed by voluntary contributions from WB members, with an interest rate of 1 percent for management and a grant element of up to 80 percent. The countries in Part 2 of the DAC list, i.e. the Low Income Countries, are the only ones that can benefit from these credits, provided that they meet a series of conditions of all kinds that have been increasing over time to reach close to 40 conditions today and according to which the IDA leadership (controlled by the richest states) scores the different States. In any case, IDA lends at a loss, so it must normally call on Member States to refinance it.

Sus ingresos vienen de la AOD que destinan sus miembros a ella, de la devolución de los créditos AIF y de una parte de los ingresos operacionales del BM por sus actividades ordinarias. La negociación de las reposiciones tiene dos fases, la primera en la que se discute cuanto dinero hace falta y la segunda en la que se decide como se reparte. Siempre que hay una Conferencia Internacional de Donantes, el presidente pide que se presenten los compromisos, comenzando por los miembros del G7 y siguiendo con el resto de países. Se espera que los más ricos asuman el peso más grande, aunque puede dar lugar a problemas. Por ello y por la frecuencia de la refinanciación (cada 3 años), en los años 60 se firmó una regla que decía que "*de una reposición a otra, el monto total tiene que ser igual o superior y a la hora de distribuir la aportación de los países ricos el porcentaje sería similar al poder de voto que se tiene en el BM*". Esto se ha respetado hasta 1996, cuando EEUU acudió a una reposición con una directriz aprobada por su cámara de representantes que estableció que había que reducir a la mitad la contribución estadounidense a la AIF. El resto de los países se enfadaron y se dividió a la mitad toda la contribución a la AIF, creando un Fondo Interino con la otra mitad. Se instruyó a la AIF que cada vez que financiaba un proyecto designara el Fondo al que se cargaba y, si se cargaba al interino, los proyectos financiados no podían ser contratados por empresas norteamericanas, lo que llevó a EEUU a rectificar 2 años después. Desde este momento, la AIF se ha convertido en la más importante (a veces incluso única) fuente de financiación de muchos Estados en desarrollo.

Además de la obtención de la AIF, se aprobó la creación del UNTA, fondo de asistencia técnica con aportaciones voluntarias de los miembros. Esto chocó con el EPTA (Expanded Program of Technical Assistance) que se encargaba de la asistencia técnica, puesto que estaban realizando la misma tarea. En 1965 se deciden a refundirlo creando el UNDP (UN Development Program). Esta organización se encarga de coordinar todos los programas de la ONU, tanto desde la sede como en los países donde se desarrollen los programas, a través de 3 instrumentos de programación; el CCA (Common Country Assesmen), programa común a todas las agencias de la ONU; el UNDAF (UN Development Assistance Framework), documento de programación común a todas las agencias de la ONU; y la OCAH (Oficina de Control de Asuntos Humanitarios). El PNUMD apoya programas, da donaciones y ayuda alimentaria entre otras cosas, pero no da créditos de ningún tipo. Además, junto al PNUMA y el BM, se encarga de gestionar el Fondo ONU para el medio ambiente. En los años 90 se ha visto una explosión de fondos y programas de desarrollo que han hecho de este mundo uno mucho más complejo y fragmentado.

La ONU se encarga de la Asistencia Técnica, algunas Áreas Sociales (educación, salud, SIDA, etc.) y la Ayuda Humanitaria (ACNUR, UNRWA, etc.), mientras que las IFI se encargan de la Ayuda Financiera, las

grandes obras de infraestructuras y la gestión macroeconómica, gestión decisiva en el funcionamiento del desarrollo de unos y otros países. Esta división de funciones se basa en el reparto de poder. Las expresiones de poder duro quedan en manos de los Estados más fuertes (IFI), mientras que las de poder blando quedan en manos de los Estados en desarrollo (ONU).

In the WB it is about promoting the creation of Regional Banks, independent organizations that emerged between 1960 and 1966 and that have the same functioning as the WB. The leadership on this issue was led by Latin America because of its greater experience in multilateral organizations. The proposal to create the Inter-American Development Bank in 1954 was put to the Eisenhower government, being rejected under the Bretton Woods principles. In 1959 he changed the position of the United States because of the Cuban situation, authorizing the constitution of the IDB, being supported by the arrival of Kennedy in 1960, the year in which it begins to operate. It was followed in 1964 by the African Development Bank (AfDB) and in 1966 by the Asian Bank (ADB). In these regional banks, poor countries have much more weight (50.x% in many cases) than in global institutions even if they keep rich states in them. This makes the regional banks much closer to the member states, lending more than the WB to the IDB for example and being a very important source of financing. All these institutions were also born with a kind of AIF.

The most notable difference between the IDB and the World Bank is the position on regional integration. The World Bank is strongly against it, while the IDB has tried to promote it as much as possible, with a lot of weight being the infrastructure works that will help integrate (Pan-American Highway for example). In any case, the policies carried out by the IDB have always been adjusted to one restriction: that the US does not leave the IDB, since it would be left without a guarantor.

In return for the creation of these regional banks, their actions should be maintained within the lines of action set by the developed States. While the IDB has been a success, the AfDB has been a failure because of its marked anti-colonialism, isolating itself from guarantors who could make its bonds safer, making it unable to fulfill its role and going bankrupt. The developed states "saved" the ballot by entering in exchange for very harsh conditions for granting credits, conditions that made it almost impossible for most states to obtain credits (only some in the North and South Africa).

The international financing framework that we have is a very fragmented framework with many regional banks that have different policies and that are not coordinated, coordination necessary for the effective implementation of an aid that is also fragmented. This would require overall coordination involving the same policies, but not all policies work the same everywhere, which is why there must be at least some dissent.

Differences between IFIs and the UN

Mobilizing funds at the UN

They are not mobilized from the regular budget, but have to look for money for projects and see if they can supplement the budget each year with contributions from Member States. To avoid the problems that this generates (that they stop acting due to lack of money), the UN creates the CAP (Consolidated Appeal Process), managed by OCHA. According to this, donors can choose the specific program to which to allocate the aid or give the money without any interest. Still, UN agencies are often underfunded by having less money than budgeted on most occasions. When an unforeseen crisis situation occurs (Tsunami 2004-2005) it is found that there is no money to act, so you must wait to receive money from the States to be able to act. Yes, there was an emergency fund, but you could only go to it when a donor promised to replenish it, so nothing was done.

To avoid this problem, the Millennium +5 Summit discussed how to improve the UN's performance in crisis situations, constituting a new fund called CERF (Central Emergency Response Fund) with an allocation of 600 million dollars without defined destination. Thus, the UN can use these resources without having to ask permission and wait for someone's commitment to replenish them. Even so, the endowment of this money does not mean that it is de facto, a collection must be made among the States to fill the box. As a result, many agencies have ended up turning to private industry for money (UNICEF has private for-profit activities to fund itself, for example).

"United Nations budgets on an as-needed basis and on an as-availability basis"

Donors can give in two ways, to the regular budget or to pre-established funds (multi-bilateral aid known as "Earmarking"). Thus, according to this, the different agencies cannot set their priorities, depending on the will of the States to act.

Decision-making process

Sensory specialization

A specialization has been established in which the UN has focused on technical, social and humanitarian assistance, while the IFIs have specialized in access to capital, macroeconomic management and physical infrastructure.

Dynamics of globalization

1. Adjustment role of the IMF and the World Bank
2. What do we know about poverty and inequality?
3. How has it provoked a political and social reaction?

Globalization would begin after the Second World War and accelerates in the 70s. In this process, the scientific-technological revolution and its weight in the production process (speed and intensity at which financial transactions occur) have been very important.

Globalization = multidimensional phenomenon (affects identities, communications, etc.) that supposes an integration of the economic space thanks to the elimination of barriers to the traffic of factors (capital, labor, materials). Not all geographical regions have joined the phenomenon in the same way or at the same time.

The US and the United Kingdom are the pioneers of this process in its passage to post-Fordism, a productive model that needed liberalization. In 86 the EU adopted the Single Market establishing an internal market. The former Soviet republics are incorporated into globalization by joining a capitalist economic system already open to globalization. Developing countries are incorporated into this dynamic with the creation of the IFIs and their role in providing adjustment policies, especially in the year 82 with the Mexican debt crisis, a decisive date in the incorporation of these countries into globalization.

On the premise that the debt problem was a temporary problem of liquidity and not solvency, the Baker plan was designed according to which:

- The debt is rescheduled for a longer time. (medium term)
- More money for developing states to pay for. (short term)
- Development of stabilization and adjustment plans for economies to recover growth and generate resources to be able to pay the debt in the long term.

These adjustment plans would be very hard, but they would be temporary and would involve significant economic growth. Short-term stabilization policies would be implemented and it was thought that social problems would be temporary thanks to economic growth, which is why no changes in social policies were promoted. A few years later it was found that growth had not occurred and adjustment policies were confirmed as medium-term policies, starting at the end of the 80s a second phase of adjustment that changed the idea that there was no solvency problem, promoting the Brady plan granting new credits to developing countries to buy back their debt at a discount price. This meant a significant reduction in debt repayment and allowed economic growth to recover. At that time, given that the social costs were higher than thought, the Social Adjustment Policy was introduced, aimed at concentrating public resources on social sectors where poverty is greatest.

The first ones were applied in Bolivia and Ghana in 86, but 10 years later there were a hundred states that had applied them. These policies were known as Emergency Programs to finance specific emergency programs to solve social problems such as unemployment, malnutrition, etc. In the mid-90s they became Social Investment Programs (change of orientation from short to long term). The problem with these social programs is that the real resources are too small for the problems of poverty that already existed before the debt crisis, in addition, they have been subjected to clientelist logics that avoid an effective fight against poverty, being the Mexican case (PRONASOL) or the Peruvian (FONCODES) clear examples of this. In addition, this type of policy is considered "feminine" politics when the leadership of these bodies is placed in the hands of the first hands (which in addition to being a gender issue, shows the position of this type of policies within the framework of the action of power).

These policies have been known as the three "D" policies, since they have involved deflation, devaluation and deregulation.

Deflation

The origin of the debt problem is a mismatch in the balance of payments, so the rebalancing of the same is the priority. There is an excess of domestic demand that must be reduced, because the State spends more than it earns, therefore, the reduction of the fiscal deficit will imply a reduction in the trade deficit. In short, we must:

- reduce the availability of credit by raising interest rates, which means less economic activity (less employment and investment)
- Reduce the fiscal deficit by spending less, which implies austerity measures that result in less state investment in current, investment, social, subsidiary spending, etc.
- reform taxation to increase revenues, usually by increasing indirect taxes and reformulating direct taxes
- Apply wage containment policies

Devaluation

It is a very powerful mechanism to reorient the economy towards the export sector instead of satisfying the domestic market by establishing a competitive exchange rate. Imports are more expensive and less attractive to the buyer, which causes demand to fall. In addition, the sale of foreign currency in the foreign market according to which they would obtain more money by exchanging it for national currency.

Deregulation

It aims to give markets the leading role in resource allocation (trade liberalization). To this end, subsidies, exchange controls, and price and wage controls are eliminated, in addition to deregulating labor markets to encourage business investment by reducing social coverage and taking power away from unions. Doing so reduces the role of the State in the direction and/or planning of the economy, to which is added the privatization of state enterprises and public services and trade liberalization with tariff reduction and the dismantling of protectionist measures (especially important the liberalization of capital movements).

Sectoral policies

Within the planned adjustments, some policies aimed at transforming the economy and mitigating the social costs of adjustment are also frequent. The problem is that they apply to all developing States equally, when it does not always work and can saturate the market.

Within these policies we have the following:

- Promotion of the export sector in non-traditional sectors
- the "maquilas" or assembly industries
- exchange agriculture (winter vegetables, ornamental plants, fresh fruits all year round, etc.)

This includes tax and customs exemptions and legislative measures creating export processing or free zones where foreign companies do not pay taxes and labour laws are not enforced. To these measures are added those to promote foreign investment in these sectors.

- Support for the private sector and its institutions, strengthening their negotiating capacity before public authorities and improving the efficiency of state institutions (capacity building)
- Since 97, temporary and very short-term social compensation measures (employment programs, primary health, food subsidies, etc.) aimed at the poorest sectors that end up being long-term

Conclusions

Stabilization and adjustment policies were no longer seen as short-term policies. Thus, at the Washington seminar a decalogue of policies was created, which was a synthesis of what was happening, not a prescriptive decalogue. In practice, it ended up becoming the model to follow, acquiring a dimension that it did not have.

- Fiscal discipline
- Reorientation of public expenditure
- Tax reform
- Financial liberalization
- Exchange rate
- Trade liberalization
- Promotion of foreign direct investment
- Privatization
- Deregulation
- Proprietary Rights

Neoliberal theory believes in the thesis of convergence, a system where liberalization will set a price of convergence for all productive factors. This effect of income convergence occurs in an environment in which there is no free movement of workers since commercial freedom functions as a substitute for migration. If workers react to higher wages in other countries and have no expectation of improvement in their own country, they will end up migrating whether or not there is freedom of movement of workers, especially in sectors where it cannot be relocated (construction for example).

Within poverty, the tendency is different depending on the State we are talking about. In the case of China and India, relative poverty decreased despite increasing in absolute terms. The African case varies according to the region. The north has remained stable, while in sub-Saharan Africa it has increased in both

relative and absolute terms. Latin America has remained relatively stable in relative terms, although it has continued to increase in absolute terms.

The case of China and India is explained by the fact that it has not followed the guidelines of the Washington Consensus, avoiding financial liberalization and a non-intervened exchange rate. China and India serve as a counterweight to Washington-led policies, carrying out integration into globalization at their own pace and in their own way.

As shown in the inequality graphs (gini coefficient), inequality increases especially with the liberalization of the 80s. In addition, it must be borne in mind that inequality is a relative term and that, although poor states are in better conditions (generally, although the African case is thorny), rich states are much richer (which also explains the significant increase in fourth world countries).

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