Seven Developing Countries: From Emergence to Entrapment

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Development and Post-colonial Condition

- National Independence Movements & Industry Transfer
- Global Trade & Post-coloniality
- International Institutions of Dependence
  - Bretton Woods System, IMF, World Bank, WTO
- Global Structural Dependence
- Post-colonial or neo-colonial?
Smiling Curve of Value Added
Value Added along the GVC: The Smiling Curve:

- In GVC the most value creation is often found in:
  - **upstream activities** such as design, product development, R&D and manufacturing of key parts and components;
  - **downstream activities** such as marketing, branding and customer service;
- **Assembly**, often offshored, in emerging economies, **represents only a small part of value generation.**
Smiling Curve of International Division

- Profitability
- Finance
- Resources
- Manufacturing
- Resources Sovereignty
- Industry Transfer
- Financial/Currency Hegemony

Economic Structure:
- Resources Economy
- Manufacturing
- Finance
Global Financial Capitalism

• 1971 The End of Gold-Dollar
• 1973 Post Bretton Woods
• US dollar supply increases astronomically
• Deregulation
• Neo-liberalism
• The Age of Super Financial Capitalism
• Liberal/Neo-liberal regimes of wealth concentration
Unconstrained Money Supply
World Money has Grown Much More than Industrial Production

Two Inflection Points?

- Unregulated, Offshore, Off Balance Sheet, OTC Securitization & Swaps Explode
- World Reserve Currency No Longer Pegged to Gold

The Management of Real Money

- Gold
- Interest Rate and Currency Swaps grow by Trillions monthly to $617T in 2010
- Central Bank Gold Leasing Dominates
- Central Bank Gold Sales and Futures Sales Dominates
- Gibson's Paradox and Exchange Stabilization Fund
- Nixon Removes USA from Gold Standard

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Chronology of Super Financial Capitalism

- 1944 **The Bretton Woods System** The Unholy Trinity: IMF, World Bank, WTO
- 1974 **Oil Crisis**
- 1970s **Latin American Debt** external debt from $75 billion in 1975 to more than $315 billion in 1983. 50% of the region’s GDP. (Petrodollar)
- 1979 **Interest rate rocketed in US and Europe**
- 1980 **US Savings & Loans**
- 1981 **Defined-contribution pension plan 401(k) program**
- 1982 **Mexico Default. Third World Debt Crisis**
- 1985 **Plaza Accord. Japan Assets Bubble**
- 1987 **Black Monday**
- 1988 **Junk Bonds** (The Wolf of Wall Street)
- 1991 **Japan Bubble Burst**
• 1990s Japanese Yen Carry Trade
• 1994 US Bond Crash
• 1995 Mexican Crisis
• 1997 Asian Crisis
• 1998 Russian Crisis
• 1998 Long Term Capital Management
• 1998 Citigroup The age of financial conglomeracy, megabank
• 1999 Financial Services Modernization Act (The Glass-Steagall Act)
• 2000 Commodity Futures Modernization Act, CDS, OTC derivatives
• 2000 David Li Gaussian Copula Function
• 2000 Dotcom Crash
• 2002 Argentine Crisis
• 2001-2005 Fed Interest Rate: 7% → 1%. A. Greenspan's legacy
• 2005 Basel II
• 2007 Subprime Crisis
• 2008 Credit Crunch
• 2011 Europe Sovereignty Debt Crisis
• 2015 China Stock Market Crash
Trade Deficits and Debt as Tribute or Seignorage

A. 1996-2010 Current Account Deficits: $ 6.98 Trillion, 60% of global deficits
   2001-2007 $3.86 Trillion

B. Meanwhile US Net Foreign Debt increases by $2.3 Trillion

C. Profits: $4.67 Trillion

D. $2.3 Trillion Foreign Debt?
Total Real Return Indexes
January 1802 – December 2013

Past performance is not indicative of future results.

- **Stocks**: 6.7% Real
- **Bonds**: 3.5% Real
- **Bills**: 2.7% Real
- **Gold**: 0.6% Real
- **Dollar**: −1.4% Real

![Graph](image-url)
Global Reserve Currencies

- **US dollar**
- **Euro**

Legend:
- French franc
- Other
- Pound sterling
- Japanese yen

Timeline: 1995 to 2013
Approximately 10 years going weak, 6 years going strong
Sheepshearing

• 1. US Fed Monetary Easing: liquidity into market
• 2. Emerging Markets Booming → Assets Bubble
Sheeps Sheared

• 1. 1970s Latin America Debt Crisis
• 2. 1985-1990s Plaza Accord, Japan Assets Bubble
• 3. 1990s Shock Therapy in Russia
• 4. 1997 Asian Financial Crisis
• 5. 2013 Emerging Markets Crisis
US: from fiscal expansion to strategic contraction
US Trade Deficits Contraction
Clashes of Currency Hegemony

- US Dollar
- Euro:
- Asian Currency/RMB
Reshaping of Geo-monetary Politics

- Euro Zone:
  Kosovo War, Ukraine Crisis, Middle East (scorched-earth tactic, ISIS), Refugee Crisis, Right-wing populism, Fascism, EU Disintegration

- Asian Currency Alliance
  Chiang Mai Initiative (2000)
  China-Japan-Korea currency swap
  “Re-balancing”
New Debt Regime

• Washington Consensus turned up-side down
• Creditor/Debtor, Double Standard
• Astronomical Expansion of Debt
• Global Tributary System
China, Turkey:
Empire → State-Capitalism (modernization) → Neo-liberalism

Former Colonies, Resources Curse:
- Brazil, South Africa, Venezuela
  Rich in Resources, Incomplete Industrialization, Reprimarization: extraction, cash crop, cash husbandry

Sovereignty Externality
- India, Indonesia
  Rich in Labor Force
  Strong Informal Sector
  Deep-grained regional conflicts
Silk Road Belt

[Map image of the Silk Road Belt with countries and major routes highlighted.]
The Southern Gas Corridor

Trans Adriatic Pipeline TAP  Trans Anatolian Pipeline TANAP  South Caucasus Pipeline
Berlin – Baghdad Railway
: flash point of WWI