Part III

The contemporary world-economy
6. Markets and exchange
6.4
Economic-political interaction in the core/periphery hierarchy

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In World-Systems Theory (WST), economic exchange over the centuries is viewed as the central mechanism of the capitalist world-system (Wallerstein 1974). Throughout history, more powerful countries (the core) created various political arrangements to facilitate the economic exploitation of the weaker states (the periphery) through the extraction of resources, division of labor, and trade. From the position of a neo-Marxist argument elevated onto a global scale, WST considers the accumulation of capital in the core as the primary goal of the interstate exploitative mechanism. This unequal nature of trade not only reproduces, but also reinforces the hierarchical structure of the interstate system: the core states remain at the top of the hierarchy and benefit by exploiting the peripheral states. By means of international trade, the rich countries become richer and the poor become poorer.

In the past, hegemonic powers (e.g., Great Britain) could enforce the unequal nature of international trade on their colonies. Today, however, the main economic powers lack the ability to impose administrative orders on the periphery. According to Chase-Dunn et al (2000) the post-colonial core powers no longer have direct administrative control of the periphery and have limited capacity to enforce agreements militarily. Therefore, in order to sustain the exploitative nature of economic exchange, the core countries must expend their political capital and impose structural constrains upon the political-economic arrangements of peripheral and semiperipheral countries (Chase-Dunn and Grimes 1995). Such arrangements may come in the form of bilateral economic agreements or as multilateral organizations (e.g., the International Monetary Fund). Hence, economic and political processes are never separate, and political capital is used as a resource to reinforce neocolonial global economic exploitation.

However, the emphasis on how political power enables unequal exchange risks ignoring the ways in which trade and investment dependence are used to extract noneconomic resources from the noncore. International trade can be used as a tool to increase the noneconomic power of a core state. Considering a broader relationship between power and trade, international trade may not necessarily lead to a direct economic benefit for the core state. Instead, it can be perceived as a mechanism of safeguarding the economic dependency of the periphery on the core, thus increasing the national power and political capital of the core state. Using this power, core states achieve their larger geopolitical goals, which may or may not include extraction of economic benefit from the periphery. For example, by exploiting the economic dependency of peripheral countries, core states influence the domestic political processes of the periphery and pursue their security-oriented goals in the region. Even though these economic agreements are beneficial to...
the periphery, the direct investment into the economy of a peripheral state and various economic subsidies are patterns of trade policies that core states ultimately undertake in order to pursue their own specific goals and interests.

I argue that these interaction effects between international trade and political power do exist, that these effects are identifiable in the modern core-periphery hierarchy, and that they are common in the core-periphery political-economic relationship. Of course, there is a long tradition of studying how various kinds of international economic dependence reproduce global inequalities by slowing the growth of dependent countries (Bornschier and Chase-Dunn 1985; Galtung 1971; Hirschman 1980). How, then, does the nature of international economic dependence change the current era of global capitalism and US hegemonic decline?

A brief analysis of recent political events supports the idea that economic dependence is important in building up political capital. Through offering various kinds of economic subsidies to the elites of Kyrgyzstan and Uzbekistan, the United States established a military presence in these countries that was essential for the operation “Enduring Freedom” in Afghanistan in 2001 (Beehner 2005). Similarly, in 2002–08, the US government provided significant economic support—totaling around US $15 billion—to the government of the Pakistani President Musharraf (Baker and Robinson 2007). Such extensive US aid to Pakistan caused Pakistan’s highly volatile economy to become profoundly dependent upon these economic subsidies (Human Rights Watch 2007: 307). In return, the United States received an important political ally in the Middle East, even though this relationship compromised the democratization of the domestic political process of Pakistan.

In another example, Balaev (2009) showed that since the breakup of the USSR, Russia has been maintaining a policy of economic investments and subsidies to former Soviet states, thus carefully nurturing the development of specific political elites. These new political elites depend on Russia for sustaining their political power and for continuing economic subsidies, in particular cheap oil and gas, which are central to their countries’ economies. In exchange, such elites concede to Russian-engineered international trade policies and increase the political capital of Russia.

These types of international trade relationships are examples of the core-periphery economic-political trade-off, wherein economic capital is expended to gain political capital in strategically important geographic areas. The interactions between economic and political power continue to be important at several levels of the core-periphery hierarchy.

References


