

ILO

STUDY GUIDE

Agenda Item:

Agenda Item:

The Collapse and Aftermath of Bretton Woods



Model United Nations Bilkent University 2026

MUNBU

Letter from the Secretary-General

Esteemed Participants and Honored Guests,

It is a profound honor to extend my most formal welcome to you as we convene for the 13th edition of the Bilkent University Model United Nations Conference, MUNBU'26. My name is Zehra Yıldırım, and I'm a senior year law student at İhsan Doğramacı Bilkent University. As the Secretary-General of MUNBU 2026, I welcome you not only to a forum of debate but to a tradition of academic and diplomatic excellence that has defined our institution for over a decade.

The art of diplomacy is one of patience, precision, and profound responsibility. My own commitment to this discipline has been forged over nine years of active engagement within the international circuit—a journey that has evolved alongside my formal education in the Faculty of Law. These years have instilled in me a steadfast belief that the resolution of global conflict lies in the mastery of legal frameworks and the cultivation of refined statesmanship. It is this standard of rigor and intellectual integrity that I am committed to upholding throughout our deliberations.

Bilkent University stands as a bastion of higher learning, dedicated to the pursuit of truth and the development of future leaders. It is our distinct privilege to host you within an environment that reflects the visionary principles of the founder of our Republic, Mustafa Kemal Atatürk, who declared: *"Peace at Home, Peace in the World."* Guided by this transcendent ideal, we are committed to providing you with the highest level of hospitality, ensuring that your experience is marked by the grace, professionalism, and mutual respect that our University and the Republic of Türkiye represent on the international stage.

MUNBU Conferences remain a premier platform where the complexities of the global order are met with the sharpest minds of our generation. As we embark on this 13th session, I invite you to embrace the gravity of your roles. Let us ensure that our discourse remains as sophisticated as the challenges we face, and that our hospitality remains as enduring as our commitment to justice.

I wish you all fruitful debates and a joyful conference. Should you have any inquiries, please do not hesitate to contact me via my email, zehray@ug.bilkent.edu.tr

Best Regards,

Zehra YILDIRIM

Secretary General of MUNBU

Letter from the Under-Secretary-General

Esteemed participants,

It is my duty to welcome you all to the International Labour Organisation: Collapse & Aftermath of Bretton Woods System. I am Görkem Can Coşkun, a third-year International Relations student in Hacettepe University, and will be serving you as one of the Under-Secretary-Generals of our committee.

Global economic systems have varied throughout history, especially once we observe the latest century. Following the Second World War, it seemed clear that a new set of instruments were to take control over international economic affairs. Yet, that system had also shown its cracks and failed to deliver the intended prosperity upon its creation by its death. Now, both state and non-state actors of the world are on the pursuit of replacing existing economic standards and methods, while keeping their national interests intact. Our committee takes part in the year of 1973, just as the systems require an overhaul. However, such heavy responsibilities do not entirely fall upon our shoulders, as our duty resides in the protection and development of the harmony between the governments, employers and workers of the world, amidst crises and existing issues.

To all our participants, I can say in confidence, will be able to briefly inspect the guide and conduct minimal research on their own, to receive the necessary information for our committee. It may seem difficult to ingest information regarding economic fields, but I assure that our focus primarily relies on the political and international relations part, thus making our job purely standing on debates.

I would like to thank Zehra Yıldırım for inviting me to the conference, and the secretariat for their efforts, and my sincerest obligations to Mirata Deva, a dear, close friend of mine, whom I had the opportunity to once again work with, and Delfin Soykan, one of my old students, for their contributions to our committee.

I wish you all luck and hope to see you in the conference. If you have any inquiries related to the committee or the study guide, do not hesitate to contact me through my email: görkemcancoskun25@hacettepe.edu.tr

Best regards,

Görkem Can Coşkun

Letter from the Under-Secretary-General

Esteemed Delegates,

It is my pleasure to welcome you all to MUNBU'26 and the ILO. I am Mirata Deva, a political science and administration major in Bilkent University. In this committee we will be talking about a very important agenda item, concentrating on the aftermath of the collapse of the global economic order as it was known. We are hoping that you, as delegates of this committee, will develop policy ideas and discuss their implementation and possibilities, to make the future of the global economy better for all.

We prepared this guide to help you learn about the agenda item and be able to participate in the discussions during the committee. I want to underline the importance of studying the agenda item by reading this guide, as being knowledgeable on these concepts will help you to understand the topics that are talked upon and the discussions going on in the committee. Economics may seem hard to understand, yet at the end it is a policy making area as well, in which many non-economist members of parliaments across the globe assess the future of their country's monetary and fiscal policies, and many leaders, politicians, representatives and ambassadors to IGOs or other platforms come together for global policy-making—thus, it can be said that anyone who knows and understands some basic concepts of economy can be a part of the policy-making process, so you can too. I hope that you will enjoy this committee and conference overall.

I have to say that I am honoured to be a part of this committee with my dear friend Görkem Can Coşkun, and I am thankful and grateful to be doing this committee together. He is the best. In addition, I also want to thank Delfin Soykan for taking a part in this committee, together with us. Last but not least, I want to also thank Zehra Yıldırım for giving us this opportunity, I hope and believe that she will witness her efforts pay off, with this amazing conference.

You can contact with me without hesitation via my e-mail address: mirata.deva@ug.bilkent.edu.tr

Best regards,

Co-Under-Secretary-General of the ILO,

Mirata Deva

Letter from the Academic Assistant

Most esteemed participants,

It is with great pleasure that I welcome you to the International Labour Organization (ILO) Committee.

My name is İdil Delfin Soykan, and I am honored to serve as the Academic Assistant of the ILO committee. I am currently a first-year International Relations student at Bilkent University, and it is a privilege to accompany you throughout this academic and diplomatic journey.

This study guide has been carefully prepared to provide you with a solid foundation for understanding the agenda topic. However, it should be regarded as a starting point rather than a limitation. I strongly encourage each of you to conduct further research, thoroughly examine your allocated country's labor policies and perspectives, and approach the agenda with both critical thinking and diplomatic awareness.

Throughout the conference, I urge you to embody the spirit of Model United Nations by engaging in respectful dialogue, embracing diverse viewpoints, and striving for collaborative and sustainable solutions. Remember that effective diplomacy is built upon preparation, adaptability, and mutual respect.

I wish you all productive preparations, insightful debates, and an unforgettable conference experience.

I look forward to witnessing your valuable contributions to our committee.

Yours sincerely,

İdil Delfin Soykan

Academic Assistant

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Introductions

Introduction to the International Labour Organisation

Foundation & Principles

The International Labour Organisation (ILO) was formed on April 11, 1919, in correlation with the Treaty of Versailles, which effectively ended the Great War. Founded on principles which emphasize that universal and lasting peace could only be achieved through social justice. Its headquarters are based in Geneva, Switzerland; and is supervised by a Committee of Experts, which is composed of independent jurists responsible for examining government reports to ensure the proper implementation of ILO Conventions and Recommendations. ILO became a specialized agency of the United Nations in 1946, a year after the latter was created. There are several principles and standards that the ILO relies on, some of them include:

- Unemployment,
- Minimum age,
- Workplace safety and standards,
- Hours of work,
- Social security provisions,
- Gender equality in labour,
- Night work/shifts and many more.

The Organisation has played a role at key historical junctures – the Great Depression, decolonization, the creation of Solidarność in Poland, the victory over apartheid in South Africa – and today in the building of an ethical and productive framework for a fair globalization. (International Labour Organization, 2024)

Structure of ILO

The structure of ILO is set upon a tripartite system where member states' governments, employers and workers to indulge in cooperation and communication under the roof of the former, thus, increasing efficiency and compliance among the three groups.

The unique tripartite structure of the ILO gives an equal voice to workers, employers and governments to ensure that the views of the social partners are closely reflected in labour standards and in shaping policies and programmes. All programmes and implementations must be approved by all three groups before any official enactments (International Labour Organization, 2024). Employers and Workers have their respective offices/bureaus within ILO for management.

Governments

In a rather straightforward method, all governments are to send their representatives to, in a proper fashion, represent their policies and decisions, within ILO debates/meetings conducted with employers and workers.

Employers

The ILO Bureau for Employers' Activities (ACT/EMP) assists Employer and Business Membership Organizations (EBMOs) in building strong, independent, and

representative organizations. EBMOs, representing private sector enterprises, are crucial to sustainable development, societal stability, and prosperity. ACT/EMP maintains direct relations with EBMOs in member States, conveying their views, concerns, and priorities within ILO work. (International Labour Organization, 2024)

Workers

The Bureau for Workers' Activities (ACTRAV) is the main link between the International Labour Office and the world of work through one of its constituents: workers' organizations. ACTRAV ensures that the concerns and interests of workers' organizations are taken into consideration in the policy development and activities of the International Labour Office, both at Headquarter and in the Field. (International Labour Organization, 2024)

Introduction to the Agenda: Collapse & Aftermath of the Bretton Woods System

A global economic system which first enjoyed success after the second world war, then collapsed by early 1970s was primarily dependent on a single country's economic prosperity, health and currency. United States' (U.S.) decline as the economic hegemon of the world led to dissatisfaction with the U.S. dollar, while as the European Economic Zone (EEC) and Japan were shining examples of recovering post-war economies. With previous responsibilities such as financing the recovery and development of war-torn countries through international aid programs, as well as the overall military and economic burdens of the Cold War being feasible at first but not under contemporary circumstances, adjustments and reforms within the monetary system, both domestic and international, were required.

ILO, as a leading authority of international affairs related to economic issues and financial stability in socioeconomic status of nations, has to play a role to provide assistance for sovereign nations through a global scope. Through cooperation, negotiation, initiatives, debates which would show a path of monetary reconstruction, as well as permanent solutions towards existing concerns and various issues among countries, ILO may guide the global monetary system along with the elements which it accompanies, to a brighter and sound financial future.

Glossary

Bond

1. A bond is a fixed-income investment product where individuals lend money to a government or company at a specified interest rate for a predetermined period. The entity repays individuals with interest in addition to the original face value of the bond.
2. Bonds are used by companies, municipalities, states, and sovereign governments to finance projects and operations. Owners of bonds are debtholders, or creditors, of the issuer.
3. Bond details include the end date when the principal of the loan is due to be paid to the bond owner and usually include the terms for variable or fixed interest payments made by the borrower (Fernando, 2024).

Exchange Rate(s)

1. Exchange rates dictate how much one currency is worth relative to another and influence a nation's trade, tourism, and import prices.

2. They may be either floating, where they respond to foreign exchange market supply and demand, or fixed, where they are pegged to another currency.
3. Factors influencing exchange rates include interest rates, economic activity, GDP, and unemployment in the relevant countries.
4. Significantly fluctuating exchange rates can impact the cost of imported goods, demand for exports, and levels of foreign investment and tourism (Chen, 2024).

Deficit

1. A deficit occurs when expenses exceed revenues, imports exceed exports, or liabilities exceed assets.
2. A deficit is synonymous with a shortfall or loss and is the opposite of a surplus.
3. A deficit can occur when a government, company, or person spends more than it receives in a given period, usually a year (Tardi, 2020).

Depression

1. A depression is a dramatic and sustained downturn in economic activity, with symptoms including a sharp fall in economic growth, employment, and production.
2. It's a recession that lasts longer than three years or that results in a decline of at least 10% in annual GDP (Liberto, 2020).

Devaluation

1. Currency devaluation occurs when a government deliberately lowers the value of its national currency compared to other currencies, primarily under a fixed or semi-fixed exchange rate regime.
2. This strategy can make a country's exports more competitive and imports more expensive, aiming to correct trade imbalances and stimulate economic growth.
3. However, while it can attract foreign investment and enhance export demand, devaluation may also lead to increased inflation and potential trade tensions (Majaski, 2023).

Floating Exchange Rate

1. A floating exchange rate is a system where a currency's value is set by supply and demand in the foreign exchange market.
2. This system became common after the end of the Bretton Woods system and is contrasted with fixed exchange rates, which are controlled by the government.
3. Floating rates cause currency values to change, which can affect things like international travel and trade. (Mitchell, 2024).

Globalisation

1. Globalisation describes the growing interdependence of the world's economies, cultures, and populations, brought about by cross-border trade in goods and services, technology, and flows of investment, people, and information.

2. The term gained popularity after the Cold War in the early 1990s, as these cooperative arrangements shaped modern everyday life (Kolb, 2018).

Gross Domestic Product (GDP)

1. GDP measures the monetary value of final goods and services—that is, those that are bought by the final user—produced in a country in a given period of time (say a quarter or a year). It counts all of the output generated within the borders of a country.
2. GDP is composed of goods and services produced for sale in the market and also includes some nonmarket production, such as defence or education services provided by the government (Callen, 2025).

Gross National Product (GNP)

1. An alternative concept to GDP, gross national product, or GNP, counts all the output of the residents of a country.
2. For instance, if a German-owned company has a factory in the United States, the output of this factory would be included in U.S. GDP, but in German GNP (Callen, 2025).

Inflation

1. Inflation is the rate of increase in prices over a given period of time.
2. Inflation is typically a broad measure, such as the overall increase in prices or the increase in the cost of living in a country. But it can also be more narrowly calculated—for certain goods, such as food, or for services, such as a haircut, for example.

3. Regardless of the context, inflation represents how much more expensive the relevant set of goods and/or services has become over a certain period, most commonly a year (Oner, 2025).

Interest

1. Interest is the charge for borrowing money.
2. Interest expense or revenue is often expressed as a dollar amount, while the interest rate used to calculate interest is typically described as an annual percentage rate (APR).
3. It's also the amount of money a lender or financial institution receives for lending out money (Chen, 2023).

Keynesian Economics

1. Keynesian economics is a macroeconomic theory that advocates for government intervention and spending to help stabilize the economy, especially during times of economic instability.
2. The idea behind Keynesian economics is that the economy doesn't fix itself and that the government needs to spend money to keep it going (Clarke, 2024).

Laissez-faire

1. Laissez-faire refers to an economic philosophy that advocates for minimal government interference in the economy. The phrase translates literally to "let them do it".

2. Laissez-faire economists advocate policies such as the elimination of trade barriers (import duties and other protectionist policies), the elimination of government price controls (minimum prices for goods, services, or labour), absolute, or near absolute freedom of contract, and the elimination or reduction of government regulation (Cornell Law School, n.d.).

Liquidity / Liquid Asset

1. When an asset can be efficiently converted into ready cash without affecting its market value, it is considered a liquid asset.
2. The ability to convert it quickly and efficiently is called liquidity (Hayes, 2025).

Public Debt

1. Public debt, obligations of governments, particularly those evidenced by securities, to pay certain sums to the holders at some future time.
2. Public debt is distinguished from private debt, which consists of the obligations of individuals, business firms, and nongovernmental organizations (Britannica Money, 2024).

Recession

1. A significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in production, employment, real income, and other indicators.
2. A recession begins when the economy reaches a peak of activity and ends when the economy reaches its trough (Claessens & Kose, 2011).

Revenue

1. Revenue is the gross proceeds collected by an entity and only includes the income component of a company's operations.
2. Revenue is the total money a company earns and is recorded as sales on a company's income statement (or the money brought into a company from its business activities over a specified period of time, such as a quarter or year, before subtracting expenses.) (Hayes, 2025).

Stagflation

1. Stagflation is an economic condition characterized by slowing economic growth, high unemployment, and rising prices (inflation) simultaneously.
2. Policy solutions for slow growth tend to worsen inflation, and vice versa. That makes stagflation hard to fight (Estevez, 2024).

Surplus

1. A surplus is the amount of an asset or resource that exceeds the portion needed and used.
2. A surplus can refer to income, profits, capital, or goods.
3. A surplus occurs when products are left unsold on shelves or when earnings exceed expenses.
4. Governments have a budget surplus when tax revenue exceeds the cost of all government programs. Economic surpluses can occur, including consumer and producer surpluses, both of which are bad for the other (Kenton, 2019).

Economics 101 – Basic Tenets of Economy

Economist have developed three main assumptions with regards to human behaviour in economics, to better understand and estimate how a producer or consumer/worker or employer might act, and how the decision-making process works. According to these suggestions: humans are rational utility maximisers that calculates and conducts a cost & benefit analysis in order to make the best decision possible; humans respond to incentive—an entrepreneur would want to have the highest profit; optimal decisions are made at the margin—a marginal cost and benefit analysis is conducted. In a perfectly competitive market: producer, consumer and good is abundant; price is determined according to the consumer's demand, which also sets what and how much it is produced; there is an abundance of resources and the waste is at the minimal level to prevent valuable resources getting thrown away; consumers who can afford will buy the goods, producers are not concerned with the affordability. Therefore, there is an increased and exaggerated level of consumption in the capitalist systems, where the prices are not fixed by determined in the market.

All societies have to solve some basic economic questions; what is going to be produced; how these goods are going to be produced; who will buy these goods? In capitalist societies –in private and liberal market economy- these decisions will be made by firms/managers, based on the demand of the market, as the main assumption is the market is the driving force of economy, and the invisible hand of the market decides on what is profitable and what shall be produced. This invisible force can be seen physically, throughout prices in the market. Profit calculation is as follows: $\pi = TR - TC$, π being profit, TR being total revenue and TC being the total

cost. The calculation for total cost is as follows: $TR = p * q$, p being the price of the product and q being the amount of production. Firms aim to increase the difference between the total revenue and total cost, while decreasing the total cost, to increase the profit. Higher the good's price, higher the total revenue is. The total cost is calculated based on the production factors or resources, which is: Labour (Wages) + Capital (Real and Monetary) + Natural Resources + Entrepreneur (Profit).

Measuring the Production

One of the ways to measure the production is calculating the Gross Domestic Product (GDP), which is the market value of all final goods and services that are produced in a country, during a specific time frame. GDP can be calculated via three methods: the expenditure method adds up all the goods that has been sold in an economy to calculate total production; in the income method all income is added up (Wage + Interest + Rent + π), which should be equal to the expenditure method, transfer payments are not included in GDP in this method; according to the value added method, the intermediate goods used in the production is subtracted from the market value of the product. $Y = C + I + G + Nx$; Y being the total production, C is consumption expenditures by the household, I is investment expenditures by firms, G is government expenditures, Nx is net export ($x-m$, x is export, m is import). GDP Deflator is calculated by: $GDP\ Deflator = \frac{Nominal\ GDP}{Real\ GDP} * 100$, and inflation rate is calculated by: $\% \Delta = \frac{GDP\ Deflator\ (Year\ X) - GDP\ Deflator\ (Year\ Y)}{GDP\ Deflator\ (Year\ Y)} * 100$ which gives the percentage change or increase in between two consecutive years. An alternative way of measuring the total production is Gross National Product (GNP), which calculates the national income based on the citizens of a country that performs the production,

including the production done by the citizens outside the country borders. National income is calculated by:

$$\text{National Income} = (\text{Wage} + \text{Interest} + \text{Rent}) - \text{Depreciation}$$

If the economy is in expansion, production and inflation will rise; if the economy is in recession, production will fall and unemployment will rise. In stagflation, the economy is in recession as the production slows down (stagnant), yet at the same time there is rising inflation. The formula for a stable economy, according to the quantity theory model, is to increase the money supply as much as the GDP.

$\text{Money Supply} * \text{Velocity} = \text{Price} * Y$, in which Velocity is the average number of time money changes hands to buy goods, which is determined by institutional factors, $V = \frac{P*Y}{MS}$, and Growth Rate of MS + Growth Rate of V (Regarded as zero) =

Growth Rate of General Price Levels (GPL or Inflation) + Growth Rate of GDP.

Therefore, $\text{Inflation Rate} = \text{Growth Rate of MS} - \text{Growth Rate of GDP}$; as the inflation rate increases, the growth rate of MS will increase as well. If the growth rate of MS increases more than growth rate of GDP, inflation rate will increase. GR of MS < GR of GDP = inflation rate will be negative, meaning deflation, thus, recession. In stable price levels, MS will increase as much as the increase in GR of GDP, and there will be no change in GPL.

Management of the Money Supply

The MS is managed by the central banks, which use three main tools for this purpose. First tool is open market operation, which is used to increase or decrease the MS, by bonds and securities (assets: treasury bond, treasury security, government bonds) which controls the money flow from the public. Central bank gets

into a trade off with the public to fight with the recession by increasing spending. Public purchases the assets from the central bank. Central bank purchases bonds from the public and gives money to the public, increasing the MS. Public's money balance increases, causing unexpected money. The public deposits this money into the bank. When the central bank announce they will sell securities, the public will get assets/paper bonds, and the central bank will get money. If the central bank puts this money into its vault, it will cause the MS to decrease. Thus, people will withdraw money from banks. Second tool is discount policy, which is the situation in which banks, when near to bankruptcy, go to the central bank and demand money and borrow a loan instead of going bankrupt. The central bank will get an interest from this loan, which is referred to as the discount rate. If the central bank drops the discount rate, banks (getting the money from the central bank) will have the opportunity to give more credit to firms and investors, for cheaper.

As a result, the MS will increase, and as the investors and firms spend this money the consumption will increase, creating more demand than supply, altogether feeding the inflation. Third tool is the reserve requirement policy, in which the central bank demands banks to hold some fraction of each deposit, creating the Fractional Reserve Banking System. Higher the reserve ratio is more the MS will decrease and lower the reserve ratio is the more MS will increase.

Inflation and the Interest Rate

There are two types of inflation: cost inflation and demand inflation. Cost inflation will affect the producers, firms, investors, etc. as it is caused by the goods and services they pay for and buy from outside, such as energy resources,

intermediate goods and technology. As the federal reserve increases the interest rates, dollar is getting scarce all over the world, which decreases the MS to fight inflation, yet causes the costs to rise in other countries, as many of goods and services are imported with dollar. Interest rate determines the value of the money. If interest rate decreases, it is a discount policy, as it gives money to investors with cheap interest rates. Real Interest Rate=Nominal Interest Rate-Inflation Rate . When the inflation is kept under control and MS decreases, achieving stable prices, the real interest rate will increase. Real interest rate should be positive, if it is negative people are not going to save and they will spend their money, the hot money (foreign investors and the capital they bring) will only be present when there is positive interest rate and will leave when its negative, causing loss of foreign currency.

Monetary and Fiscal Policy

Monetary policy is the actions that are taken by federal reserve or central bank to have macroeconomic stability, with the goals being: stable price levels (no big changes in GPL, inflation or deflation), low levels of unemployment and relatively high economic growth rates (GDP). Fiscal policies are applied by the government to fight with recession and expansion and takes more time than monetary policies. Fiscal policy tools are government expenditures (G) and taxes (T). If there is expansion, contractionary fiscal policy is applied, in which G is decreased, and T is increased to achieve decreased Y and decreased GPL. If there is recession, expansionary fiscal policy is applied, in which G is increased, and T is decreased to achieve increased Y and increased GPL.

Fundamentals of International Political Economy

Political Dynamics: Realism & Liberalism

In order to have a comprehensive yet brief understanding of state/government policies on international trade and monetary policies, one must acknowledge the starting point of such decisions and their desired aim. Actors, whether individuals or states, or even international organisations to an extent, have a wide range of priorities compared with one another. Mainstream theories of international relations may be supported, embraced or realised by said actors, influencing their domestic & foreign decision-making mechanisms.

Realists support the idea of an anarchical nature of mankind, where every individual (state) is self-centred and must ensure their survival & security through self-help and the proper actualisation of power. Translating the idea within a political arena, we see states arming themselves through military capabilities to deter any external interference or threats. Use of (military) force, in order to achieve & ensure state goals/interests, or namely “hard power”, is an essential element for state survival where every actor is on their own, within a jungle of other security-seeking parties.

Liberals, on the contrary, disagree on the fundamentals of human nature and support a state of “good-will” and desire of “cooperation”, not just due to good-will, but self-interest and individual benefits. If actors/states enter a mutual state of agreements and collaboration, without the realisation of hard-power, states may utilise their resources towards non-military assets and continue improving life standards and reach their interests quicker. Anarchy can be overcome with

cooperation born through common interests and ambitions among states, which leads to even further partnership within actors.

Modern theories such as structuralism, constructivism, neo-liberalism or neo-realism, as either a continuation or reaction to mainstream theories, reflect complex and deeper practices, including within their structure other aspects of political/economic branches, aiming to answer the loopholes and fallacies of their predecessors through historical examples and contemporary state-actions.

Periodical Theories of Mercantilism

Theories of international relations reflect heavily upon economics and economic politics. Throughout history, various mechanisms and financial systems/methods were utilised by state and non-state actors in order to achieve their economic goals. Observations beginning from the Middle Ages to the Renaissance, we can see mercantilism within a feudal society, which prioritises the security of domestic trade, stockpiling of goods and sufficient production, while ensuring protection from external threats and ability to export surpluses, if necessary (later as an objective). It can be often evaluated from a realist perspective, as implemented actions related to state-interests to achieve desired measures of market control require government intervention, and elevation of security-based policies within the state/government.

Branches of mercantilism can be interpreted as chronological/periodical sections, as analytical perspectives, or a set of state policies and actions related to national economy. Such interpretations, throughout history, reflect the period they were engulfed in with varying levels of detail or approaches, whether prioritising

limitations of imports & expanding exports, or installing non-tariff barriers (NTBs) to avoid direct political consequences related to existing restrictions within an international economic system. Wealth and power leading to a virtuous cycle of positive events leading to further positive developments is the precedent idea, while a vicious cycle follows as other states' sovereignty and economic independence are exploited in favour of the powerful/mercantilist state. State power, as a mechanism, is viewed in terms of absolute gains and losses by mercantilists. They also believe that, on the contrary of realists, military power and capabilities are not ahead of economic factors, as conflict is usually economically driven, as a viable economy is essential. The similarities follow as both take nation-states as central actors and as the highest unit of sovereign political authority in the international system.

Classical Mercantilism

Classical Mercantilism serves the basis of colonial trade, prioritisation of exports and limitation of imports, and desire of continuous market expansion. The idea of state-building and intervention in the economy form the core. Its main aim is to create wealth and power through generating trade surpluses, in order to protect national security and independence. Territorial integrity is the main principle of classical mercantilism, as prosperity, justice and domestic peace would be effectively useless without sovereignty or territorial control. The tension between the pursuit of wealth and the pursuit of power by the state is usually settled, either in favour of one or the other from time to time, or both simultaneously, usually at the expense of other parties.

Economic Nationalism & Protectionism

Adapting to existing circumstances, mercantilist thought evolved into a reactionary process against economic liberalism following late 18th and 19th centuries. Aiming to focus on the internal development of the national economy, technological advancements and improvements in both transportation and production contributed to the realisation of set goals.

Political boundaries of the state and the economy began to coincide to a greater degree, and as the line between wealth and power began to blur, it was clear that power itself, gained its strength from both national and international economic capability. The national economic interests were put ahead of individual interests, and unregulated markets were observed with fear by protectionist actors. Being an independent power necessitated being an independent economic power, therefore control over domestic and regional markets was vital.

Implementing tariffs to supplement domestic production & trade, as well as supporting infant industries and newly independent nations' ability to produce national goods and services were supported by two prominent men, namely Alexander Hamilton and Friedrich List, who both claimed the essentiality of state action to promote productive power in the form of education, technology and industrial capability.

Economic nationalism, or rather protectionism, still keeps its identity in contemporary (21st century) economic polity, through modernised institutions and ideologies/policies. Improvements in communications, technology, transportation and infrastructure allowed the focus to alter from gaining security and economic

independence to finding foreign markets to export produced surplus goods and achieve further profit, thus triggered a phase of foreign imperialism and clashed national interests.

Neomercantilism

Neomercantilism can be mainly associated as a response mechanism to neoliberal economic policies, as global treaties and institutions such as but not limited to the General Agreement on Trade & Tariffs (GATT), World Trade Organisation (WTO), Asia-Pacific Economic Cooperation (APEC), and North American Free Trade Agreement (NAFTA), would attempt to effectively prevent mercantilist conflicts. Therefore, countries would continue to pursue their own ways to protect their particular industries and the whole domestic economy within an international political and economic environment that discourages classical mercantilist policies, specifically tariffs and quotas.

Following the 1973 and 1979 Oil Crises, many industrialised states wished to reduce their global dependency on oil imports to enhance both economic and national security. Oil was not the only resource, but numerous natural resources and raw materials considered as “strategic resources” were beginning to be sheltered under a protectionist umbrella. Both realist and neo-mercantilist explanations of international political economy hold that dependence on foreign supplies and imports for strategic resources is an unacceptable security risk. Through complete self-sufficiency, a nation-state would be politically and economically secure. Actions of severely reducing foreign dependence on other nations and increasing dependence towards themselves by external actors is the ultimate goal.

Moreover, a vital dilemma between the international obligation to promote and protect free trade through open markets, and the national desire to safeguard one's nation's independence and economic security had occurred. Nations had to put in order their prioritisations and act accordingly within the international stage to realise their interests, via changes of policy in tariffs, import quotas, voluntary export restraints, NTBs, and subsidies.

The Gold Standard System

The Gold Standard is defined by Peter C. Earle as such: "... was a monetary system that defined a unit of a nation's currency as a fixed weight of gold and made the two mutually exchangeable. For much of modern history, several versions of this pairing served as the foundation of global trade and finance. Under the gold standard, governments promised to redeem paper money for a defined amount of gold on demand, which made the value of currencies stable and predictable. That stability fuelled unprecedented global integration, linking the prosperity of many nations through the shared economic logic of gold." (Earle, 2025).

It is a monetary system where a country's currency is directly tied to the value of gold. Gold has historically been used as a stable medium of exchange due to its intrinsic value and limited supply, thus limiting the capabilities of a state/government to issue physical money unproportionately, or on-demand, especially during economic downturns (Chen, 2021). Such examples can be seen prior to the Second World War beginning with the 19th century.

Historical Analysis

The Great War

The Great War between the great powers of Europe resulted in power shifts and threatened the multipolar international system, as well as created the foundations for yet another global-scale war. Excessively harsh terms put on the defeated Central Powers, namely Bulgaria, the Ottoman Empire, Austria-Hungary, and most importantly Germany, would have consequential effects during the post-war interwar period as nationalistic, revanchist and patriotic tendencies would rise in both defeated and dissatisfied nations.

Interwar Period

Germany, with the Treaty of Versailles, was carrying a huge economic and political burden as they were forced to pay an unreasonable amount of war reparations, which they were unable to do so, leading to a period of economic recession, hyperinflation and critical unemployment. Occupation of the Rhineland (the Ruhr), thus the industrial powerhouse of Germany and limitations of compromise until mid 1920s led to further destabilisation and poor handling of internal crises by the Weimar government(s). Unable to pay reparations, dissent among the public, specifically against the inept governments of the unstable republic, resulted in a far-right fascist -national socialist- regime to surge which would result in occupation and annexation of neighbouring states, and ultimately the Second World War.

Italy on the other hand, were ditched by the Ententé, and to their claim not sufficiently rewarded for their contributions against the enemy. Therefore, prior to the

German change of government, Rome saw a new leader rise through the ranks of socialism then fascism, taking over the nation.

Both nations followed economic policies which prioritised internal development and redistributive policies which promoted infrastructure construction, job-creation and welfare for citizens. Autobahn and labour projects in Germany, as well as central-planning and naval rearmament policies in Italy are only a few examples which led to economic revival despite both internal and international economic downturns.

Several other nations followed suit with authoritarian and totalitarian regimes taking over, and a general understanding of autarky, protectionism, restrictive trade and economic nationalism had become the paradigm of 1920s-30s. It would only take yet another crisis, preferably non-political to ensure a further step away from policies of free trade.

Great Depression

The Wall Street Crash of 1929 led to severe global economic downturn and depression, with critical-levels of unemployment, poverty and halt of industrial production & international trade. The “Roaring Twenties”, a period of growth and economic boom following the Great War within the victorious powers, led to the generation of a certain amount of profit. However, gains were improperly invested or used, mostly invested in speculation which led to proper wealth inequality and economic bubbles.

Response management included imposing heavy foreign import tariffs to protect domestic American production from external competition. However, along with

several other factors which exacerbated the Great Depression, the idea of tariffs on foreign imports only worsened the economic crash, as criticised heavily by Keynesians and Monetarists. Export-Import imbalances caused massive financial tensions and negatively affected employment, trade flow and exchange controls as they were in motion.

Meanwhile, on a rather global scale, the post-war developments of industrial planning had served to add to present difficulties rather than aid. They had taken mainly the form of stabilising, by price or market agreements, a number of the great raw material producers, some of them with governmental aid and supervision, like the Brazilian valorisation schemes or the Stevenson plan for rubber, others, like the international organisation of copper producers, by private agreements. Some of them failed or were in process of failure before depression, some have succumbed or seemed about to succumb under the pressure of the disastrous fall in prices.

Simultaneously, what had especially aggravated the European feeling about the war debts has been the American tariff. This has been held responsible for the relative decline in the imports from the European debtors to the United States. The fact remains that the narrowly nationalistic policy of the United States, as exemplified again in the tariffs put in 1930, has been one of the great complicating and accelerating factors in the cumulation of abnormal unbalances and rigidities which brought the world to the Great Depression (Gay, 1932).

Bretton Woods Conference & International Monetary Fund - 1944

The Bretton Woods Conference was a significant event that took place in the summer of 1944, among participating delegations from all allied nations during World

War II, where the economic program of the United Nations was developed. This conference aimed to address vital international economic problems, preexisting issues relating back to the interwar period, and was largely shaped by the United States. The main objectives were to restore world trade, eliminate restrictions and discriminations in trade, and prevent the formation of conflicting economic blocs.

The war had destroyed productive facilities in various regions of the world. World trade could not be restored until the agricultural and heavy industries of the devastated nations were once again back on their tracks with production. A continuing need in many countries for foreign capital for reconstruction and development is obvious. If, such capital is to be provided on reasonable terms, it would be of enormous benefit to both borrowers and lenders, thus the international bank was formed in order to assist raising such capital. Additionally, few of the reasons on why world trade could not be restored and expanded was due to the restrictive and discriminatory currency practices that had became prevalent in the 1930s, threatening cordial economic relations among nations (Pehle, 1946).

Bretton Woods recognised all the existing issues and adopted a resolution that the participating governments seek to reach an agreement, as soon as possible, with methods and measures suitable to reduce obstacles to international trade and in other ways promote mutually advantageous international commercial relations and cooperation. Thus, the International Monetary Fund (IMF) was also formed (Pehle, 1946).

IMF's main goal is to set up orderly arrangements to promote exchange stability and to eliminate competitive exchange depreciation. The currency of each

participating country would be defined in terms of gold or the U.S. dollar. It had valued reciprocity and non-discrimination towards currencies, exchange rates and goods which were subject to tariffs, which intended to prevent the use of the Fund's resources to support an untenable pattern of exchange rates. A profound step to regulate non-domestic monetary policies through a non-sovereign instrument was perhaps the first and most prominent one so far. The membership of the Fund would include countries with different types of political and social organisation, and it could only function effectively if it avoids conflict with members on purely domestic policies which do not concern other countries. For this particular reason, the Fund Agreement provides that the Fund will not object to a necessary change in parity because it does not approve of the member's domestic social and political policies. As an international organisation, the Fund must concern itself only with matters that substantially affect the international economic position of other countries. On such matters, the Fund remains free to express its views to members and to utilise its powers and resources to maintain the fair-exchange practices essential to prosperity (Pehle, 1946).

Exchange stability and freedom of exchange transactions are possible only if countries have resources with which to meet an adverse balance of payments. Otherwise, they are compelled to force a prompt adjustment in their accounts through exchange depreciation or exchange control. Either policy might restrict the volume of trade and have a depressing effect on business in all countries. If other adjustments are preferable, a country should have help in avoiding extreme measures. To help countries that abide by these fair-currency practices, the Fund had resources of \$7,400,000,000 in gold and national currencies (quantity irrelevant for the

committee), subscribed by the members in accordance with the quotas established at the conference. These resources were meant to be used by the Fund to give temporary assistance to countries in stabilising their currencies. By doing so, it would prevent a serious breakdown in currencies in a period of severe economic depression, and give said countries time to make adjustments in their balances of payments without resorting to exchange depreciation or restriction of exchange transactions which would violate and bypass the main objectives of the conference (Pehle, 1946).

Post-War Period & the Cold War

Truman Doctrine & Marshall Plan

While attempting to recover through international instruments, devastated post-war nations were, similarly in Bretton Woods, in search of receiving foreign capital and investment for the recovery and reconstruction process. The United States came up with an economic package plan in order to assist the European continent in their revival, to not let the communist bloc, which were increasingly hostile towards the West after the end of the war, gain any advantage over themselves. The Truman Doctrine, based on the idea of containment of the Soviet Union and directing themselves against the expansion of their influence, included military aid & involvement, while on the other hand, the Marshall Plan/Aid had been purely economical for the countries of Western Europe (mainly). It may be considered that the Marshall Plan falls under the Truman Doctrine, from a technical perspective while that may be the case, and it may seem like an appropriate placement, the purpose and intentions are critically different (Borchard, 1947).

The economic aids were not merely but strategically a ‘reparation’ of war damages caused by the fallen German regime, that the U.S. was taking toll of (Borchard, 1947). If not paid for, it would cause the populations of Europe to revert to radicalism, extremism, or even socialism, which the latter had been showing its effects and rise in several countries, such as but not limited to: France, Italy and Greece. If an initiative to kickstart European economies were given by the Soviet Union under their economic hegemony, the structure of the continent could have been much more different, and perhaps subjected to further Russian influence than we could have predicted.

Thanks to the American economic miracle and the foundation of the military-industrial-complex which had generated extraordinary profits, not only getting the U.S. out of a ravaged economic status post-Great Depression but giving it leverage within international politics, as an economic hegemon. With such ability, the U.S. was able to give out the aforementioned packages and avert Europe from falling under the influence of communism. However, the ‘economic miracle’ would only foreshadow the decline of American financial capabilities, as those who were supported would eventually begin catching up.

Formation of the Cominform-Comecon

Following the establishment of a bipolar system after the Second World War, the Soviet Union formed their own sphere of influence, both politically and economically. Through their own institutions, economic control over Eastern Europe allowed the Soviets to operate their programs and policies in competition with the

Western system, especially the European Economic Zone (EEC) once it was established. While the West was recovering, the East had to catch up.

Thus, the Comecon, first formed as the Cominform as a coordination bureau, was established in 1949 through a declaration. Primary objectives were simple yet unattended to, retaliating economically against the West through Russian-led policy-making, averting the newly established Soviet satellite states in Eastern Europe from falling into the hands of capitalistic regimes and economic influence.

USSR, until that time the only (prominent) communist ruled country in the world, had always pursued a policy of economic self-sufficiency, as it felt threatened by a hostile capitalistic world. This policy, based on a desire not to be dependent on foreign imports, was not forced upon the new satellite states and since a sudden change from a capitalistic, free-market economy to a socialistic planned economy is bound to give rise to serious issues, proved to be disastrous for the East. This policy of total self-sufficiency may have worked in the Soviet Union with its vast regions full of natural resources and raw materials, along with available labour capabilities, but in the Eastern European countries, with their small scaled, war-torn and restricted economies, the results were horrendous. For a number of years living standards in these countries were very low, with a minimum level of consumption. It took several years, until Joseph Stalin's death, before fundamental changes in economic policy were implemented, and through the Comecon as well despite carrying out only a few activities and holding out little hope for the foreseeable future (Thomas, 1976).

Decolonisation Process & Financial Troubles

The word “Empire” became a “bad-word” with Colonisation: Empire used to represent the acknowledgement and recognition of diversity and differences, as opposed to nation-states. Albeit, the rise of inevitable nationalism made nation-states a norm, especially after the Second World War: therefore, the crisis of the Empires. Decolonization is a transfer of power, which is a strategic choice by the Europeans, to keep-up with the ideas of the elite and bureaucracy, which wishes to end the burden and obligation of the colonial rule, an idea wide-spread amongst colonial administrators. The end of the colonial rule didn’t foresee many societal changes, with exceptions, it was an act of ending the colonial rule, not state-founding: a rule of transfer of political power. Decolonization was a legal description of what was happening: “undoing” the colonisation, creating the absence of political rule from or by Europe, over a non-European society. Not a “liberation” or “freedom” but “independence:” which can be a measured capacity of independent action. With decolonization new sovereign states emerged and multiplied, right of national self-determination was discussed, together with the negotiation of human rights. Decolonization is therefore a productive & creative force as it produces: members of the League of Nations and the United Nations weren’t much different in 1945, however, the 60s saw a radical expansion and larger number of sovereign states, meanwhile the struggle for independence continued from 1945 to 1975.

Bandung Conference - 1955

The Bandung Conference of 1955 was led by two prominent figures: Indonesian President Sukarno and Indian Prime Minister Jawaharlal Nehru, with the aim of building a non-aligned movement, helping newly independent Asian and

African nations to come together and act in solidarity. The Asian Relations Conference of 1947, held in India following its independence was where Nehru got the idea. Indonesia called to convene the Bandung Conference, which was later supported by Nehru after 1954, following the prime minister's increasing concern related to the American foreign policy and its impacts on Asia. Nehru was hoping to secure a guarantee of peaceful coexistence with the People's Republic of China (PRC). China's Mao Zedong also played an important role on the organization of the conference, together with the Chinese Foreign Minister Zhou Enlai. Mao was hopeful that with rising anti-colonial nationalist and anti-imperialist sentiments in Africa and Asia, China could play a crucial role in leading these countries. Mao was hoping to present China as a model for these newly independent countries. With the proposal by Indonesia at the Colombo Powers conference in 1954, a planning group consisting of the leaders of Indonesia, India, Pakistan, Burma, and Ceylon planned the Bandung Conference. The goals of the conference were: to promote goodwill and cooperation among the new nations, to explore in advance their mutual interests, to examine social economic and cultural problems, to focus on problems of special interest to their peoples such as racism and colonialism, and to enhance the international visibility of Asia and Africa in world affairs. Indonesian President Sukarno portrayed himself as the leader of these newly independent states, which he described as "NEFOS" (Newly Emerging Forces). One of the most important outcomes of the conference was that it was decided that "colonialism in all of its manifestations" was condemned—in addition to a 10-article declaration signed at the end of the conference. The articles of the declaration were:

1. Respect for fundamental human rights and for the purposes and principles of the charter of the United Nations.
2. Respect for the sovereignty and territorial integrity of all nations.
3. Recognition of the equality of all races and of the equality of all nations large and small.
4. Abstention from intervention or interference in the internal affairs of another country.
5. Respect for the right of each nation to defend itself, singly or collectively, in conformity with the charter of the United Nations.
6. Abstention from the use of arrangements of collective defence to serve any particular interests of the big powers,
7. Abstention by any country from exerting pressures on other countries.
8. Refraining from acts or threats of aggression or the use of force against the territorial integrity or political independence of any country.
9. Settlement of all international disputes by peaceful means, such as negotiation, conciliation, arbitration or judicial settlement as well as other peaceful means of the parties' own choice, in conformity with the charter of the United Nations
10. Promotion of mutual interests and cooperation
11. Respect for justice and international obligations

In 1957, another conference was held in Cairo named “Afro-Asian People's Solidarity Conference,” following the Bandung Conference, and in 1961, with the Belgrade Summit, the Non-Aligned Movement was officially formed. The Non-Aligned Movement came to existence “in the context of an increasingly globalized contest between Soviet-style Communism and Western liberalism, the states that considered themselves non-aligned formed a loose association in 1961 designed to provide them with a collective voice in international relations. However, non-alignment did not mean that all of them were political fence sitters. Some were Communist states themselves, others liberal democracies, and still others conservative monarchies.”

(Lüthi, 2016)

Structural changes in three areas of international politics and economics also contributed to the end of European empires and aided the cause of the colonized peoples. First, a spread of nationalist movements around the world was well under way after the First World War. Even though the United Nations was initially created as a concert of Great Powers that included European imperial states, its General Assembly eventually became a stage for the international condemnation of colonialism and of racism. A second change arose thanks to the intensification of commercial relations between the industrialized nations—an inversion of the tendency toward autarky and protectionism prevalent in the 1930s—and the perfection of transportation technologies, with their corresponding drop in shipping costs. These developments rendered direct control of colonies' raw materials both more expensive—in terms of military spending and related sacrifices in the development of national welfare states—and less

necessary. Finally, there was the definitive recognition of the role of the two superpowers, and the knowledge that formerly colonized peoples could receive support from either of the two spheres of influence professing a universal ideology. Indeed, as Frederick Cooper has noted, the defeat of the European powers in southeast Asia at the hands of Japan had already allowed their former colonies in that particular region to taste the flavour of national independence by the end of the Second World War. Such territories would have to be de facto recolonized by former imperial masters, a much more difficult and unpopular task in the context of the Cold War than simply controlling revolts in long-established territorial possessions. (...)

Sixteen new countries had already been admitted en-masse to the UN in 1955. They were joined in 1960 by an additional fifteen decolonized states. In December of that year, in the glass palace of the UN in New York, the organization approved the “Declaration on the Granting of Independence to Colonial Countries and Peoples,” a statement that heralded the numerical superiority of the newly independent nations in the General Assembly. Even more importantly, the Declaration signalled these countries’ intent to take charge of the human rights agenda, and to impress on global public opinion the idea that the right to national self-determination would take precedence over the other universal rights listed in 1948 by the UN. In the future, only a veto by one of the five major powers on the Security Council could block the will of the majority of Third World countries. A new axis of international conflict had been created,

which intersected with that between East and West: The confrontation between North and South. (...)

The Third World countries could count, it is true, on a certain consistency in their growth rates, but their overall weight in international trade was in steady decline. Their power in the governing institutions of the international economy was largely insignificant: If anything, the system was evolving from one in which only three countries—France, Great Britain, and the United States—decided everything to one in which the other western European powers, above all the Federal Republic of Germany, were making their presence felt. Changes in international economic regulation were clearly necessary to make democracy and market economy a more attractive proposition (Garavini, 2012).

Foundation of Organisation of the Petroleum Exporting Countries (OPEC)

Venezuela, following the Second World War, initiated a cooperation project among the oil-exporting countries—Iran, Iraq, Kuwait and Saudi Arabia was invited to discuss closer coordination and cooperation. During this period of time, oil fields in the Middle East were just coming into production, and the global oil market was largely dominated by the Western multinational oil companies, mostly located in the US. In order to curb the power of these MNCs, oil-producing countries sought to create a collective body to counterbalance this concentration of economic and political power. MNCs, in 1959 and 1960, unilaterally cut posted crude oil prices, damaging the economies of the oil-producing countries. As a result, in 1959 Arab Petroleum Congress was held in Cairo, where Saudi Arabia and Venezuela promoted cooperation through the Maadi Pact, and called for establishment of coordination and

consultation mechanisms amongst exporter countries. In 1960, the Baghdad Conference was held with the participation of Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela, founding the OPEC, which was opposed by the US. The organization hoped to establish coordinated policies, resist unilateral price cuts by oil companies and secure better export prices for crude oil. After the establishment of the OPEC, members operated under 50/50 profit-sharing agreements with oil companies, but coordination was difficult because companies could shift production between countries. Libya's successful renegotiation of more favourable terms in 1970 encouraged other members to demand better deals. This culminated in the 1971 Tripoli Agreement, which raised oil prices and increased oil-producing-countries' profit shares, where it became clear that the OPEC has a significant influence.

Intergovernmental Advancements: Formation of UN Trade & Development (UNCTAD)

Kennedy's efforts to reshape the international economy, however, like those we have just described to institute a new foreign aid policy for developing nations, did not account for the growing radicalization of the Third World, even outside Latin America. Many in these areas had begun to view the end of direct military rule over the former colonies as insufficient, and were slowly becoming convinced of the legitimacy of a battle to achieve the same standards of living enjoyed by the industrialized nations: High levels of technological development, cultural and social advancement, and rising life expectancy. From the political and military struggle for independence, the fight against economic "neocolonialism" was born. The order of the day among those newly independent nations,

seeking to escape the tutelage of the developed world, was “trade not aid”: Growth in trade with the industrialized economies, accompanied by changes to the rules of international commerce and increased prices for raw materials, was thus linked to their desire to break out of the vicious cycle of dependence hidden beneath the benevolent face of foreign aid. (...)

Nkrumah’s essay *Neo-Colonialism: The Last Stage of Imperialism* —the title paraphrases Lenin in 1917—described economic dependence as part of a precise political strategy by the ex-colonial powers based on “breaking up former large united colonial territories into a number of small non-viable States which are incapable of independent development and must rely upon the former imperial power for defence and even internal security.” Nkrumah was critical of the creation of African states dependent on their ex-colonial masters, though he saw de Gaulle’s France as a potentially useful obstacle to the creation of a larger and united Western system of exploitation. He was one of the principal supporters of the idea of an African federation of states, which had its moment in the spotlight in 1963 with the creation of the Organization of African Unity—a body that, it must be noted, ultimately failed to fulfil Nkrumah’s ambition to eliminate colonial states altogether. The Ghanaian leader considered economic neocolonialism a system based on the collapse of commodity prices, loans at high interest, a multilateral aid system that emphasized potential return on investment, and the trade and maritime transport monopolies enjoyed by the wealthiest nations. In his view, the “free” trade unions of the

industrialized world were another instrument of neocolonialism, above all those affiliated with the British Labour Party, since their demands imposed constant price increases for Western manufactures while insisting on the protection of industrialized nations' domestic markets. (...)

To understand the seemingly intractable economic obstacles facing the newly independent Asian, African, and Latin American states, the observations formulated in the 1970s by Paul Bairoch are still useful. He was among the first to take note of these nations' growth in gross domestic product, and the development of certain important social indicators like rates of education, in the two decades from 1950 to 1970. At the same time, Bairoch argued that the absence of certain factors presents in the European nations of the First and Second Industrial Revolutions of the nineteenth century actually militated against growth in the poor countries, and trapped them in a vicious circle that caused them to sink even further into relative underdevelopment:

1. The fact that manufacturing processes had become much more complex, making it much more difficult to introduce or copy industrial production techniques in places still dominated by artisanal modes of production;
2. The decrease in transportation costs that made it possible to do the previously unthinkable, that is to maintain manufacturing plants far from the producer nations of raw materials; and

3. The demographic explosion of the Southern nations, which could not sustain levels of agricultural production sufficient to feed their people, notwithstanding the productive revolution in farming techniques.

Already by the beginning of the 1960s, the most perceptive economic historians were emphasizing how simple imitation of the model followed by the industrialized countries—the idea put forward by the Rostowians—would not raise the poor countries out of their poverty, because they would simply fall prey to sabotage or outright corruption by established elites. Although rarely mentioned by historians, the creation in 1960 of the Organization of Petroleum Exporting Countries (OPEC), the first and most crucial organization among producers of raw materials, should also be viewed as a vital element of the Third World's new activism and of the increasingly global reach of some of its ideas. Far from being an Arab gathering, it included Iran and extended its global reach to the nationalist and interventionist governments of Indonesia and Venezuela. The gentleman's agreement leading to the creation of OPEC was reached in 1959 at the margins of the First Arab Petroleum Congress in Cairo, with a handshake between the Venezuelan Oil Minister Pérez Alfonzo and the Saudi Director of Petroleum and Mineral Affairs Abdullah al-Tariki (soon to become that nation's first Oil Minister). Venezuelan diplomats had been trying since at least the 1950s to blunt competition with cheaper Middle Eastern oil by reaching some form of effective agreement on oil production and prices, but were initially quite sceptical that the proposed organization would prove a success. As the Venezuelan ambassador commented

regarding his meeting with the Saudi Prince Faisal, “it seems that the main producer in the Arab world does not share our concepts and that, considering its position, it could very well soon become a terrible competitor.” Eventually, the fateful decision by the oil companies in 1959 to decrease the posted price for oil (the reference price on which the taxation and income of oil-producing countries was determined), created the favourable climate for OPEC to be formally constituted in 1960 in Baghdad, at a meeting that went completely unnoticed by the foreign press and major leaders at the time. (...)

The G77 that began to coalesce in 1963 would become a major actor in international economic negotiations until at least the end of the 1970s, something akin to a trade union of Third World governments. Already at its birth the group was divided between radicals—nations like Indonesia and Cuba, which regarded the Conference as the first step in a global class conflict against the wealthy nations—and pragmatists like India, which sought to use Geneva more concretely as a new forum for international cooperation to work toward more short-term goals. It is not easy to evaluate which of the G77 countries were best positioned to play a front-line role in the negotiations; the relative size of the nations and the international prestige accorded to individual leaders, like Nasser or Nehru, were certainly important. But the practical preparations of the delegations and the charisma of individual diplomats were equally significant, as in the case of the Brazilian Silveira, as well as Lall from India, Stanovnik from Yugoslavia, Santa Cruz of Chile, and Mahmood of Pakistan. No similar

degree of cooperation was evident on the western front, which had also begun preparations for the conference at the end of 1963 within the OECD. Here the atmosphere was poisoned by tension, in particular that between the pro-Atlantic powers and de Gaulle's France, which in January 1963 had officially rejected the British application to join the EEC. The Kennedy administration, having pushed hard for British inclusion in the Community, regarded the newborn Franco-German axis as little more than a front for domestic political self-preservation, which would prevent Europe from assuming its international and Atlantic responsibilities. In addition to the divisions within the Community, the OECD negotiations also revealed diametrically opposed visions for the future of global trade: While France supported price controls for basic commodities in order to defend the Common Agricultural Policy (CAP), Great Britain appeared to want to embark on a crusade for the complete liberalization of world commerce. The only point of genuine consensus to emerge among the Western powers was the need to avoid the prospect of the Conference leading to the creation of a World Trade Organization that would jeopardize the primacy and role of GATT. (...)

Growing anxieties within the industrialized states regarding the emergence of a unified front of Southern nations softened the stance of even the most hard-line Western liberals, and made possible the first reforms of the Bretton Woods economic institutions. In 1965, one year after the conclusion of the first UNCTAD, Part IV of GATT was adopted, recognizing the vast differences in standards of living between the

developed and developing worlds, taking into account the importance of adequate incomes for Third World exporters, and encouraging nonreciprocal trade agreements between countries with different standards of living. In 1963 the IMF had created a new type of loan to protect commercial trade balances, and in 1966 it conceded the opening of this Compensatory Financing Facility to the emerging nations, though the conditions offered were no more advantageous for them than for the industrialized countries, contingent as these loans were upon strict "cooperation" with the Fund. The birth of a trade union of Third World countries meant not only the creation of a new economic institution within the UN, but also parallel and temporary weakening of more radical, conflicting, political impulses with respect to the industrialized world, which pre-dated the emergence of the independence movements. In 1965, with the failure of the second Bandung Conference, the Afro-Asian movement was finally and permanently defeated. (...)

In the long run, the several projects of regional integration founded in the heady years of the early 1960s, and subsequently heralded at Geneva as the strategic solution to the problems of underdevelopment in the UNCTAD Final Declaration, failed to take root. It has been estimated that by the middle of the 1960s there were at least fifty countries that were taking part, in one way or another, in regional integration initiatives, the most notable of which was probably the Latin America Free Trade Association (LAFTA). Between 1964 and 1968 all these projects faced substantial crises. Among the reasons for the failure of these efforts at

regional integration in the Third World were the excessive emphasis placed by the developing nations on the defence of industrialization; the fact that in Asia two of the great powers, India and China, were largely focused on national development schemes; the strong ties binding Latin America to the United States; the fact that none of the major Western powers favoured the regionalization of development aid, as had happened, for example, in the case of western Europe during the years of the Marshall Plan. That said, while in 1960—when pressure from the newly elected Kennedy administration had resulted in the creation of the DAC and reform of the World Bank—the Western world seemed to be comfortable with the idea that the efficient planning of aid would be sufficient to solve the problems of the Third World and to bring it closer into line with an economy based on free markets, the birth of the G77 forced the industrialized countries to come to grips with the need to partially reassess and reform the structures underlying trade and the international economy (Garavini, 2012).

Occupation of the United Nations

When one says that the UN has been ‘occupied,’ what is really meant is from 50s onwards, and especially throughout the 60s and 70s, with the struggle for decolonisation, many countries managed to gain their independence. With these countries getting recognized by the UN, the number of members increased drastically. In a matter of few years, number of third-world-countries in the UN had surpassed that of first-world-countries, and managed to create a bloc of majority, which dominated many of the UN resolutions, with sheer power of numbers.

The post-war decolonization push began in the late 1940s and 1950s, advancing alongside a boom in development planning, but its political and economic consequences made their force felt on the plane of international law most fully during the 1960s and 1970s. Growth in the per capita income of many 'developing' countries slowed during the 1950s and 1960s, and the United Nations designated the 1960s, 1970s, and 1980s as 'development decades'. Formed in 1964, the year after the General Assembly adopted the Declaration on the Elimination of All Forms of Racial Discrimination, the UN Conference on Trade and Development (UNCTAD) became an important venue for discussions about economic development, particularly in regard to problems of 'unequal exchange' – the long-term downward trend in the price of primary commodities, especially those produced in 'peripheral' states, relative to the price of manufactured goods. By the mid-1970s, though, the postwar cycle of global economic expansion had sputtered to an end after years of declining rates of profit for many US and other firms, hard on the heels of the effective demise of the Bretton Woods monetary order following US President Richard Nixon's decision to take the dollar off the gold standard in late 1971 and the first of the decade's two major 'oil crises' in 1973–74. Building on deals they had struck with trade unions and working-class movements during the interwar period, the national and transnational capitalist classes of the postwar North Atlantic had entrenched broadly Keynesian models of countercyclical demand management, partly through

a significant expansion in the state's authority and capacity to provide social services.

This had stabilized capitalist social relations in most industrialized countries, raising wages, employment levels, and rates of profit from the late 1940s through the mid-1960s, the core of what is still often regarded as a 'golden age' for global capitalism. By the 1970s, however, competition induced overproduction in the United States and the introduction into its markets of goods from western Europe and east Asia, particularly Japan and West Germany, increased pressure on US corporations and state institutions to weaken organized labour, drive down wages for domestic workers, jettison high-cost lines of production, relocate manufacturing abroad, and deregulate the financial sector. These developments exposed the contradictions in the postwar class compromise. Brought together through open distaste for Keynesian managerial techniques and a commitment to the price mechanism, neoliberals like Friedrich Hayek and Milton Friedman came to enjoy greater power at this juncture, jockeying for influence with socialists and partisans of reform packages like the New International Economic Order (NIEO) in a contest to reconfigure the world economy. The world of floating exchange rates and increased capital mobility that resulted from such struggles was littered with new commodity and value chains, stifled by persistent suppression of growth in real wages, undergirded by ever more complex legal and logistical structures, and characterized above all by frequent recessions, asset bubbles, and financial crises. It was in this rapidly changing context that the last major

waves of decolonization unfolded. Driven to achieve and reinforce their sovereignty and independence, states struggling with legacies of uneven colonial-era development and often bundled together in a nominally uniform ‘Third World’ (the term is generally traced to a 1952 article by French social scientist Alfred Sauvy) began to organize themselves on the international legal plane. They did so in significant part through the Non-Aligned Movement (NAM) and Group of 77 (G77), formed in 1961 and 1964, respectively. They also worked through UN bodies like UNCTAD, also established in 1964, and the General Assembly, particularly its fourth committee (responsible for considering ‘special political’ and decolonization-related issues) and sixth committee (responsible for considering legal matters and producing draft conventions). Some of the ‘new states’ identified first and foremost as ‘capitalist’ or ‘socialist’, with different interpretations of those terms in the offering. The majority, though, elected to position themselves as ‘nonaligned’, a term that Jawaharlal Nehru had used in the late 1940s and that began to enjoy widespread popularity during the 1960s, often being used interchangeably with older and explicitly geographical expressions like ‘Afro–Asian’.

As the debates of the 1960s gained steam, the ‘ideological troika’ of capitalism, socialism, and nonalignment (or ‘neutralism’) gained increased visibility, circulating alongside postwar distinctions between ‘developed’ and ‘developing’ states. The roots of this large and pivotal network of nonaligned states, committed to maintaining distance from a ‘First World’ of market capitalism and a ‘Second World’ of ‘democratically deficient’

socialism, have typically been traced to debates about independence, self-determination, and resource sovereignty in the late 1940s and 1950s.

In particular, they have been linked to the 1945 Pan-African Congress in Manchester and similar meetings in Africa, the 1955 Bandung Conference, 25 and growing reliance upon non-European conceptions of international law, such as the Panchsheel or ‘five principles’ (nonaggression, noninterference, ‘peaceful coexistence’, equality and mutual benefit, and respect for sovereignty and territorial integrity) to which Nehru, China’s Zhou Enlai, and many others expressed fidelity. In reality, though, they stretched back to interwar communist and anti-imperialist organizations like the League Against Imperialism, a transnational network of communist and anticolonial militants. After holding its first formal meeting in Belgrade in September 1961, five years after Yugoslavia’s Josip Tito hosted Nehru and Egypt’s Gamal Abdel Nasser for preliminary discussions, the NAM began to translate many of the claims made during these and other meetings into new arguments about international law. Its efforts interlaced with the work of a variety of new organizations (Özsü, 2025).

Collapse & Aftermath of Bretton Woods

Decline of the U.S. Dollar & Monetary Influence

Under Bretton Woods, governments were admonished to undertake changes in their currency only in consultation with the IMF. The aim was to discourage countries from devaluing their currencies for the sake of promoting exports, a mercantilistic “beggar-thy-neighbour” practice. The United States held a pivotal

position within Bretton Woods, for it was responsible for guaranteeing the convertibility of dollars into gold at a certain ratio. American and British economists had conceptualised and framed the world of Bretton Woods; but precisely because of their success in promoting an expansive, liberal world economy, neither the dollar nor the pound completely determined the fate of the international monetary system. Set against these two currencies in decline, were two emerging forces, namely the Japanese yen and the German mark. It was the interplay among all these currencies that generated intolerable strains on the system of fixed exchange rates. Correspondingly, the policy decisions marking the end of Bretton Woods were not taken exclusively in Washington (Gray, 2007).

German policies and priorities had a striking impact on the contours of monetary relations throughout the latest troubling years, which had resulted from the conscious choices of the Federal Republic tossing aside the rules and letting the German mark “float” freely. Constructively, West Germany proved uniquely willingly to accept a loss of ‘competitive advantage’ in order to improve the overall functioning of the system. The seeming paradox of German behaviour is that it was, at one and the same time, self-interest and cooperative. In shielding the West Germany economy from the emerging issues related to world inflation, the Federal Republic was also manoeuvring independently from American fiscal and monetary policy. Viewed from this perspective, the end of fixed exchange rates would prove liberating, for it restored to governments the autonomy necessary to battle inflation, unemployment, and other maladies of 1970s. The essential goal for voters, the general populace, kept one element as vital for their currency: stability (Gray, 2007).

While West Germany had been attempting and beginning to succeed in providing economic recovery, especially by 1968 as they were bounded ahead towards a record-setting export surplus, the economies of Britain, France and the United States were facing crippling challenges. Britain's industry was anemic; French workforce exploded with high wage demands in May 1968 (proportionate to the unrest and uprisings in 1968); and the United States faced burdens of Vietnam and the Great Society. Inflation raced ahead in all three countries, while in the mean time West Germany followed a contained rate of price growth. It was essentially a virtuous cycle for German authorities, which reinforced the conviction in Bonn that devotion to stability was the height of good economic citizenship (Gray, 2007).

Yet, the distinctive German preference for stability was having a destabilising impact on the monetary system as a whole. The Bretton Woods agreements were based upon two fundamental premises: the provision, mentioned above, that the dollar was fixed to the price of gold at a certain ratio, and the requirement that governments maintain a fixed and agreed parity vis-avis the dollar. The free convertibility of dollars into gold, and the ready exchange of other currencies into dollars, lent predictability to international commercial transactions and facilitated a mind-boggling expansion of trade in the first two postwar decades. Inflation, budget deficits, and trade imbalances undermined the perceived value of many currencies; conversely, those few countries with low inflation and tight fiscal discipline, such as Germany and Switzerland, saw the effective value of their currencies rise in comparison with others (Gray, 2007).

The impasse invited repeated and debilitating bouts of currency speculation. From 1964 to 1967, it was the British pound that faced the greatest pressure; later

the U.S. dollar and the franc came in for a shake. In each case, currency traders rushed to offload the suspect currency in anticipation of some subsequent government decision to devalue. This was astute market behaviour, but each panicky sell-off resulted in catastrophic losses for the central banks, which found their currency reserves dwindling. Here, the Federal Republic faced the same problem in total reverse: speculators bought marks in mass in anticipation that Bonn would be forced to revalue, providing instant gains for holders of the Deutsche mark. A massive rush into the mark in November 1968 brought international attention to the issue. Despite these recurring crises, most Western policymakers felt that the Bretton Woods system was sound. The key word of the newly elected Nixon administration in the U.S. was “limited flexibility”: without calling into question the principle of fixed exchange rates, it was hoped to introduce a smoother adjustment mechanism (Gray, 2007).

Further developments between the Deutsche mark and the U.S. dollar followed by late 1960s and early 1970s, with issues relating to the integrationist policies of the European Economic Zone coming into play with tariff reductions and trade barriers being removed, positively affecting European monetary matters while the international arena was heavily observing the Federal Bank of the United States (FED). Nixon administration’s policies, combined with the rise of the Japanese yen would also come into play, and the Global South’s interference from an IPE perspective... It would only take a few more cracks until the entire structure would be called into question, and existing paradigms be replaced through several summits and agreements.

Nixon Shock

The Nixon Shock includes a series of measures taken in order to address the issues mentioned above, which rendered the Bretton Woods system as inoperative, and ultimately resulted in failure, reforming the U.S. currency into a fiat one, standing for an un-based, government-issues currency. The convertibility of the U.S. dollar was to be suspended with certain exceptions, therefore foreign governments could not exchange their dollars for gold, and measures related to wage and price controls were established, for the first time since the Korean War. The entire process was considered a political success, yet an economic failure as it brought on a recession in the following years (Lewis, 1976), and the instability of floating currencies were occurring.

Smithsonian Agreement

Attempting to keep the relevancy of the U.S. dollar, the Nixon Administration came into an agreement with the Group of Ten (G-10) states, raising the price of gold and increasing the price to redeem dollars for gold, which effectively resulted in the devaluation of the U.S. dollar. It failed to encourage discipline by the Federal Reserve or the U.S. government, which essentially led to the end of the Bretton Woods system along with other international factors, and several industrialised nations began to float their currencies.

Oil Shock of 1973: Showdown of Faisal

Oil itself was effectively the most crucial resource in the world following the Second World War, as almost every industry, especially in the United States, was dependent on the high- usage of oil as the main energy source, while Western

Europe and Japan also transitioned from coal to oil. By 1972, oil accounted for 45.6% of U.S. energy consumption, west European energy consumption counted for 59.6%, and Japanese consumption was about 73%. The case was similar for the Soviet Union as well, with energy consumption rates following around 39% (Painter, 2014).

In this environment, oil prices were already rising when the Organisation of Arab Petroleum Exporting Countries (OAPEC), ten days after the onset of the 1973 Arab-Israeli War, decided to cut back oil production in order to force the European and Japan to put pressure on the United States to change its policy on the Arab-Israeli dispute. A few days later, in response to significant U.S. financial and military assistance to Israel, OAPEC imposed an embargo on oil shipments to the Netherlands for its military assistance to Israel, and later extended the embargo to Portugal, South Africa, and Rhodesia. The international oil companies complied with the embargo, but undercut it by shifting non-Arab oil to the embargoed countries and distributing the cutbacks so that both embargoed and non-embargoed countries had their oil imports cut by 16-18%. In an already tight oil market, the production cutbacks and embargo drove oil prices upwards. The Persian Gulf producers unilaterally raised the price of oil from \$3.01 to \$5.11 a barrel shortly after the war began, and in December, they raised prices again to \$11.65 (Painter, 2014).

In March, OAPEC decided to end the embargo after the United States helped negotiate ceasefire agreements between Israel and Egypt and Syria. Saudi willingness to end the embargo was probably also influenced by agreements with the United States to strengthen military and economic ties. In addition to providing military equipment, training, and technical assistance, the United States recommitted itself to protecting the Saudi regime against its internal as well as its external

enemies. Most Arab states agreed to end the embargo on 18 March. Higher oil prices intensified the economic problems faced by the United States and other Western industrial countries in the 1970s, especially inflation, which was now accompanied by stagnation and unemployment. The cost of importing large amounts of more expensive oil also harmed the balance of payments of the United States and other importing countries (Painter, 2014).

Non-oil producing developing countries were especially hit hard as they had to pay higher prices for products from the developed countries as well as for oil at the same time as demand for their exports dropped due to global economic downtown. Many of these countries borrowed large sums from Western banks to cover their costs. In accordance with the developing events, and flush with petrodollars from the oil exporting countries, the banks were eager to lend and offered low interest rates. Many countries borrowed more than they could afford, a move that contributed to the Third World debt crisis of the 1980s when the United States raised interest rates in late 1979 (Painter, 2014).

In contrast, higher oil prices produced windfall earnings for the Soviet Union. Between 1960 and 1973, Soviet oil production had almost tripled. As production in Volga-Urals region plateaued, rich fields were found in the West Siberian Basin, making Soviet oil reserves the largest in the world outside the Persian Gulf. In the mid-1970s, the Soviet Union overtook the United States as the world's leading oil producer. In addition to exporting oil to Western countries, the Soviets supplied oil to Cuba and Vietnam at subsidised prices, and sent oil as economic assistance to Afghanistan, Ethiopia, Mozambique, Nicaragua and South Yemen. During the 1970s, the Soviets increased oil exports to hard currency markets. While the percentage of

exports that went to the West varied from year to year, Soviet hard-currency earnings from oil exports doubled in 1973 and again in 1974 and continued to increase for the rest of the decade (Painter, 2014).

Finally, the oil crises, by providing the producing countries with extra revenues and the confidence to assert their prerogatives led to a massive buy-out of the international oil companies and the establishment of national oil companies. Although the producing countries already owned their oil reserves, as of 1971 the international oil companies still possessed concessions that allowed them to control the production and distribution of oil. In the late 1960s, Organisation of Petroleum Exporting Countries (OPEC) declared that its members should participate in the ownership and control of their respective oil industries, and it called for a gradual and compensated takeover of the oil facilities in their countries. In 1970, national oil companies owned less than 10 percent of their oil industries, but by the end of the decade, the figure was 68%. Ownership of all aspects of their oil industries gave producing countries greater control over such factors as the pace of development of their reserves, the rate of production and the destination of exports (Painter, 2014).

Jamaica Accords – 1976

The Jamaica Accords ratified the end of the Bretton Woods System, as it was de-facto over with the Nixon Shock. Upon reached agreements, the IMF no longer enforced fixed exchange rates among nations, increasing their monetary sovereignty, and gold was essentially demonetised, ending a commodity-based economic system, leading to nations reverting to fiat currencies. Initially, an amendment in 1978 allowed the creation of Special Drawing Rights (Salvator, 1993).

Special Drawing Rights

Special Drawing Rights (SDRs) are an international reserve asset created by the IMF prior to the collapse of the Bretton Woods system, amidst the U.S. dollar - Deutsche mark feud. Legally, SDRs are not a currency and do not circulate among individuals or non-state firms (private actors). Instead, they exist as accounting entries allocated by the IMF to its member states in proportion to their IMF quotas. Their original purpose intends to address a growing contradiction following the economic decline of the Western world, with increasing amounts of liquidity necessary to support expanding trade and payments, while global reserves were being depleted due to reliance on the U.S. dollar. SDRs were designed as a supplementary reserve asset, free from any ties to a commodity, and under international agreement (Cameron, 1981).

Questions to Consider

In order to finalise the draft proposal, at least 10 of the 14 questions asked must be answered or provided with solutions within the final document.

1. To what extent should the International Labour Organisation (ILO) get involved in global economic affairs, and take responsibility?
2. Is the International Monetary Fund (IMF) capable and sufficient in terms of both global and domestic crisis management, with its pre-existing supporting instruments and institutions? If not, what can be done to alleviate its incomplete abilities as the ILO?
3. Should the IMF continue its policies of controlling member nations' convertibility rates, what measures can be taken by the ILO to ensure stability for workplaces and workers, in accordance with the indirect effects of said policies?
4. Should the Bretton Woods System:
 - a. Be reformed and reinitiated into motion as the main international economic order?
 - b. If not, be replaced with a new economic order with different paradigms/theories as its core? If so, what kind of approaches/theories/practices should be utilised?
5. What were the lacking or restrictive attributes of the Bretton Woods System which obstructed nations to operate their monetary systems?

6. What kind of steps should be taken, if possible, in order to cooperate with regional organisations, such as the EU, ASEAN and APEC, to ensure ILO's legitimacy and response-capability towards global economic matters?
7. How can governments, in harmony with employers and workers, lighten the negative consequences of the failures of the Bretton Woods System domestically?
8. How can ILO initiate a prioritisation goal of recovery among the three entities of the organisation, -governments, employers and workers- within economic crises to assure swift recovery?
9. Are the instruments of ILO sufficient enough to prepare a response program for its member states?
 - a. If so, what kind of programs can be utilised to assist global economic recovery and ensure worker rights, safety & employment in the process?
 - b. If not, what kind of resources may be used to increase the capabilities of ILO and which other international or regional organisations should the ILO enter cooperation with?
10. Are Special Drawing Rights (SDRs) a viable method/instrument for modern global economic management, and how would they be implemented?
11. Are floating currencies/exchange rates a rather suitable system in comparison with fixed/commodity-based exchange rates?

12. Can ILO ensure stability & harmony between governments, employers and workers in times of economic disasters/recessions, despite different priorities?

If so, how?

13. Can ILO expand its departmental capabilities to assure temporary projects/programs to assist in the rehabilitation of post-crisis effects related to workplace and worker stability?

14. Could the economic struggles of the countries which had gained their independence following the decolonization wave be considered as one of the factors affecting the collapse of the Bretton Woods system, and what should be done to better integrate these economies into the global market?

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