Currency Devaluation and Resource Transfer from the South to the North

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This article examines the existence and the persistence of the North-South geographic categories and the North-South income gap in light of the political economy of currency devaluation as one largely underinvestigated thesis in the geography of development. Based on a broad overview of development geography, a cross-country analysis, and a case study, the article argues that currency devaluation contributes to resource transfer from the South to the North primarily through the devaluation of southern exports and the overvaluation of northern exports. It suggests that any reversal of this trend will likely require a serious protectionist policy to reduce the volatility of capital flows and exchange-rate movements. *Key Words: currency devaluation, development geography, Mauritania, North-South divide, resource transfer.*

In an era of increasing globalization and interdependence, old categories and grand theories of the post–World War II period seem to be on the defensive. In some instances, the euphoria and the confusion of the post–Cold War transformations have created the impression that the geographic categories of *northern* (mainly ex-colonizer) and *southern* (mainly ex-colonized) countries are somehow obsolete (Kearney 1995; McMichael 1996; Klak 1998). Development studies and policies today seem more and more oblivious of major works such as the famous Brandt Report, *North-South, A Program for Survival* (Independent Commission on International Development Issues 1980). The emergence of the newly industrializing countries (NICs) and the Organization of Petroleum Exporting Countries (OPEC) in the 1970s, the fall of communism in Eastern Europe and the Soviet Union in the late 1980s and early 1990s, and the current processes of globalization and advances in poststructuralist and deconstructionist analytical frameworks all seem to have blurred the boundaries between the North (defined as North America, Europe, Russia, Japan, Australia, and New Zealand) and the South (the rest of the world). They have done so by reinforcing enthusiastic theses such as the *end of the Third World* (Harris 1990), the *end of geography* (O'Brien 1992), the *end of history* (Fukuyama 1993), the *end of ideology* (Shtromas 1994), the *end of certainty* (Prigogine 1997; Wallerstein 1999), and even the *end of the West* (Barzun 2000).

Perhaps the most enthusiastic and most recent thesis about the end of the North-South categories came from World Bank President James Wolfensohn, when he told the Joint Ministerial Committee of the Boards of Governors of the World Bank and the International Monetary Fund (IMF), at the Transfer of Real Resources to Developing Countries meeting in Ottawa in November 2001, that "[T]he wall between the developed and developing world came down with the collapse of the World Trade Center" in New York on September 11th 2001" (World Bank Development News 2001). However, the most recent development indicators from the World Bank and the United Nations suggest that the overall North-South income gap continues to widen, and a net flow of resources continues from the South to the North (Broad and Landi 1996, 7). If the income gap is there and continues to expand, what, then, underlies its persistence in an era of globalization of trade and exchange?

Some of the earlier post–World War II observations and explanations of unequal development include Prebisch's (1950) and Singer's (1950) analyses of the long-term decline of the terms of trade for developing countries, as well as Griffin's (1969) explanation of the decline of the terms of trade as a result of factors such as the nature of the product exported, the degree of structural rigidity in the economy, and the bias of technical progress (see also de Souza and Foust 1979). Further theorizing of unequal development came from Emmanuel's (1972) study of the imperialism of trade, Amin's (1977) theory of unequal exchange, and Wallerstein's (1991) model of a world-system. More recent studies have shown that the terms of trade continue to decline in the South because the benefits of technical progress and productivity improvement in the North are distributed in the form of higher income to both northern workers and capitalists, whereas, in the South, these are distributed in the form of lower prices to the consumers (Sarkar 2001, 441).

But most of the above-cited studies focused on international trade and exchange under the Bretton Woods system of fixed exchange rates. They overlooked

Annals of the Association of American Geographers, 93(2), 2003, pp. 463–484

Published by Blackwell Publishing, 350 Main Street, Malden, MA 02148, and 9600 Garsington Road, Oxford, OX4 2DQ, U.K.

currency devaluation as an important manifestation and/or cause of the deterioration of the terms of trade and the deepening of unequal exchange and development between the North and the South. With the current process of globalization, the increasing liberalization of international trade, and the decline of fixed exchange rate systems, the mobility of capital flows accelerates and currency markets expand as world exchange grows faster than world production. Can currency devaluation provide a better explanation of some of the often-invisible forms of North-South resource transfers? More specifically, does currency devaluation contribute to declining export earnings in the South?

This article examines the North-South income gap in light of the political economy of currency devaluation as one largely underinvestigated thesis in the geography of development. In the meantime, it looks at the extent of the geographic nature of the North-South income gap, its significance as a major contradiction in international relations, and its relevance to the core area of development theory and policy. The research is based on: (1) a broad historical overview of the geography of development aimed at providing a theoretical basis for assessing the North-South income gap; (2) a cross-country analysis comparing a pattern of currency devaluation and declining export earnings in the South with a pattern of currency appreciation and rising export earnings in the North; (3) fieldwork in Mauritania documenting the observations of some on-the-ground, devaluation-driven changes; and (4) relevant socioeconomic data published by the IMF, the World Bank, the United Nations, and the Mauritanian government.

The first section of the article documents and measures the existence of the income gap by analyzing and mapping the distribution of global population and global wealth in 2000. It also provides a theoretical and historical explanation of the persistence of the income gap and identifies currency devaluation as one of the most important factors that deserve investigation in light of the current expansion of the North-South income gap amidst increasing liberalization of international trade and capital markets. The second section underlines how the rapid growth of trade in currency markets has made the management of the exchange rate the key macroeconomic policy in managing the global economy. It particularly pinpoints the role of the IMF in encouraging and often requiring currency devaluation as one of the cornerstones of its lending policy throughout the South. The third section provides a cross-country empirical evaluation of the impact of currency devaluation on key export earnings in selected southern and northern countries. The fourth section provides an empirical evaluation of the impact of currency devaluation on key development indicators (gross domestic product, exports, and debt) in Mauritania. The fifth section concludes that, while more comparative research is needed in this new area in the geography of development, an immediate reversal of the often-invisible resource transfer from the South to the North is likely to require the re-establishment of some level of protectionism, the restoration of exchange controls and import restrictions, and perhaps the temporary suspension of debt servicing.

Theorizing the North-South Income Gap

The North-South geographic categories pictured in Figure 1 are based on the colonizer-colonized categories extant since the fifteenth century, the North-South divide of the 1980 Brandt Report, and the 2000 World Bank income groups according to gross national income (GNI) per capita. The most recent available development indicators (see Figure 2) show that the South (80 percent of the world's 6 billion people) lives on only 20 percent of the U.S.$31 trillion global wealth, as measured in U.S. dollars according to the World Bank's so-called atlas method of calculating the gross national product (GNP), which has recently been renamed the GNI in accordance with the 1993 system of national accounts (World Bank 2001). In the late 1970s, the South had 75 percent of the world's population living on 20 percent of the global wealth (Independent Commission on International Development Issues 1980, 32). Examples from the World Bank's development indicators database for 2000 (World Bank 2001) illustrate the point.

India's 1 billion inhabitants have a GNI of $471 billion, as compared to $590 billion for Spain's 39 million inhabitants. China's 1.2 billion people have a GNI of $1 trillion, compared to $1.15 trillion for Italy's 57 million people. Over 650 million people in sub-Saharan Africa have a combined GNI of $313 billion, whereas Australia's

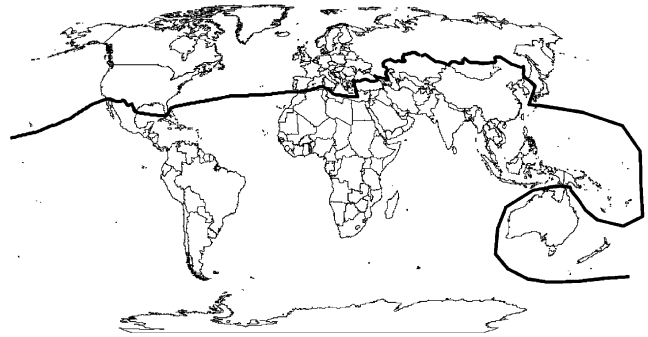

Figure 1. North-South divide.

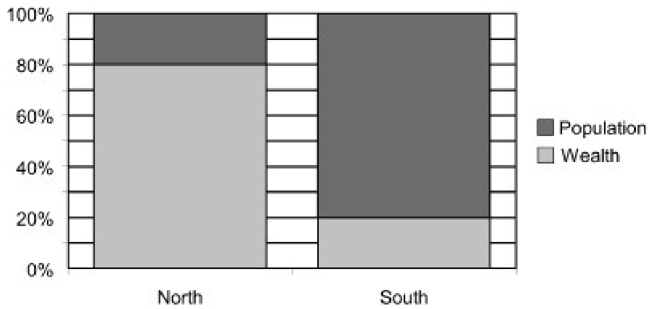

Figure 2. Distribution of global wealth (U.S.$31 trillion) and world population (6 billion) across the North-South divide in 2000. *Source:* Compiled from World Bank (2001).

19 million people have a GNI of $394 billion. The combined GNI of all Arab League members (about 280 million people) is estimated at $570 billion, whereas Canada's 30 million people have a GNI of $647 billion. The combined GNI ($6.23 trillion) of the South (4,843 million people) represents merely 64.6 percent of the GNI ($9.64 trillion) of the United States (281 million people). The North-South income gap also appears when we compare Russia's $1,660 GNI per capita with that of the former Soviet Socialist Republic of Tajikistan, whose GNI per capita is $170. The income gap is even bigger when comparing Luxembourg's $44,340 GNI per capita (the highest in the world) with the $90 GNI per capita (the lowest in the world) of the Democratic Republic of the Congo, a nation with vast natural wealth and a history of subjugation by Luxembourg's neighbor, Belgium. This is a GNI per capita income gap of 492 to 1, compared to 2 to 1 at the beginning of the nineteenth century (Kim 1984, 191).

According to the 1999 United Nations *Human Development Report* (UNDP 1999b, 1–3), the fifth of the world's people living in the highest-income countries have 86 percent of the world GDP, while the assets of the top three billionaires are more than the combined GNP of all *least* developed countries and their 600 million people. In 2000 the combined net worth of the world's top four richest people (American billionaires William H. Gates, Joseph Lawrence Ellison, Paul Gardner Allen, and Warren Edward Buffett) was $161 billion, compared to the $139 billion GNI of Saudi Arabia, which hosts two (Prince Alwaleed Bin Talal Alsaud and Suliman Olayan whose net worth is $28 billion) of the top fifty world billionaires (Dolan and Kroll 2001). Even the increasing use by the Central Intelligence Agency and the IMF of the purchasing power parity (PPP) and human development index (HDI) indicators does not seem to change the fundamentals of these developments at the dawn of the twenty-first century of the Western-adopted Christian calendar.

The North-South income gap is interlocked with the North-South population gap, since both opened the door for various immigration pull and push factors, against which northern countries are pursuing an immigration strategy of "shutting out" the South (Bello with Cunningham and Rau 1994, 107). Most European countries have been trying to prevent non-Europeans from migrating into their welfare societies (King and Oberg 1993), while European politics has recently been marked by the steady rise of a number of far-right anti-immigration parties, such as Austria's Freedom Party, France's National Front, Holland's Pim Fortuyn List, and the U.K.'s British National Party. In the aftermath of the horrifying attacks of September 11, the U.S. Department of Justice announced a new immigration plan designed to monitor and disrupt the smuggling of individuals and groups into the United States, while the Federation for American Immigration Reform (FAIR) has called for a national moratorium on immigration. These developments reflect a deeper North-South contradiction stemming largely from liberalization policies and regulations, which encourage and even impose the mobility of capital worldwide while they continue to discourage and even sometimes outlaw the mobility of labor across international borders. The current South-North migratory trends reverse previous North-South trends of European emigration, when an estimated 75 million people left Europe for the New World between 1835 and 1935 (De Blij and Murphy 1999, 96).

The North-South income gap was high on the agenda of the United Nations Millennium Summit (New York, 6–8 September 2000), where more than 150 heads of state and government discussed how to establish a new international economic order. The idea goes back to the 1970s, when the developing countries pressured the United Nations to request a new international economic order (NIEO). By the end of the 1970s the South-backed NIEO was collapsing because of strong opposition from the industrialized countries, the deepening trends of internationalization of capital, and the persistent difficulties of the Soviet system (Langley 1990). These developments opened the way for the North-backed strategy of neoliberalism and its push for more refined and sophisticated forms of political and economic recolonization of the South through further denationalization of the nation-state and globalization of the world economy.

One focus of the neoliberal debate centers on the old geography of development and the new dynamics underlying the existence and persistence of the North-South gap. Indeed, various descriptive and explanatory theories of the geography of development have been developed throughout the past millennium. Sa'id ibn Ahmad Andalusi (1029–1070) wrote a book entitled *Tabaqat* *al-umam* (Categories of Nations; 1991) in which he attempted to explain variations of "development" and "civilization" based on scientific progress. He divided all known nations of his world into two categories, nations that "showed interest in science" and nations that "showed no interest in science" (Andalusi 1991). Ibn Khaldun (1332–1406) developed his model of *asabya* (kinship) struggle as the essential force behind the movement of social elites and the rise and fall of ruling dynasties and *el-umran* (development or civilization). In his *Muqaddima*, he examined the relationship and interaction between politico/military history and socio-economic evolution and argued that variations in human geography result from variations in the ways in which people make their living (Lacoste 1984:153).

Karl Marx (1818–1883) developed the dialectic of the dynamic relationship between the infrastructure and the superstructure of society in the form of historical materialism. He explained variations in the geography of development as essentially variations in the modes of production resulting from inequalities in the development of the means of production and anachronisms in the stages of class struggle. Joseph Arthur de Gobineau (1816–1882) published his four-volume *Essai sur l'Inégalité des Races Humaines* (Essay on the Inequality of Human Races 1853–1855), in which he claimed that geographic inequalities are the result of racial or racist categories, such as the so-called Caucasoid, Mongoloid, and Negroid. De Gobineau's essay was reprinted several times in Germany in the first decades of the twentieth century and seems to share many fundamental ideas with Adolf Hitler's *Mein Kampf*. During the early twentieth century, Ellsworth Huntington (1876–1947), following upon Friedrich Ratzel's *Anthropogeography* (1882–1891) and Ellen Semple's *Influences of Geographic Environment* (1911), published his *Civilization and Climate* (1915), in which he applied environmental determinism to explain variations in levels of civilization or development. He claimed that higher levels of civilization develop in stimulating climates, such as Western Europe and the northeastern United States, but not in the tropics, where the monotonous heat prohibits such development. Huntington even went on to map the correlation between levels of temperature and civilization. More instrumentalist and updated versions of environmental determinism and social Darwinism can also be found in Jared Diamond's *Guns, Germs, and Steel: The Fates of Human Societies* (1999).

The postcolonial era of national liberation and independence has been marked by the rise of a variety of explanatory theories of the geography of development. For example, in 1960 Walt Rostow published *The Stages of Economic Growths: A Non-Communist Manifesto*, suggesting that variations in the geography of development are simply a matter of time and that all countries follow an essentially similar path through five interrelated stages of economic growth. However, many other explanatory theories of the geography of development were more critical of capitalism and its inherent social and geographic inequalities. These include dependency, uneven development, core-periphery, and regulation theories, which sought to investigate the geographic implication of capital accumulation and the institutional impact of its regulation (Prebisch 1950; Singer 1950; Emmanuel 1972; Amin 1977; Lipietz 1977; Aglietta 1979; Smith 1989).

From the above survey of some of the leading studies in the geography of development, we can infer that both the current North-South geographic regions and the North-South income gap are humanly created and of relatively recent creation, going back, for the most part, to the making and unmaking of the European-based colonial empires over the past five hundred years. At least the early stages of the creation of these geographic categories involved a great deal of violence and cruelty (including war, genocide, slavery, pillage, and exploitation) inflicted by the colonizers upon the colonized in the colonial empires throughout what is today the southern four-fifths of humanity. But when the levels and forms of violence and cruelty were somehow changed or reduced in the postindependence era, the colonizer-colonized income gap did not disappear during the Cold War era. In today's political economy of international finance, these categories seem to largely overlap with the categories of northern lenders and southern borrowers.

Developments in international political economy indicate that the North-South categories are still relevant, even pertinent to the larger debates on development theory and policy. First, the 1997 financial meltdown in Asia has largely tarnished, if not ended, the so-called Asian miracle, which was considered the major "success story" of development in the excolonial world. Second, the wealthiest OPEC countries do not seem to have ultimately contributed to any significant transfer of resources from the North to the South since "well over 80 percent of all Gulf foreign investment is in the Western developed world, and there is little chance that this will change significantly in the foreseeable future" (Cordesman 1997, 4). Such foreign investment is currently estimated at $1.3 trillion (*The Economist* 2002). Third, the chronic debt problem of the last two decades has clearly demarcated southern borrowers (whose foreign debt reached $2.57 trillion in 1999) from northern lenders. In April 2000, the G-7 countries defined new operational guidelines for the IMF to use when redesigning programs for debt restructuring or reduction, with the IMF determining the appropriate economic reforms required by the borrowing country. Fourth, the new information economy has now recognized the North-South polarization as a "digital divide." In 2000, it was estimated that 54.3 percent of the total population in the United States uses the Internet, compared with 28.2 percent in the other high-income Organization of Economic Cooperation and Development (OECD) countries and percentages ranging from 0.6 percent to 0.4 percent in the Arab world, Africa, and South Asia. In their July 2000 meeting in Japan, the Group of Eight (the Group of Seven plus Russia) industrialized nations establishment the Digital Opportunities Task Force ("dot force") to bridge the North-South digital gap (University of Toronto G8 Information Centre 2000). These various demarcation lines increasingly highlight the North-South divide, making it as visible today as the East-West divide yesterday.

Many international analysts and observers have already warned that the end of the Cold War does not mean the end of North-South polarization (Gorostiaga 1990; Boutros-Ghali 1992; Lambeth 1992; Falk 1993). Actually, northern countries are now moving towards more political harmony than ever before during the twentieth century, especially since the establishment of the Group of Seven in 1975, the German reunification in 1990, the advent of the European Union (EU) in 1992, the admission of Russia into the Group of Eight in 1998, the admission of the Czech Republic, Hungary, and Poland into NATO in 1999, and the current process of enlarging the EU to include Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, and Slovenia. In 2000, then–U.S. President Bill Clinton declared that Russia must become "fully part of Europe" and that "[N]o doors can be sealed shut to Russia, not NATO's, not the EU's" (CNN.com 2000). In 2001, U.K. Prime Minister Tony Blair suggested the creation of a Russia–North Atlantic Council (BBC News 2001). A NATO-Russia summit at the level of heads of state and government was held in Rome in May 2002 to decide on the creation of a NATO–Russia Council (NATO 2002). Following current U.S. President George W. Bush's declaration that "[E]ither you are with us or you are with the terrorists," northern countries of the European Union, Russia, Japan, and Australia showed an even greater solidarity with the United States in its twenty-first-century "war against terrorism" (a war opposing the wealthiest state in the North and perhaps the poorest state in the South, Afghanistan). Though the North is diverse and has its own contradictions, it nevertheless forms a loose confederation of prosperous nations obeying rules from Brussels and Washington, while enjoying monopoly over weapons of mass destruction (Barzun 2001, 801).

By the same token, South-South cooperation is attempting to respond to the North-North collaboration. Leaders from 133 southern nations attended a five-day "South Summit" hosted by Cuba in April 2000, with a united agenda for narrowing global wealth inequalities and stressing the identity of the South. In their eleventh G15 summit, held in Indonesia in May 2001, a group of 17 developing countries (Algeria, Argentina, Brazil, Chile, Egypt, India, Indonesia, Jamaica, Kenya, Nigeria, Malaysia, Mexico, Peru, Senegal, Sri Lanka, Venezuela, and Zimbabwe) discussed ways to energize the North-South dialogue through the formulation of concrete proposals that will be brought up in their dialogue with the G8 developed countries.

A broader view of the history and prospect of contemporary international relations would even suggest that the Cold War era was merely one phase of the more fundamental North-South conflict that has marked much of the past five hundred years (Ould-Mey 1996, 50–53). While the East-West ideological conflict had often diverted attention away from the North-South contradiction (Zhou 2000), a closer look shows that most military confrontations of the American-Soviet Cold War wars were proxy wars, waged by superpower surrogates in the South with no significant deployment of northern troops. Even when superpower troops were directly involved in the fighting, such as in the American-Vietnamese War (1959–1975) and the Soviet-Afghan War (1979–1989), much of the war-related human devastation, political turmoil, economic hardship, and ideological argument took place in the South, not the North. For example, the American-Vietnamese War killed 3 to 4 million Vietnamese and 1.5 to 2 million Laos and Cambodians and displaced millions more into refugees, compared to 58,000 American troops killed and 300,000 wounded (*Encarta Online Encyclopedia* 2001). The Soviet-Afghan War killed between 700,000 and 1.3 million Afghans and threw another 4.5 million into refugee camps in Pakistan and Iran, compared to 15,000 Soviet troops killed and 37,000 wounded in Afghanistan (Crozier 2000).

The North-South categories are even more salient in global finance. The diminishing purchasing power of southern commodities in international trade (so-called declining terms of trade) is one source of the "South-to-North financial leakage" (Broad and Landi 1996, 13). Despite some exceptional pockets of poverty in the North (such as those in American inner cities, Appalachia, the Mississippi Delta, and Indian reservations) and some unique pockets of economic prosperity in the South (such as those in Hong Kong, Singapore, Brunei, then United Arab Emirates, Israel, and some members of the narrow southern elites who continue to hide and/or keep their wealth in places such as Switzerland banks), the North-South categories exist and persist as a fundamental historical-geography divide (see Figure 1). In light of the new international division of labor between northern lenders and southern borrowers, the next section will examine currency devaluation as one of the key macro-economic policies that the IMF has carefully conceived and enforced as one of its fundamental conditions of lending throughout the South since the late 1970s.

The International Monetary Fund's Role in Currency Devaluation

The IMF was established in 1946 as an intergovernmental monetary and financial institution, focusing on the working of the international monetary system as a whole as well as on the policies of individual countries. Its declared mission is to promote international monetary cooperation, facilitate the balanced growth of international trade, promote exchange-rate stability, assist in the establishment of a multilateral system of payments and the elimination of foreign exchange restrictions that hamper the growth of world trade, make its resources available to its members to correct balance-of-payments imbalances without resorting to trade and payments restrictions, and provide a forum for consultation and collaboration on international monetary problems (IMF 2001a). While the IMF Articles of Agreement have been amended three times, the IMF mission has, for the most part, remained the same over the years. However, IMF policies and operations have expanded and evolved towards more surveillance and control over national economies, especially southern economies. Such surveillance is conducted through Article IV consultations, as well as through formal financial arrangements for members using IMF resources. IMF surveillance is particularly focused on global liquidity, especially the level and composition of reserves available to member nations to meet their trade and payments requirements. The IMF has a membership of 183 countries, with total quotas of special drawing rights (SDR) 212 billion (about $268 billion, based on the rate in December 2001). Decision making at the IMF is essentially based on the simple rule of "one dollar, one vote." Just as the five *permanent* members of the United Nations Security Council dominate the United Nations, the IMF's five *appointed* executive directors (from the United States, Japan, Germany, France, and the United Kingdom) dominate decision making at the IMF.

In the late 1960s, the globalization of finance and the increased mobility of capital began to challenge some of the fundamental tenets of the Bretton Woods system of fixed exchange rates and the Keynesian nationalist model of development. In 1969, the first amendment to the IMF Articles of Agreement established SDRs, and in 1971, the United States ended the par values and convertibility of officially held dollars into gold. In the meantime, the Smithsonian Agreement came up with a realignment of industrial country currencies, while the IMF established a temporary regime of central rates and wider margins. In 1974, the IMF adopted Guidelines for the Management of Floating Exchange Rates and a new method of SDR valuation based on a basket of sixteen currencies. In 1981 the IMF began to use a simplified basket of five currencies (the U.S. dollar, Deutsche mark, French franc, Japanese yen, and pound sterling) to determine the daily valuation of SDR. Currently, the SDR valuation basket includes only four weighted currencies: the U.S. dollar (45 percent), the euro (29 percent), the Japanese yen (15 percent), and the pound sterling (11 percent). The IMF determines the value of the SDR each day by summing the values in U.S. dollars of the currencies in the SDR valuation basket, based on market exchange rates.

With the liberalization policies of the early 1980s requiring more and more currency devaluation, a series of exchange and financial crises shook many countries that were seeking IMF assistance to solve some of their currency crises. For example, the IMF approved a realignment of the Communauté Financière Africaine (CFA) franc for thirteen countries of the CFA franc zone in 1994, a stand-by arrangement of SDR 12.1 billion for Mexico in 1995, an SDR 6.9 billion extended fund facility arrangement for Russia in 1996, a stand-by arrangement of SDR 15.5 billion for South Korea in 1997, and new arrangements to borrow for the first time to help finance a stand-by arrangement for Brazil in 1998. Following the 1999 adoption of a new common currency, the euro, by eleven European member countries, the European Central Bank was granted observer status in the IMF. In the meantime, IMF quotas were increased to SDR 212 billion, and contingent credit lines were established for members that have strong economic policies but that might be affected by financial contagion from other countries. Gradually, the IMF established more control over national monetary policy in 183 countries, while giving the G7 countries more control over the IMF. The current power relations between the IMF and the borrowing countries are similar to power relations between a bank and its clients: the bank depends on its clients, but the latter (taken individually) have little or no control over the former (especially when there is only one bank).

The IMF plays a pivotal role in the relationship between northern lenders and southern borrowers, a relationship governed by a carrot-and-stick policy of providing loans in exchange for fundamental changes in the economic policies of borrowing countries (Ould-Mey 1996). The World Bank– and IMF-backed structural adjustment programs (SAPs) have been the driving force in almost all developing and transition economies over the past two decades. Their impact is still being debated and often disputed. For example, it has been found that SAPs "have increased the need for women to work [in the Dominican Republic] because of cuts in government programs, declining real wages, growing inflation, and a deterioration in male employment" (Safa 1999, 291; see also Klak 1996, 370–74). SAP advocates may present these findings as an indication of "female emancipation," whereas SAP critics may present them as a manifestation of "increased poverty." Under SAPs, borrower nations are required by the IMF to implement a whole range of reforms, which typically includes currency devaluation (Carmody 1998; Yiheyis 2000, 2).

The IMF does not lend for specific development projects, as banks do. IMF loans are based on economic programs formulated by countries in consultation with the IMF and presented to the Executive Board in a "letter of intent" detailing the economic policies to which the borrowing government commits itself in exchange for loans. Loans are generally released in phased installments as the program is carried out. IMF loan instruments, or "facilities," have evolved in the last decades. The structural adjustment facility (SAF) was established in 1986, then transformed into the enhanced structural adjustment facility (ESAF) in 1987, and transformed again into the poverty reduction and growth facility (PRGF) in 1999. SAF and ESAF programs focused on the liberalization of developing economies, while the PRGF focuses on poverty, the number-one problem for borrowing countries after twenty years of liberalization policies. IMF lending conditions increased from two or three structural conditions per program per year in the mid-1980s to twelve or more in the second half of the 1990s. Some 62 percent of IMF resources for technical assistance are focused on helping borrowers formulate monetary, foreign exchange, and fiscal policies (IMF 2001b).

While debt crises were a major focus of IMF policies in the 1980s, exchange-rate crises seem to be the major concern in IMF policies in the 1990s because of the phenomenal growth of financial markets. More than $1.5 trillion is now exchanged in the world's currency markets each day (UNDP 1999a), a spectacular growth with a daily turnout of $5 billion in 1977, $600 billion in 1987, and $1 trillion in 1992 (Luca 1995; Beddoes 1999). The volume of world trade in goods and services—the sum of both exports and imports—rose from barely one-tenth of world GDP in 1950 to about one-third of world GDP in 2000 (Mussa 2000). Among northern countries, the share of international trade relative to GDP rose from 27 to 39 percent between 1987 and 1997. In the meantime, overall world foreign direct investment flows reached a record $1.3 trillion in 2000. It has also been suggested that such massive capital inflows to the U.S. economy may explain part of the systematic appreciation of the U.S. dollar vis-à-vis almost all currencies of the world (Bailey, Millard, and Wells 2001). These trends of expanding trade, increasing financial integration, and accelerating capital mobility have led to more frequent and more severe financial crises and have ultimately made the management of the exchange rate the key concern of macroeconomic policy (Hinkle and Montiel 1999).

Within such a global context of high capital mobility, the old dogma of the free-trade theory, with its focus on international exchanges of goods and services, now seems superseded by the new doctrine of flexible exchange-rate systems, with its focus on financial assets and currency markets. Roy Culpeper, president of the North-South Institute, pinpointed this evolution when he said that there is "a crucial difference between markets in goods where trading partners exchange different products, and financial markets where one party is typically a lender or creditor and the other is a borrower or debtor. This exchange is inherently more unequal" (Culpeper 1998). These transformations are affecting more developing and transition economies, where the major financial crises of the 1990s—in countries of the CFA franc zone in West and Central Africa (January 1994), Mexico (December 1994), Thailand (July 1997), Indonesia (September 1997), South Korea (December 1997), Russia (August 1998), and Brazil (November 1998)—all involved exchange-rate policy and currency devaluation in one way or another. International capital flows and the associated shifts in interest-rate and exchange-rate movements are increasingly viewed as a source of financial instability and a challenge for the twenty-first century (Mylonas, Schich, and Wehinger 2000; Leite 2001).

These qualitative transformations in the scope and scale of resource transfer between countries—a transfer that takes place essentially through currency exchange—have been criticized and attacked by antiglobalization movements in Seattle (November 1999), Bangkok (February 2000), Havana (April 2000), Washington, DC (April 2000), Prague (September 2000), Seoul (October 2000), Genoa (July 2001), and Doha (November 2001). In more specific cases, liberalization policies have curtailed public-sector employment and led to the collapse of labor-intensive southern industries, such as the textiles, clothing, and footwear industries in Zimbabwe

(Helming and Kolstee 1993, 11; Carmody 1998, 319). In the meantime, these liberalization policies remain protectionist against a variety of imports from the South. For example, the European Commission "is spending 2.7 billion euro per year making sugar profitable for European farmers at the same time that it is shutting out low-cost imports of tropical sugar," while the United States continues to maintain high tariff on textiles and clothing (IMF Staff 2001). The next section examines exchange rate volatility in southern countries and assesses its economic implications for the valuation of southern production in the global economy.

Empirical Evaluation: Cross-Country Analyses

Pressured by chronic deficits in their balance of payments and encouraged by the assumptions of the IMF devaluation theory, most developing countries engaged in massive and systematic currency devaluation in order to make their exports more competitive and/or improve their credit rating and qualify for loans from the IMF, the World Bank, donor governments among the OECD countries, and commercial banks. Though currencies of developing countries—especially oil-importing ones—experienced some depreciation during the 1960s and 1970s (Wood 1988, 73), the trends accelerated in the 1980s and 1990s with the increased liberalization of trade and exchange under IMF-supported programs. Table 1 presents selected developing countries where the national currency experienced a substantial depreciation in relation to the U.S. dollar between 1980 and 2000, in contrast to the relatively much more stable exchange rates in the G7 countries. This seems to indicate a real but invisible financial hemorrhage in the form of resource transfer from southern to northern economies. Other countries, such as Angola, Brazil, Argentina, Peru, Turkey, and the Democratic Republic of Congo, had devastating currency depreciations in the range of thousands or millions percent. For example, in 1993, the Democratic Republic of Congo introduced the new zaïre as equal to 3 million old zaïres (IMF 1999a). In December 1999, Angola revalued its kwanza currency by dropping six zeroes off the old value in relation to the dollar. In 1980, $1.00 was worth 0.03 kwanza; in January 2001, $1.00 was worth 17,910,800 kwanzas. Following the revaluation of the kwanza by dropping the six zeroes and starting the count again, $1.00 is currently worth 31.56 Angolan new kwanzas. In May 2002, $1 was worth 3.2 Argentine pesos, whereas it was worth the equivalent of 0.0000001 Argentine pesos in 1980. Similar devastating devaluations took place in Brazil and Turkey.

A number of considerations need to be taken into account in analyzing Table 1. The level of devaluation has often been proportional to the level of compliance with IMF and World Bank SAPs. Countries that are more desperate for IMF assistance are likely to undertake larger and faster devaluations, whereas countries where the IMF has less leverage are likely to resist IMF-induced devaluations. For example, nationally planned economies, such as that in China, have preserved their currencies against devaluation better than non-nationally planned economies, such as Turkey. Table 1 shows only government or interbank official exchange rates, which are often much lower than unofficial ("black market") exchange rates. The rate of inflation also needs to be taken into account, as what cost $100 in 1980 would cost $207 in 2000 (U.S. Bureau of Labor Statistics 2001). Table 1 indicates patterns of exchange rate (fifth column) and export earning (eighth column) changes for thirty-seven selected southern countries (including most of the heavily indebted poor countries, or HIPC) and seven selected northern countries (the G7 countries) between 1980 and 2000. Export earnings were measured in 1980 U.S. dollars. As the graphic illustration of Figure 3 indicates, for twenty years there has been a pattern (that cannot be statistically confirmed, due to extremely large and frequent variations in the values of percent change of currency devaluation between 1980 and 2001) of massive currency devaluations and declining export earnings in the thirty-seven southern countries, and a similar pattern of rising export earnings and little or no currency depreciation in the seven northern ones.

Currency devaluation is the official act of lowering the value of one currency against other currencies (mainly, in this case, the U.S. dollar). It can consist of large one-shot devaluations, a series of minidevaluations, or a policy of gradual exchange-rate depreciations (Upadhyaya and Upadhyay 1999). While currency devaluation does not create wealth, it does redistribute wealth across the boundaries of nation-states and/or currency-zone regions. Under the assumptions of the IMF devaluation theory, national exports must be competitive in the world market. Therefore, when a nation experiences chronic deficits in its balance of payments, it should devalue its currency in order to make its exports cheaper. When this happens, it is assumed that the volume of exports will increase and compensate the loss in price caused by devaluation. But these assumptions are often baseless in the context of national economies exporting one or two major commodities (Caves, Frankel, and Jones 2002, 520–26). Many developing countries export similar commodities, and any simultaneous increase of production and export of a given commodity in different countries following currency

Table 1. Percent Change of Currency Value and the Value of Export Earnings as Measured in 1980 U.S. Dollars in 37 Selected Southern Countries and 7 Selected Northern Countries, 1980–2000

		Currency Units			Export Earnings		
Country	Currency	U.S.$1.00 1980	U.S.$1.00 2001	% Change	1980 Millions U.S.$	2000 (1980 $) Millions U.S.$	% Change
Sierra Leone	Leone	1.05	1,975	– 187,995	214	36	– 83
Niger	Franc	211.28	739.98	– 250	576	122	– 79
Congo Dem. Rep.	Franc	0.0000093	21.82	– 234,623,556	1,627	367	– 77
Rwanda	Franc	92.84	452.64	– 388	134	31	– 77
Zambia	Kwash	0.79	2,880	– 364,457	1,457	381	– 74
Burundi	Franc	90	879.66	– 877	66	21	– 69
Togo	Franc	211.28	739.98	– 250	476	167	– 65
Nigeria	Naira	0.547	125.54	– 22,851	25,956	9,875	– 62
Saudi Arabia	Riyal	3.32	3.75	– 13	101,574	39,227	– 61
Mali	Franc	211.28	739.98	– 250	592	250	– 58
Central Afri. Rep.	Franc	211.28	739.98	– 250	147	69	– 53
Tanzania	Shilling	8.2	925.1	– 11,182	583	290	– 50
Ethiopia	Birr	2	8.8	– 340	459	235	– 49
Gabon	Franc	211.28	739.98	– 250	2,531	1,329	– 48
Zimbabwe	Dollar	1.55	57.34	– 3,599	1,441	870	– 40
Cote d'Ivoire	Franc	211.28	739.98	– 250	3,013	1,833	– 39
South Africa	Rand	0.77	10.89	– 1,314	28,267	17,278	– 39
Kenya	Shilling	7.42	79.25	– 968	1,364	853	– 37
Mozambique	Meticais	32.4	22,450	– 69,190	281	176	– 37
Guyana	Dollar	2.6	180.5	– 6,842	389	244	– 37
Burkina Faso	Franc	211.28	739.98	– 250	161	101	– 37
Bolivia	Peso	0.0000245	7.11	– 29,020,308	942	594	– 37
Uganda	Shilling	0.5	1,759	– 351,700	319	212	– 34
Cameron	Franc	211.28	739.98	– 250	1,506	1,026	– 32
Benin	Fanc	211.28	739.98	– 250	164	119	– 28
Malawi	Kwacha	0.81	69.32	– 8,458	281	208	– 26
Madagascar	Franc	211.3	6,727.6	– 3,084	436	329	– 25
Algeria	Dinar	3.83	80.85	– 2,011	13,652	10,483	– 23
Nicaragua	Cordoba	0.000000002	13.72	– 685,999,999,900	445	351	– 21
Egypt	Pound	0.7	4.29	– 513	3,854	3,086	– 20
Honduras	Lempira	2	16.57	– 729	850	689	– 19
Venezuela	Bolivares	4.29	751	– 17,406	19,275	15,653	– 19
Ghana	Cedi	2.75	7,543.8	– 274,220	1,104	917	– 17
Mauritania	Ouguiya	45.91	278.72	– 507	196	167	– 15
Peru	NuevoSoles	0.00000028	3.58	– 1,278,571,329	3,916	3,395	– 13
Comoros	Franc	211.28	739.98	– 250	11	10	– 12
Guatemala	Quetzales	1	8.31	– 731	1,520	1401	– 8
United Kingdom	Pound	0.4298	0.69	– 61	109,620	136,232	24
France	Franc	4.226	7.36	– 74	109,690	157,005	43
Germany	Mark	1.8177	2.19	– 20	191,160	279,227	46
Italy	Lire	856.45	2,173.63	– 154	78,106	116,425	49
United States	Dollar	1	1	0	224,250	374,879	67
Japan	Yen	226.74	125.58	45	126,740	217,391	72
Canada	Dollar	1.1693	1.57	– 34	67,532	131,401	95

Percent change of export earnings between 1980 and 2000.
Sources: OANDA.com: The Currency Site; IMF (1980–2001); U.S. Bureau of Labor Statistics (2001); World Bank (2001).

devaluation brings about a market glut and a decline in world prices of that commodity, especially since foreign demand for raw materials and primary commodities is not price-elastic. In this way, devaluation has a domino effect, since it forces other countries to devalue or lose markets. Indeed, some researchers have found that "[D]evaluation cannot be regarded as the most useful policy option for correcting external imbalance in developing countries" (Wagao 1992, 60) and that "[O]ver the past few decades, devaluations have been associated nearly exclusively with

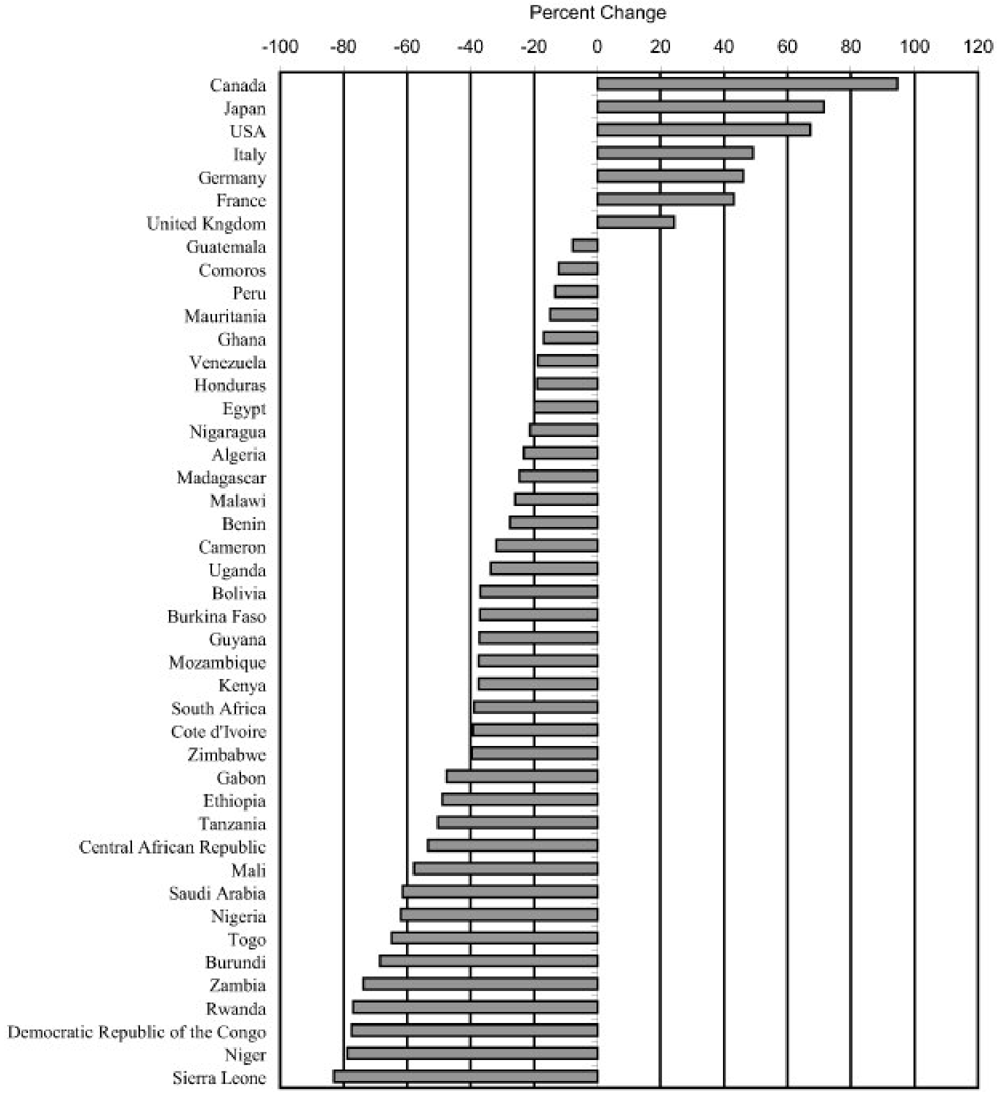

Figure 3. Percent change of export earnings in seven selected northern countries and thirty-seven selected southern countries, 1980–2000. *Source:* Table 1.

economic contractions, while real appreciations have been followed by expansions" (Kamin and Rogers 2000, 85).

It may seem ironic that while IMF conditionality in the South has typically required some sort of competitive devaluation, Article I (iii) of the IMF Articles of Agreement stipulates that one of the purpose of the Fund is "to promote exchange stability, to maintain orderly exchange arrangements among members, and to avoid competitive exchange depreciation" (IMF 2001a). Seemingly, devaluation in southern countries is not considered "competitive exchange depreciation," because it makes southern labor and resources a lot less expensive for northern consumers, while increasing the dollar value of southern debt. Despite northern foreign direct investment and official aid to development, southern debt-servicing seems to have played an important role in resource transfer across international boundaries. Between 1983 and 1991, the net transfers of resources (aggregate net resource flows minus interest payments on debt and dividends on foreign direct investment) to developing countries were largely negative (Haggard 1995, 16–18). For example, it is estimated that the annual rate of return on U.S. investment in Latin America and the Caribbean region ranges from 22 percent to 34 percent, and the profit remittance of U.S. companies amounts to $50 billion per year (Zhou 2000). Because trading in U.S. dollars has increasingly become a standard in international trade, currency devaluation in the South no longer worries many U.S. investors, since the vast majority of their contracts are now written in U.S. dollars (McCraig 1999, 86). In this case, currency devaluation may now present an opportunity for international investors to appreciate their assets, while national investors will either have to keep their assets as foreign-exchange deposits or resort to capital flight whenever devaluation looms on the horizon.

With much of southern debt labeled in U.S. dollars, against which southern currencies are systematically devalued, southern debt increased from about $609 billion in 1980 to $2,553 billion in 1999 (World Bank 2000b, 24). Indeed, high external debt-servicing has severely limited the resources for investment in human development: for example, Tanzania has been spending nine times more for debt servicing than for basic health and four times more than for primary education (see Table 2). Stopping or reducing this resource drain will remain one of the top priorities in development policy and theory. The 1997 Asian financial crisis seems to have reanimated interest in a variety of protectionist policy measures designed to impose various levels of capital controls as a means of reducing the volatility of capital flows and exchange-rate movements that seem to be encouraging resource transfer from the South to the North. One of the most prominent countries to have used capital controls in order to reduce external imbalances is Malaysia, where, in September 1998, the government announced a set of policy measures designed to shield the economy from external volatility in the aftermath of the Asian financial crisis. These measures include fixing the exchange rate (at RM 3.80 per U.S. dollar) between the Malaysian ringgit and the U.S. dollar and imposing exchange and capital controls. In contrast, Thailand and South Korea had little or no capital controls in their adjustment to the crisis. At least one IMF-backed study seems to indicate that Malaysia's renewed capital controls as a means to reduce the volatility of capital flows and exchange rate movements are making a difference (Frenkel et al. 2001). Could this mean that imposing more capital controls over interest and exchange rates is the new and perhaps only comparative advantage for southern countries? The next section will present a more focused evaluation of currency devaluation on selected development indicators in the context of one country, Mauritania.

Table 2. Budget Allocation to Basic Social Services and Debt Service in Selected Countries

Country	Year	Total Basic Services (percent)	Debt Service (percent)
Tanzania (mainland)	1994–1995	15	46
Kenya	1995	12.6	40
Zambia	1997	6.7	40
Cameron	1996–1997	4	36
Côte d'Ivoire	1994–1996	11.4	35
Niger	1995	20.4	33
Jamaica	1996	10.2	31.2
Philippines	1992	7.7	30.7
Peru	1997	19.3	30
El Salvador	1996	13	27
Sri Lanka	1996	12.7	21.5
Honduras	1992	12.5	21
Brazil	1995	8.9	20
Nepal	1997	13.6	14.9
Nicaragua	1996	9.2	14.1
Costa Rica	1996	13.1	13
Benin	1997	9.5	10.8
Burkina Faso	1997	19.5	10.2
Dominican Republic	1997	8.7	10
Bolivia	1997	16.7	9.8
Uganda	1994–1995	21	9.4
South Africa	1996–1997	14	8
Colombia	1997	16.8	7.9
Belize	1996	20.3	5.7
Namibia	1996–1997	19.1	3
Chile	1996	10.6	2.7
Thailand	1997	14.6	1.3

Source: Compiled from UNDP (1999).

Empirical Evaluation: Mauritanian Case Study

Mauritania occupies a vast land area (1.03 million square km) of the Sahara and Sahel regions along the northwest African coast and had a sparsely distributed population of 2.7 million as of 2000. Straddling the Arab World and sub-Saharan Africa, Mauritania is a member of the League of Arab States, the Arab Maghreb Union, the African Union, the Organization of the Islamic Conference, and the Economic Community of West African States. With an exchange-rate-converted GNI per capita of $370 in 2000, an external debt of $2.5 billion (over 200 percent of GDP), a population growth of 2.7 percent, an average life expectancy of 53 years, and an infant mortality of 10.6 percent, and with nearly 50 percent of the population living below the national poverty line, Mauritania is classified by the IMF and the World Bank as one of the 64 lowest-income economies and one of over 40 HIPCs. Mauritania's agropastoral sector is highly vulnerable to frequent drought, while its export earnings depend almost exclusively on two commodities, iron ore and fish. In 1984–1985, Mauritania embarked on a SAP sponsored by the IMF and the World Bank and supported by the Paris Club, the Consultative Group (of lenders) for Mauritania, and a number of international nongovernmental organizations. Since then, the country has implemented many

World Bank– and IMF-supported reforms aimed at liberalizing trade and the exchange rate and moving the country toward a market-oriented economy. As of May 2002, the World Bank cumulative lending to Mauritania had reached $912 million (World Bank 2002, 1). IMF cumulative lending to Mauritania is also substantial, and most of it has been provided since 1984. Between 1984 and 2002, IMF disbursements to Mauritania reached $256 million, while Mauritania's repayments to the IMF reached $216 million (see Table 3).

IMF and World Bank loans to Mauritania are provided in exchange for changes in economic policy. Loans consist of investment and restructuring expenditures that are not recorded in the treasury accounts. Such operations take place either abroad, with lenders and donors paying suppliers and Mauritania receiving imported goods, or domestically, through an account at the Central Bank of Mauritania (IMF 1999b, 18). In exchange for loans, policy measures are detailed in a series of policy framework papers (PFPs), prepared by the government in close collaboration with the IMF and the World Bank and reviewed by the IMF's Executive Board and by the Committee of the Whole of the Executive Board of the World Bank. Among a sample of thirteen sub-Saharan African countries, PFP agreements in 1999–2000 had an average of 114 policy reform conditions each (Roodman 2001, 48). The PFP represents a rigid system of economic planning, with a very detailed matrix of policy measures and deadlines for implementation. Table 4 lists the detailed measures necessary to implement just 1 out of 124 policy measures that the Mauritanian government had to implement under the PFP for the 1999–2002 period. In this case, the IMF literally instructed the government to implement thirteen policy measures designed to "further liberalize the exchange system to promote external competitiveness and ensure a viable balance of payments position in the medium term." Moreover, the Mauritanian government had to provide to Division D of the IMF Middle Eastern Department data on every foreign-exchange market session held at the Central Bank of Mauritania at the end of each week, as well as data on the Central Bank of Mauritania's gross foreign-exchange reserves, within two weeks of the reference period (IMF 2001c). This type of IMF micro-management of members' exchange-rate policy is more intrusive and more carefully planned than perhaps was the case in the "planned" or "command" economies, especially in terms of its macroeconomic scope, its top-down approach, and its political and economic incentives.

Table 3. Mauritania's Purchases and Loans from the International Monetary Fund, 1984–2002 (in SDRs[a])

Year	Disbursements	Repayments
2002	12,140,000	12,480,000
2001	18,210,000	10,342,500
2000	6,070,000	8,340,000
1999	6,070,000	6,780,000
1998	0	5,085,000
1997	14,250,000	5,424,000
1996	14,250,000	6,780,000
1995	14,250,000	5,932,500
1994	16,950,000	4,237,500
1993	8,475,000	4,390,000
1992	8,475,000	5,943,500
1991	0	9,674,085
1990	8,475,000	11,607,700
1989	8,475,000	8,718,819
1988	4,000,000	5,558,618
1987	18,870,000	7,501,712
1986	18,480,000	12,262,857
1985	9,600,000	14,525,967
1984	0	12,233,580
Cumulative	SDR187,040,000	SDR157,818,338
	U.S.$256,388,820	U.S.$216,332,630

Source: Compiled from IMF (2003c).
[a] SDR1 = U.S.$1.37077, as of 8 February 2003.

The declared objective of the thirteen policy measures is to liberalize the exchange rate system in order to promote external competitiveness, that is, to make exports cheaper. The first measure consists of "improving" the methodology used to calculate the weekly official exchange rate of the ouguiya, which was determined on the basis of a basket of currencies comprising the Belgian franc, the Deutsche mark, the French franc, the Italian lira, the Spanish peseta, and the U.S. dollar. In 1995, the government implemented a series of IMF foreign-exchange reforms, including: (1) the elimination of the requirement of prior approval by the central bank for most current account transactions, (2) the creation of an interbank foreign-exchange market, and (3) the licensing of more than forty foreign-exchange bureaus. As a result of these reforms, market segmentation increased and the central bank ceased to set the official exchange rate, which became a reference rate calculated daily as the weighted average of the rates applied to bank, foreign-exchange bureau, and interbank transactions that had taken place.

In 1998, the government enacted more reforms, including the elimination of foreign-exchange surrender requirements for fish-export proceeds, the lowering of the surrender requirement for SNIM (the iron-ore mining company) export proceeds, and the commitment by the central bank to sell all foreign exchange demanded at the selling official rate (IDA and IMF 2000). In 1999, Mauritania accepted Article VIII of the IMF Articles of

Table 4. IMF-Required Foreign-Exchange Policy Measures under Mauritania's PFP, 1999–2002

Policy Measure: Further liberalize the exchange system to promote external competitiveness and ensure a viable balance of payments position in the medium term.	Deadline
1. *Improve* the methodology used to calculate the weekly official exchange rate.	1999
2. *Increase* the percentages of proceeds from nonmineral exports remaining at the disposal of exporters to: 60 percent in 6/1999, 70 percent in 12/1999, 80 percent in 6/2000, 100 percent in 12/2000.	1999–2000
3. *Increase* the periods during which exporters may retain the proceeds from nonmineral exports to: 6 months in 6/1999, 9 months in 12/1999, 1 year in 6/2000, unlimited in 12/2000.	1999–2000
4. *Reduce* the surrender requirement (to the central bank) on SNIM's repatriated export proceeds as follows: from 80 percent to 50 percent (6/1999), from 50 percent to 40 percent (12/1999), from 40 percent to 30 percent (6/1999), from 30 percent to 20 percent (12/1999), to 0 percent (6/1999).	6/1999–12/1999
5. *Adjust* the limits on commercial banks' net open forward positions on foreign exchange in three stages: to a maximum of 5 percent (6/1999), 7.5 percent (12/1999), and 10 percent (6/2000) of net capital per currency; to a maximum of 13 percent (6/1999), 16 percent (12/1999), and 20 percent (6/2000) of net capital for all currencies. Apply these limits to both short and long positions.	1999–2000
6. *Allow* residents to open foreign-currency deposit accounts with commercial banks and enforce a corresponding prudential regulatory framework.	6/2000
7. *Review* agreement on the interbank exchange market, taking into account recommendations of the March 1999 MAE technical assistance mission concerning operations, quotations, obligations to complete transactions organizational issues.	6/1999
8. *Utilize* the provisions of the revised convention to initiate central bank purchases of foreign exchange in the interbank market.	6/1999
9. *Eliminate* restrictions on foreign-exchange sales for travel abroad.	6/1999
10. *Reduce* the spread between the central bank's buying and selling rates to $\pm$ 0.75 percent.	5/1999
11. *Review* legislation and procedures governing capital transactions of nonresidents, including repatriation of dividends and payment of interest.	6/1999
12. *Improve* the payment system by linking the central bank to SWIFT.	2000
13. *Establish* appropriate organizational arrangements for exchange transactions within the central bank.	12/1999

Source: Compiled from IMF (2000b).

Agreement, according to which IMF members may not impose restrictions on payments and transfers for current international transactions or engage in discriminatory currency arrangements or multiple currency practices without IMF approval. In 2000, the central bank established the expanded exchange market, integrating banks and exchange bureaus into a single market and establishing a daily fixing of the exchange rate (IMF 2000a). Beginning in September 2000, Mauritanian residents were to be authorized to maintain foreign-exchange deposits, remunerated at market rates. The percentage of export receipts (other than those from mineral products) that exporters were to be able to keep available was to be raised to 100 percent in December 2000, with unlimited maximum duration. The obligation to surrender to the central bank the foreign exchange repatriated by SNIM was to be reduced to 20 percent in December 2000, while the authorities were to send the IMF a copy of the annual agreement between the government and SNIM regarding the amount of foreign exchange that this enterprise was supposed to repatriate. According to Mauritania's exchange regime (known as managed floating with no predetermined path for the exchange rate), "[T]he monetary authority influences the movements of the exchange rate through active intervention in the foreign exchange market" (IMF 2003a, 3). This is how the Mauritanian currency declined vis-à-vis the U.S. dollar: through large one-shot devaluations, a series of mini-devaluations, a policy of gradual exchange-rate depreciations, and, above all, a firm government commitment not to allow a sustained appreciation of the ouguiya.

The IMF and the World Bank (IMF 2000b) continue to claim that under their sponsored economic reforms, Mauritania "has made considerable progress in restoring positive rates of growth, reducing macroeconomic imbalances and inflation, and moving toward a market-oriented economy." They emphasize that the economic reforms have been accompanied by "an improvement in social indicators and poverty reduction," as well as by "a democratization process, with parliamentary, presidential, and local elections regularly held" (IMF 2000b). Meeting in March 1998, a consultative group of twelve donor/lender countries and fourteen international organizations declared that Mauritania has made "excellent progress in reforming the economy and improving macroeconomic performance in recent years" (World Bank 1998). Along the same line of satisfaction, the Mauritanian president proudly announced that in recent years, Mauritania's economy has grown at the steady rate of 4 percent (Ould Sid'Ahmed Taya 1998). In June 2000, the IMF concluded the 2000 Article IV consultation with Mauritania and commended the government for implementing the first phase of the program supported by the PRGF.

In May 2000, I visited Mauritania. While conducting some fieldwork research on currency devaluation, I met with a dozen state officials, mostly working for the Ministry of Economic Affairs and Development, the Ministry of Finance, and the Central Bank of Mauritania. Most of these state officials were working in one way or another on the implementation of IMF and World Bank programs. They seemed to be extremely busy and less accessible whenever an IMF or World Bank visiting delegation was in the country. Many of them were equipped with some of the latest computer brands running some of the latest versions of Microsoft's Windows operating system with Arabic and/or French software applications. At the Central Bank, the focus was on the liberalization of the exchange rate and the new IMF-supported methodology for calculating the exchange rate of the Mauritanian ouguiya. I met with several officials at the Central Bank, including the deputy governor. While waiting in the secretariat to see the deputy governor, I had a chance to chat with a few low-paid Central Bank employees, who told me they were better off with a monthly salary of 7000 ouguiyas (about $160) in the late 1970s than with their 2000 monthly salary of 22,000 ouguiyas (about $92). When I requested some details about the methodology used for calculating the exchange rate of the ouguiya, I was told that such information "is confidential" and that its release would require explicit permission from the governor of the Central Bank.

At the Ministry of Economic Affairs and Development, much effort is concentrated on reducing the role of the public sector in the economy and promoting private-sector-led economic growth. This restructuring of public-sector reform involves reducing the size of the whole apparatus of government, creating a legal and regulatory environment conducive to private-sector development, and privatizing or restructuring some eighty public enterprises, including twenty-two noncommercial enterprises (such as schools and the only university) and fifty-eight commercial enterprises. Of the latter, the government owns twenty, is majority shareholder in another twenty, and is minority shareholder in the remaining eighteen. These enterprises employ more than 25 percent of the modern work force. During the period between 1990 and 1997, eleven public enterprises were liquidated, seven totally privatized, and four partially privatized. Under the PFP of 1999–2002, four more public enterprises were to be privatized, while private-sector participation in the capital and management of seven others was to be opened up for the first time.

At the Ministry of Finance, the main concerns include remaining current on external debt-service obligations and preventing the emergence of new arrears. The Mauritanian government must first consult closely with IMF staff on any new external borrowing—even if on concessional terms—to ensure the sustainability of external debt indicators. Under the PFP of 1999–2002, the government was to acquire and use new debt-management software, prepare quarterly reports on the work of the debt-monitoring committee, and strengthen staff training to improve debt-recording and analysis. I visited the Service of International Debt and found a team of young people working hard on the implementation of these policies. They were assisted in their mission by the proceedings (including text, tables, and graphs) of the National Workshop on the Debt Strategy of Mauritania, held in February 2000 in Nouakchott and financed by various government agencies in Austria, the U.K., Denmark, Sweden, and Switzerland. Indeed, the entire Mauritanian government has become a big implementing agency for IMF- and World Bank–supported macroeconomic reforms and development projects. During the 1980s and 1990s, these reforms focused on the liberalization of trade and currency exchange. With liberalization reforms almost completed, they now focus on what I think is their single most important consequence, poverty, the reduction of which has become the first objective of development in Africa (Economic Commission for Africa 2001).

But while the IMF, the World Bank, and the Mauritanian government are shifting away from the discourse of "development" to a new discourse of "poverty reduction," they continue to ignore the role played by the liberalization of trade and currency exchange in the process of impoverishing the country. In their report to the 2000 G8 Summit, the IMF and the multilateral development banks listed the following causes of widespread poverty in Africa:

1. Low levels of productivity and production technology
2. High illiteracy and population growth rates
3. Frequent natural disasters
4. Inadequate infrastructure
5. Excessive dependence on a narrow range of commodities for export earnings
6. Counterproductive economic policies in the 1970s and the early 1980s
7. Political instability and conflict
8. Gender inequality (IMF and MDBs 2000)

The blame for poverty was put solely on the internal structure of production, rather than on external exchange

Table 5. Devaluation of the Mauritanian Ouguiya, 1980–2002

Year	1980	1986	1988	1990	1992	1994	1996	1998	2002
Ouguiyas per U.S.$	45.91	74	75	80.6	87	123.6	137.2	189	289.28

Source: Compiled from IMF (1980–2001). For the year 2002, the exchange rate between the ouguiya and the dollar is based on the interbank exchange rate, and calculated with the Currency Converter on OANDA.com: The Currency Site.

with the world market, a new, intellectual reiteration and revival of old environmental and cultural explanations of the geography of underdevelopment in the South. There was no mention of North-South resource transfer through debt service, terms of trade, and currency devaluation. Any explanation of poverty in Mauritania cannot and should not ignore the chronic depreciation of the ouguiya (see Table 5) and its contribution to the decline of Mauritania's GDP and export earnings and the worsening of Mauritania's external debt.

Currency Devaluation and National Production

Regardless of the rationales, assumptions, or declared objectives for currency devaluation, its immediate (as well as long-term) consequence is that exports become cheaper and imports more expensive. Within the framework of the typical North-South exchange of manufactured goods for raw materials, currency devaluation changes the price system by raising the price of the former while reducing the price of the latter. This contributes to a devaluation of national production, as measured by the value (in U.S. dollars) of GDP/GNP/GNI and exports. Since we are measuring the U.S. dollar value of national production in the global market, the estimates of GDP/GNI, exports, imports, and external debt in Mauritania are based on the so-called World Bank atlas method, which converts national currency units to dollars at prevailing exchange rates, adjusted for inflation and averaged over three years (World Bank 1999:15). This method of conversion provides a more accurate measure of how much Mauritania can actually buy from the U.S. market when compared to the PPP calculations. The latter constitute rough estimations based on extrapolations published by the United Nations International Comparison Program and by Robert Summers and Alan Heston of the University of Pennsylvania (Heston and Summers 1997; CIA 2000).

Table 6 illustrates the decline of Mauritania's leading economic indicators during the heyday of IMF-supported SAPs. It indicates a decline in the value of Mauritania's exports, despite sustained production of iron ore and fish, the two major sources of export earnings. This has a lot to do with the 531 percent depreciation of the ouguiya vis-à-vis the U.S. dollar between 1980 and May 2002. A decline in the value of exports often leads to a decline in imports, which itself represents a decline in overall welfare for a country that imports almost everything. Because the ouguiya cannot be used directly to pay for imports (it must be converted into dollars or other hard currencies), its depreciation vis-à-vis the U.S. dollar means that more units of it (i.e., more units of iron ore or fish) in a given year

Table 6. Mauritania's Leading Economic Indicators, 1980–2000

Socioeconomic Indicators/Year	1980	1990	2000
GDP at current prices (millions of U.S.$)	810	1,000	940
GDP at 1980 prices (millions of U.S.$)	810	633	454
Population (million)	1.63	2	2.7
GDP per capita at current prices (U.S.$)	497	500	348
GDP per capita at 1980 prices (U.S.$)	497	316	168
Exports of goods and services at current prices (millions of U.S.$)	253	465	378
Exports of goods and services at 1980 prices (millions of U.S.$)	253	294	183
Imports of goods and services at current prices (millions of U.S.$)	449	619	500
Imports of goods and services at 1980 prices (millions of U.S.$)	449	392	242
Total external debt outstanding at current prices (millions of U.S.$)	843	2,096	2500
Total external debt outstanding at 1980 prices (millions of U.S.$)	843	1326	1207
Total debt/GDP	103.6	205.6	265.3
Total debt service/exports	17.3	28.1	22.6
Average annual exchange rate (ouguiyas per U.S.$)	45.91	80.6	238.92
Inflation (the purchasing power of $100 in U.S.CPI 1980)	100	158	207

Source: World Bank (2001); IMF (1980–2001); U.S. Bureau of Labor Statistics (2001).

are needed to import the equivalent of the previous year's imports. Since increasing the volume of exports is not always an option, reducing the volume of imports or contracting more debt would be the logical consequence of currency depreciation in this case. Between 1980 and 2000, the 1980 dollar value of Mauritania's GDP declined from $810 million to $454 million, its exports of goods and services declined from $253 million to $183 million, and its imports of goods and services declined from $449 million to $242 million. However, Mauritania's external debt (measured in 1980 dollars) increased from $843 million in 1980 to $1,207 million in 2000. The decline of the value of Mauritania's exports in the 1990s took place amidst a global increase in iron ore demand and a global increase in supply from major exporting countries such as Australia, Brazil, India, Venezuela, Mexico, and Mauritania (Labson 1997, 247).

If we take into consideration both population growth and inflation, the percentage decline of Mauritania's GDP per capita from $497 in 1980 to $168 in 2000 is 66 percent, because what cost $497 in 1980 cost $1028 in 2000. Mauritania's export earnings declined from $253 million in 1980 to $183 in 2000, a 28 percent decline because what cost $253 in 1980 cost $524 in 2000. During the same period, the 1980-dollar value of the U.S.'s merchandise exports increased sixteen times while its direct investment abroad—as opposed to debt—increased seventy times (see U.S. entry in Table 1 and IMF 1980–2001). The systematic depreciation of the dollar value of Mauritania's GDP and export earnings seems to explain why, after nearly two decades of systematic currency devaluation, Mauritania's GNI per capita ($370) "remains somewhat lower than the average for sub-Saharan African countries [$480 in 2000]" and "the statuary minimum wage has remained unchanged at UM 42.83/hour [less than $.25] since 1993," while Mauritania's external debt reached 247 percent of GDP at end-1997 (IMF 1999b, 7, 39). Moreover, the restructuring of budget revenues was apparently made so that the burden of taxes would progressively shift from international trade to domestic trade. The proportion of taxes on international trade declined from 37.7 percent in 1993 to 12.1 percent in 1997, while the proportion of taxes on domestically traded goods and services increased from 12.5 percent to 26.4 percent (IMF 1999b, 90). This represents a major shift of the burden of taxes from global producers, who paid less and less in terms of tariffs, to national retailers, who made local consumers pay more and more taxes, with some serious implications for the purchasing power of wage-earners and consumers as well as the overall tax-dependent infrastructure and public services.

Currency Devaluation and the Purchasing Power of Wage-Earners and Consumers

Prior to SAPs, the government of Mauritania used to stabilize consumer prices through subsidies and price controls. Under successive SAPs, domestic prices were liberalized and made to respond quickly to changes in the exchange rate, with the exception of utility prices (water, electricity, and telecommunications), airline prices, and petroleum prices. Regarding the last, the government introduced a new pricing policy in September 1998, in which the government-set pricing schedule would be updated on a monthly basis (IMF 1999b, 16) to reflect the depreciation of the ouguiya. In May 2000, I witnessed one episode of the updating of the government-set pricing schedule for petroleum prices. The government used a simple "political technique" to justify the price increase and to contain any potential popular anger. For a week or so, the government made people believe that the supply of petroleum products—especially gas—was running low. In the middle of the artificially created supply shortage, the government announced a new increase in the price of petroleum. The official consumer price index (CPI) is calculated only for low-income households in the capital city (Nouakchott). Even the IMF points out that the current CPI underestimates the inflation rate because of various technical and methodological difficulties. These include: (1) limited breadth of coverage, both geographically and in the range of commodity prices; (2) lack of some data for certain commodities; and (3) the use of an ad hoc weighting scheme (IMF 1999b, 16). Nevertheless, the index (see Table 7) indicates a sharp increase in consumer prices in Nouakchott between 1987 and 2001, especially foodstuff and lodging prices, whose indexes reached 288 percent and 271 percent, respectively. With the exception of meat, which is still largely supplied by domestic producers, Mauritania imports almost everything else, including food products, machinery, construction materials, petroleum, and consumer goods. Such increases in consumer prices were never offset by commensurate salary and wage raises.

Despite occasional salary and wage raises, devaluation has severely weakened the purchasing power of civil servants and wage-earners in general (see Table 8). The government determines civil service salaries (categories A to E), the SMIG (*salaire minimum industriel garanti*, or guaranteed minimum industrial wage) and the SMAG (*salaire minimum agricole garanti*, or guaranteed minimum agricultural wage), while wage rates in public enterprises and the formal private sector are set through collective bargaining. Minimum wages were not raised from 1982 to 1991, whereas wages in the public sector were increased

Table 7. Consumer Price Index for Nouakchott, 1987–2001

Year	Foodstuffs	Clothing	Lodging	Other	Overall Index
1987	122.08	113.35	111.0	100.2	116.22
1988	125.03	109.2	113.27	100.58	117.77
1989	147.4	112.3	125.2	103.8	133.1
1990	152.9	115.4	142.7	114.7	141.8
1991	157.0	119.1	158.7	129.7	149.7
1992	168.8	153.1	172.9	134.8	164.9
1993	185.0	160.2	193.6	143.9	180.2
1994	191.4	169.4	204.0	144.9	187.6
1995	206.7	183.4	213.3	143.4	199.8
1996	122.2	179.2	222.0	140.8	209.3
1997	231.6	195.4	230.5	141.9	218.8
1998	251.9	216.1	241.7	155.8	236.3
1999	261.0	210.6	257.1	178.0	245.9
2000	271.2	220.1	262.5	177.9	254.0
2001	288.8	225.0	271.0	176.7	265.9

Source: Office National de la Statistique (1997), IMF (2003b, 24).
Note: Base July 1985 = 100. Weights (in percent): foodstuffs (52.0), clothing (14.6), lodging (25.3), other (8.1), overall index (100).

under the 1992 budget for the first time since 1985. The minimum wage was raised by 37 percent in 1992 and by 28 percent in 1993. Civil servant salaries were raised between 11 percent and 31 percent in 1992, and between 10 percent and 24 percent in 1993 (IMF 1995, 8). As of 2001, the statuary minimum hourly wage had remained unchanged—at UM42.83 (the equivalent of $0.17, in 2001 prices)—since 1993. However, the government increased the lowest salaries by up to 15 percent within the context of the 1998 budget law, effectively increasing the overall wage bill by about 4 percent for 1998, the first such increase since 1992. Given the leading role played by government salaries, public enterprises and the formal private sector and trade unions agreed in August 1998 to an increase of up to 15 percent for low salaries (IMF 1999b, 16; IMF 2003b, 25).

An example illustrates the deterioration of the purchasing power of monthly salaries of civil servants and its implications for the decline of the middle class. During my visit to Mauritania in May 2000, I had a lengthy conversation with several professors in the Department of Geography at the University of Nouakchott. They talked specifically about the deterioration of the purchasing power of their salaries, which are among the highest in the civil service workforce. For example, in 1990 a lecturer (holding a Diplôme d'Etudes Approfondies from French-oriented education systems in Africa and the Middle East or a Master's degree from the United States) at the University of Nouakchott received a net monthly remuneration of UM40,000, including salary and allowances. This amount was equivalent to $500 (1990 prices: U.S.$1 = UM80). In 2000, a lecturer at the University of Nouakchott received a net earning of about UM60,000, the equivalent of $240 per month (2000 prices: U.S.$1 = UM250). Superficially, there was a 50 percent salary raise on the ouguiya scale for university professors, whereas this was actually a 52 percent salary cut on the dollar scale. This salary will likely remain unchanged for years, while its purchasing power will continue to deteriorate almost every day now that the exchange rate is set on a daily basis with a firm government commitment not to allow the appreciation of the ouguiya. The erosion of the purchasing power of civil servants is combined with a shrinking public sector and rising unemployment.

The government is the largest employer (22,433 in 1997), and SNIM is the largest nongovernment employer (4,450 employees in 1997, down from over 6,000 in the

Table 8. Evolution of Mauritania's Minimum Wages and Salaries, 1990–2001

Years	1990	1993	1997	2001
Private sector (hourly wages)				
Guaranteed minimum industrial wage (SMIG)	24.46 (0.30)	42.83 (0.35)	42.83 (0.28)	42.83 (0.17)
Guaranteed minimum agricultural wage (SMAG)	24.46 (0.30)	42.83 (0.35)	42.83 (0.28)	42.83 (0.17)
Public sector (civil servants' monthly salary)				
Category A1	14,217 (176)	18,936 (156)	20,521 (135)	25,455 (100)
Category A2	NA	17,693 (146)	19,152 (126)	23,856 (94)
Category B	10,244 (127)	17,367 (143)	18,799 (123)	28,077 (110)
Category C	7,899 (98)	12,442 (103)	13,467 (88)	19,532 (77)
Category D	4,802 (60)	11,030 (91)	11,939 (78)	17,487 (69)
Category E (teachers)	14,201 (177)	NA	NA	NA
Assistant teachers	NA	14,862 (123)	16,113 (106)	23,717 (93)
Teachers	NA	18,923 (156)	20,516 (135)	29,788 (117)
Assistant professors	NA	28,464 (235)	30,860 (203)	37,539 (148)

Source: Compiled from IMF (1995, 66; 1999b, 83; 2003b, 25).
Note: In each cell, first figure is in ouguiyas; figure in parentheses is in U.S.$.

early 1980s) (IMF 1999b, 13). Unemployment is a major problem. While there are no formal employment statistics published regularly in Mauritania, a 1998 government study based on a survey conducted in 1995 estimated the unemployment rate at 26 percent (32 percent in urban areas) of an active population of 678,000. The IMF estimates that in order to maintain the unemployment rate at 1995 levels, the economy needs to generate about 16,300 jobs per year, on average, up to the year 2000. It also estimates that the number of jobs created per year is less than 10,000, and these are mainly in the informal sector. For example, during a period of nearly a decade (1989–1997), the government workforce increased by 1,774 employees, while total population increased by 440,000 (IMF 1995, 67; IMF 1999b, 17, 84). The negative impact of currency devaluation on the overall purchasing power of Mauritania's GDP and international trade seems to be reflected in the increase of dollar-denominated debts.

Currency Devaluation and Indebtedness

Between 1980 and 2000, Mauritania's external debt increased from $843 million (101 percent of GDP) to $2,500 million (266 percent of GDP), while its ratio of debt service to exports increased from 17.3 percent to 22.6 percent. Most of Mauritania's external debts are labeled in the few "hard" currencies against which the ouguiya has been systematically devalued for over two decades. Even when Mauritania's foreign debt is measured in 1980 constant dollars, the external debt still increases, from $843 million in 1980 to $1,200 million in 2000. The external debt crisis and the desperate search for foreign aid from the United States led the Mauritanian government to go as far as dispatching its foreign minister to the State Department's ballroom in Washington, DC in October 1999 in order to sign an agreement establishing full diplomatic relations with the State of Israel, despite strong criticism from Arab and Muslim countries. At the signing ceremony, then–U.S. Secretary of State Madeleine Albright noted that this opening "will bring real benefits to the Mauritanian people" (Albright 1999). It needs to be noted that Mauritania fearlessly broke diplomatic relations with the United States in 1967 in response to U.S. massive aid to Israel during the 1967 Arab-Israeli war, an unthinkable diplomatic move today.

Moreover, debt and resource transfer from Mauritania and the South in general seem to be accelerating through the rise of an information sector within the world economy and the emergence of information goods, the comparative advantage of which resides in the low cost of duplication. When exchanged with southern agricultural and even industrial goods, northern information goods seem to be in a position to generate huge margins of profits and extract huge amounts of wealth from the South. For example, the cost for duplicating software is nearly zero for companies like Microsoft. Because of this unique comparative advantage, information goods create a highly unequal exchange when traded for industrial or agricultural goods. As Roberto Verzola (1995) put it,

> An information economy like the United States can come to the Philippines, and trade one copy of its WordPerfect for our [*sic*] 2,000 pounds of sugar, or for one of Taiwan's color television sets. Yet, how long does it take to produce 2,000 pounds of sugar, compared to another copy of WordPerfect? How many Filipinos have to work, how many days, to produce value that is equated to a product which can be copied by one person in a few minutes?

Conclusion

The analysis of the North-South income gap in light of the politics of currency devaluation and resource transfer shows that the gap is still geographic in essence (notwithstanding the significance of its class dimension within individual countries), and development geography is still at the core of development theory and policy. After two decades of economic reforms and development projects, the IMF, the multilateral development banks, other multilateral financial institutions, and borrower governments among developing countries are increasingly focusing on poverty in their development discourse and policy. The World Bank has redefined its central mission as "fighting poverty," and entitled its World Development Report 2000/2001 "Attacking Poverty" (World Bank 2000b). The IMF has transformed its enhanced structural adjustment facility into a "poverty reduction and growth facility" (IMF 2002). At the United Nations Millennium Summit of 2000, concerned world leaders pledged to cut poverty in half by 2015.

While these changes in development discourse and policy seem to acknowledge the serious problem of poverty, they fail to link poverty to the whole array of liberalization reforms that have scanned macro- as well as microeconomic policies of those poor countries for over twenty years. Rather, they explain poverty as a result of low productivity and widespread corruption in developing countries. By doing so, they divert attention away from critical issues such as currency devaluation and its impact on the devaluation of national economies. International organizations such as the World Trade Organization, various United Nations agencies, the OECD, the Organization of American States, the EU, and the Council of Europe are now addressing corruption as an important policy concern, without pointing out that resource transfer from the South to the North is increasing poverty, which, in turn, is driving corruption as a terrible consequence of fierce competition for increasingly scarce resources.

Raúl Prebisch (1950) was one of the first to note the decline of the terms of trade for developing countries in their dealings with industrial countries. This was one of the pillars of resource transfer from the South to the North during the pre-1972 Bretton Woods fixed-exchange-rate regimes. With the more recent floating-exchange-rate regimes, currency devaluation produces the same effect of deterioration of the terms of trade, as southern countries receive fewer imports for each unit of goods exported. This affects the macroeconomics and comparative advantages of individual countries and shapes financial crises and price movements in the global economy. The major finding here is that poverty has increased because of the nature of unequal exchange between lenders and borrowers, especially through currency devaluation. Lenders give openly with one hand (via loans, grants, and technical assistance) what they retake stealthily from borrowers by the other hand (through devaluation, capital flight, debt service, and deteriorating terms of trade). A reversal of the current flow of resource transfer from the South to the North will require a rethinking of the neoliberal "Washington Consensus" and its "market fundamentalism" (Srinivasan 2000, 265), as well as some creative reworking of a Keynesian or post-Keynesian model for national economies (Marangos 2001). I think this must include the re-establishment of some level of protectionism involving the restoration of exchange controls and import restrictions, as well as the temporary suspension of debt-servicing. Since such policies amount to a serious questioning of the current neoliberal policies, their conception, formulation, and implementation will require a drastic popular and democratic regulation of, and government intervention into, the so-called market, as indicated by the December 2001 "populist" decision by Argentina to suspend payments on its $132 billion foreign debt and print money (to circulate alongside Argentine pesos and U.S. dollars) to help cut the poverty and unemployment behind bloody riots and a succession of five Argentinean presidents in two weeks.

I must say that this research is too modest and too limited to be considered anything but an initial exploration of the largely underinvestigated issue of currency devaluation and the way it redefines the terms of trade and contributes to South-North resource transfer. It is a little step in the direction of attempting to understand the growing inequalities in the global distribution of a collectively produced global wealth. More comparative and exploratory research is needed to explain the persistence of poverty in the South and prosperity in the North in an era of globalization.

Acknowledgments

I wish to express my gratitude to the Sponsored Programs and to the University Research Committee at Indiana State University for their support. I offer special thanks to the *Annals of the Association of American Geographers*' editor, John Paul Jones III, for his thoughtful and concise review and the summary of three anonymous reviews, whose authors I thank. Many thanks also to Ryan Jensen for his help in drawing the North-South map, to Donald Richards for his helpful comments, and to all people working at Indiana State University Cunningham Memorial Library for their excellent services.

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