
POVERTY, DEBT, AND DEPENDENCY: RETHINKING THE LEGALITY OF GLOBAL ECONOMIC GOVERNANCE THROUGH THE LENS OF JUSTICE

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ABSTRACT

The modern global economy, as far as can be understood, runs on a dense web of institutions, treaties, and financial practices. These are meant to steady markets and get states to work together. But these same structures often end up reinforcing inequality and keeping cycles of poverty and dependence alive, especially across the Global South, which is a huge problem. Debt obligations, conditional lending, and rigid trade rules, which pull scarce resources toward repayment and away from welfare and health, often squeeze states' ability to prioritise welfare and health. This study examines the paradox of global economic governance by asking whether the existing legal framework aligns with a real vision of justice. It uses a range of approaches, combining doctrinal analysis of debt, trade, and institutional law with insights from political economy and theories of justice. Rawls' principles of fairness, Sen's capability approach, and critical perspectives from Third World Approaches to International Law (TWAIL) provide a foundation for evaluating how governance shapes policy space and human rights. Argentina's debt litigation, the Asian Financial Crisis, African debt relief programmes, such as the Heavily Indebted Poor Countries (HIPC) Initiative, and the Greek austerity measures serve as case studies that uncover recurring gaps in justice. These examples suggest how fragmented legal rules, creditor dominance, and one-size-fits-all remedies worsen social and economic vulnerabilities. So the paper argues that justice in global governance requires reordering priorities, protecting socio-economic rights, ensuring fairer decision-making, and establishing predictable mechanisms for restructuring. Concrete reforms include human rights-based debt sustainability assessments, rebalancing the International Monetary Fund (IMF) and World Bank's governance structures, and cultivating South-South financing initiatives, which receive less attention than they deserve. Such changes are necessary if globalisation is to transcend market logic and embody values of justice, solidarity, and human dignity, even though they are politically difficult to achieve.

INTRODUCTION

When we look at the global economy today, we see a strange contradiction. Theoretically, international institutions, treaties, and regulations govern investment, trade, and finance to support states and stabilise markets. However, these systems perpetuate historical injustices and keep poorer countries stuck in a vicious cycle of suffering¹. For much of the Global South, poverty is not just a passing result of slow growth. Still, it is linked to legal and institutional arrangements that divert resources and limit policy choices, pushing governments to prioritise debt repayment or liberalisation over social investment². Sovereign debt, conditional loans, and policy requirements lie at the centre of this problem. While financial assistance should, in principle, fund essential infrastructure such as schools, hospitals, and roads, it often comes with strict conditions, such as austerity measures, privatisation, or service liberalisation. These restrictions shrink budgets for welfare and education,³ seriously impacting people's fundamental freedoms and opportunities. The most vulnerable class is the children, the elderly, and disadvantaged communities, who are usually hit the hardest⁴.

The pressing question that this study raises is whether global economic governance's current legal structure can be aligned with a genuine vision of justice. Or does the existing legal order help legitimate inequality? To answer, I adopt a critical, normative approach that combines doctrinal description of the relevant legal instruments with political-economy and philosophical perspectives on justice. I emphasise how debt regimes, trade rules, and institutional voting structures interact to shape policy space for poorer countries. The paper aims to diagnose the problems and sketch legal and policy reforms that make governance more responsive to socio-economic rights and distributive fairness.

The analysis views poverty as multifaceted, including the denial of basic rights and capacities (health, education, social protection) as well as income deficits. Second, drawing on critical traditions such as Third World Approaches to International Law (TWAIL) and empirical reports from intergovernmental and civil society actors that show how rule-making frequently ignores structural disadvantage, I approach the law as an arena of power contestation rather than a neutral set of rules. In the sections that follow, the main ideas are explained, the historical

¹ Armando Barrientos, *Global Inequality, Global Governance* 3-6 (2025)

² Kevin Watkins, *Debt Relief for Africa: Could It Work?* 4-10 (1994)

³ Hisashi Owada, *The Rule of Law in a Globalizing World-An Asian Perspective*, 8 Wash. U. Global Stud. L. Rev. 187, 90-92 (2009)

⁴ Watkins, *supra* note 2, at 11-14

development of the current architecture is traced, the practical manifestations of poverty and dependency are examined, the main legal frameworks are described, and finally, a justice-centred rethinking is explored.

CONCEPTUAL AND THEORETICAL FRAMEWORK

Clarifying terminology and outlining the framework for the study of the phenomenon must be the first steps in any conceptual study. The phrase “global economic governance” (GEG) describes a range of formal and informal organisations, norms, and legal instruments that influence how governments handle cross-border economic relations. These include World Bank conditionality, IMF lending programs, World Trade Organization (WTO) regulations, and bilateral investment treaties. Because trade, finance, investment, and development finance are governed by distinct laws and platforms, GEG is dispersed and multi-layered. This fragmentation is essential because it creates accountability gaps and unequal bargaining power for other states. According to this project, poverty is more than having a low GDP per person. It encompasses the inability to obtain fundamental socio-economic rights, adequate food, water, dependable healthcare, and decent education, as well as the absence of agency and functional capacity to pursue one’s idea of a good life⁵. Framing poverty in this way makes it possible to evaluate economic governance not only by aggregate growth but also by the distributional outcomes of policies and their impact on people’s fundamental freedoms.

Sovereign debt is the legal and financial instrument through which many developing countries meet their financing needs. “Dependency” is a structural condition in which states repeatedly need external financing and cede policy space to creditors. The dependency theory of the mid-20th century helps explain how export structures, trade relationships and the terms of financial integration can limit domestic development options⁶. Today’s version of dependency often operates through debt-service obligations, conditional lending, and the dominance of external legal fora (usually New York or London law) in governing contracts. Three complementary strands guide the normative assessment:-

- **Rawlsian and Cosmopolitan Approaches:** Rawls’ framework, when extended beyond strictly domestic contexts, pushes us to ask whether global institutions can be

⁵ Ben Hilbrich, *Justice and Global Economic Governance* 8-11 (2025)

⁶ Iqbal Jiyad, *Economy, Debt Trap and Dependency* 3-7 (2001)

justified to the least advantaged⁷. While Rawls was cautious about global redistribution, contemporary political philosophers have adapted his method to examine principles of fairness between peoples⁸.

- **Capability Approach (Amartya Sen)**⁹: This shifts the evaluative metric away from national income or creditor debt metrics, asking whether governance arrangements enable fundamental freedoms. If debt servicing cuts public health funding and thus reduces people's capabilities, governance fails this test.
- **Critical/TWAIL perspectives**: TWAIL scholars emphasise the historical patterns of coloniality embedded in the modern international legal order¹⁰, which are reproduced in trade and financial rules. From this angle, law is not neutral, but acts as a vehicle that reproduces hierarchies by design or through institutional inertia. When we see it through the critical lens then we can explain why similar legal rules produce different outcomes for rich and poor states.

TWAIL and political economy show how dominant power shapes legal form, while ideal theories of justice outline alternative principles that a reformed system might embrace. These frameworks complement each other, and distributive lenses draw attention to harms to people's real lives.

HISTORICAL EVOLUTION OF GLOBAL ECONOMIC GOVERNANCE

The mid-20th century saw the development of the current framework for global economic governance. Bretton Woods created organizations for monetary stability and reconstruction, most notably the World Bank and IMF. The World Trade Organization and the General Agreement on Tariffs and Trade later contributed to the development of the multilateral trading system¹¹. These organisations were established during a specific historical period, the immediate post-war yearning for economic cooperation and stability. From the 1970s to the 1990s, the international economy underwent significant changes. Financial liberalisation, capital mobility, and a turn toward market-oriented policies dominated policy prescriptions.

⁷ John Rawls, *The Law of Peoples* (Harvard University Press 1999)

⁸ Hilbrich, *supra* note 5, at 12-15

⁹ Amartya Sen, *Development as Freedom* (Oxford University Press 1999)

¹⁰ Winston P. Nagan, *Global Governance: A New Paradigm for the Rule of Law*, 2 CADMUS 161, 163-67 (2013)

¹¹ Joseph E. Stiglitz, *Globalization and Its Challenges* 16-20 (2002)

When many developing countries faced balance-of-payments problems or commodity price shocks, the IMF and other lenders assisted, conditional on policy changes such as fiscal austerity, subsidy removal, privatisation, and liberalisation¹². These Structural Adjustment Programmes (SAPs) had profound political and social effects, often reducing social spending, constraining public sector employment, and accelerating market opening, thereby reshaping domestic economies¹³.

The 1980s saw several debt crises, most notably in Latin America. Later, crises in Africa and Asia revealed flaws in the global debt structure. Creditors worked together in an ad hoc fashion with little legal basis for sovereign debt restructuring¹⁴. Nevertheless, the system relied primarily on voluntary creditor negotiations and market mechanisms. Over time, restructurings became increasingly complicated, including litigation such as forum shopping in state courts, private bondholders and creditor coalitions¹⁵. In the 1980s and 1990s, neoliberal policy paradigms emerged, introducing a framework to encourage market discipline and creditor rights¹⁶. Critics argue that these reforms constrained the development of policy space, undermined social protections, and increased external vulnerability for states. Proponents say that they have increased growth and efficiency. Because of these developments, the law became a mechanism for stability and, at times, deterrence, as they were legitimised by legal form through conditionalities, programs, and investment protections. The deeper point is that distributional outcomes are still shaped by institutional design decisions and legal regulations from earlier reform eras, thereby necessitating new legal architectures and policies.

POVERTY, DEBT, AND DEPENDENCY IN PRACTICE: CASE STUDIES AND CONTEMPORARY TRENDS

This section examines how the abstract dynamics discussed so far work out on the ground. The interlinked arenas, such as conditional lending and social spending, debt crises and restructuring, new governance pressures from digital trade and globalisation, and others, illustrate the pattern.

¹² Mark Blyth, *Austerity: The History of a Dangerous Idea* (Oxford Univ. Press 2013)

¹³ Sarah Steele, *Tackling the Triple Crisis* 6-10 (2020)

¹⁴ Carlos Noriega, *Argentina's Race to the Bottom* 4-7 (2013)

¹⁵ Brahima Coulibaly & Wafa Abedin, *Strengthening the Global Sovereign Debt Roundtable* 2-4 (2024)

¹⁶ Manfred B. Steger, *Globalization: A Critical Introduction* 55-62 (2015)

- **Conditional lending and social budgets:** A recurring pattern in IMF-style programmes is the trade-off between fiscal consolidation and social spending. In many programmes, public expenditure is compressed to meet budgetary targets. The consequences are predictable, such as cuts to health, education, and social protection, which reduce people's capacity to recover from shocks and undermine long-term human capital formation¹⁷. The capability approach is helpful here, even if macro figures, such as debt/GDP and inflation, improve people's fundamental freedoms and opportunities may worsen. Empirical studies link debt distress with worse population health outcomes, rises in child mortality in the most severe cases, and setbacks in educational attainment¹⁸. The social consequences are concentrated upon vulnerable populations, women, children, and informal workers who rely more heavily on public services. These are the predictable outcomes rooted in programme design, not incidental side effects.
- **Debt crises, restructurings and legal bottlenecks:** The current system of sovereign debt restructuring is piecemeal and messy. There is no universal legal process for binding sovereign debt restructuring. This is done instead through piecemeal arrangements of bilateral negotiations with official creditors, voluntary agreements with commercial bondholders, or court disputes over litigated claims. This is costly and time-consuming, and may favor creditors who have easier access to courts or legal knowledge¹⁹. The lack of a neutral and predictable process is a problem of distribution. When countries are compelled to undertake prolonged sovereign debt restructuring, they are often required to undertake severe austerity measures to service their debts, further destabilizing socio-economic systems. Suggestions for a more unified sovereign debt restructuring process through international platforms or binding procedures have been suggested as a means of mitigating the human costs of sovereign debt restructuring and achieving a balance between creditor and debtor interests. Civil society groups and certain UN agencies have suggested that frameworks incorporating human rights reviews into sovereign debt restructuring are a shift that would bring socio-economic considerations into the legal equation, rather than an appendix²⁰.

¹⁷ Watkins, *supra* note 2, at 11-15

¹⁸ Steele, *supra* note 13, at 12-16

¹⁹ Coulibaly & Abedin, *supra* note 15, at 6-9

²⁰ Hilbrich, *supra* note 5, at 25-29

- **Dependency in trade and the digital economy:** It continues through finance, trade structures, and the new digital economy. Many developing countries are still in export profiles that are dominated by primary commodities or low-value manufacturing. Value chains and intellectual property frameworks can lock them into low-value production. Regional and multilateral trade rules can offer market access, but preferences are underutilized without complementary domestic capacities, quality, infrastructure, and skills. As noted in the IISD workshop report, “market access alone rarely solves structural problems, and the domestic capabilities and policy space matter significantly²¹.” The digital economy introduces new challenges. Cross-border data flows, platform concentration, and e-commerce frameworks can determine which countries will benefit from digital trade. Quickly negotiated rules without sufficient consultation can “lock in” terms of trade that benefit large countries from developed economies, while smaller economies find it difficult to develop digital industrial capabilities. This is a new source of dependency unless it is designed with differential capacities in mind.
- **COVID-19 and renewed debt stress-** The COVID-19 pandemic showed the dangers of weak cushions. Many poor countries went into the crisis with little fiscal room and high debt burdens. The pandemic necessitated significant social and health expenditures, while external revenues decreased concurrently²². As a result, there were more requests for suspension, restructuring, or cancellation along with fresh debt pressures. Although some bilateral pauses and the G20's Debt Service Suspension Initiative (DSSI) provided short-term respite, critics noted that these were slow and insufficient²³. Durable mechanisms safeguarding human rights and social spending during restructurings are necessary for longer-term solutions.
- **A human cost that law must count:** The overarching theme of these scenarios is evident from the fact that institutional and legal frameworks determine whether states are compelled to give creditors priority over social rights or vice versa. Social rights might be marginalised if legal regulations prioritise debt repayment and creditor protection. This is a legal issue as much as a policy one, and it demonstrates why re-

²¹ IIASA, *Digitalization and Transforming Global Governance* 7-11 (2018)

²² United Nations, Second Committee Takes Up Sustainable Development, U.N. Press Release GA/EF/3590 (Oct. 10, 2023)

²³ Steele, *supra* note 13, at 18-21

centring justice requires reforming the law and decision-making processes.

LEGAL AND NORMATIVE FRAMEWORKS: WHERE LAW HELPS AND WHERE IT FAILS

Public international law, international financial architecture, trade law, and human rights law are among the various fields of law pertinent to these conundrums.

- **Sovereign debt law and practice:** Sovereign debt is essentially contractual and governed by domestic laws chosen in loan contracts, commonly New York or English law. There are club arrangements, the Paris Club, and policy dialogues for official bilateral creditors, but these are often voluntary and discretionary. At the multilateral level, institutions exercise conditionality through lending policies rather than binding international rules. The outcome is a hybrid regime of private contract law, state-led club mechanisms, and institutional conditionality, which fails to provide a unified and predictable legal regime for creditors and debtors. The legal fragmentation has implications because it provides a forum for creditors to use leverage, and debtor countries that have limited legal capacity are at a disadvantage²⁴. The process of developing more predictable restructuring procedures, either through a voluntary code of conduct, a UN-supported process, or treaty-based procedures, faces political opposition from major creditor groups.
- **Trade and investment law:** Trade rules (WTO) and investment agreements also affect development. General trade rules constrain tariff policy, subsidies, and certain forms of industrial policy. Investment agreements may contain investor protections that restrict national regulatory autonomy or subject nations to claims under investor-state arbitration procedures. Although these rules facilitate international economic engagement, they can also circumscribe the policy instruments employed in support of industrial policy, public provision, and redistributive taxation. The report on the IISD meeting emphasised that “market access alone is not sufficient to support domestic producers, meet sanitary and technical requirements, and develop complementary capabilities²⁵,” which are required if trade is to help poor people rather than entrench dependency.
- **Human rights law and the right to development-** International human rights law, including socio-economic rights, provides normative constraints on state behaviour.

²⁴ Coulibaly & Abedin, *supra* note 15, at 4-7

²⁵ IIASA, *supra* note 21, at 12-15

Instruments such as the International Covenant on Economic, Social and Cultural Rights (ICESCR) articulate obligations on states to protect health, education and an adequate standard of living. The UN Declaration on the Right to Development (1986) also frames development as a human right. However, human rights and international economic law often operate on separate tracks. Human rights criteria are rarely systematically integrated into creditor decision-making processes, and formal human rights impact assessments are seldom necessary for debt restructurings and conditionalities. This discrepancy is a normative and legal issue²⁶. To incorporate rights into economic governance, for instance, human rights impact assessments should be incorporated into lending decisions, debt sustainability analyses should consider social spending floors, and enforcement mechanisms that safeguard socio-economic rights, even during fiscal adjustment, should be established.

- **Normative gaps and accountability deficits:** Last but not least, the normative framing of economic governance prioritises macro-financial stability and creditor repayment as the primary evaluative metric, meaning that the current accountability mechanisms, review processes, civil society advocacy, and UN special procedures are not always integrated into decision-making. Rearranging evaluation priorities to give human outcomes and equity a larger place in law and policy would be necessary for a justice-centred approach.

RETHINKING JUSTICE IN GLOBAL ECONOMIC GOVERNANCE

If the current system continues to prioritise creditor rights and financial stability over people's basic needs, what would a more justice-oriented approach look like?

Principles for a justice reorientation

A fairer framework could rest on a few connected principles:

- **Putting socio-economic rights first:** In times of crisis, debt relief and restructuring should guarantee minimum spending on health, education, and social protection. Creditors would still be paid, but human welfare must be part of the calculation.

²⁶ Owada, *supra* note 3, at 93-96

- **Fairer decision-making structures:** Global financial bodies must seriously involve debtors in decision-making. This is more than just a few chairs to indicate representation, as it requires real reform of voting and decision-making powers. It must prevent a democracy of a few wealthy states from dominating decisions.
- **Clarity on sovereign debt restructuring:** We want a transparent, fair, and stable legal process for managing sovereign debt, ideally through a treaty or UN-led process, to ease fair burden-sharing and avoid costly delays²⁷.
- **Using sustainability and human rights as markers:** As part of these debt sustainability reviews, we need to include social metrics and long-term development objectives that are in line with the SDGs, rather than just using current financial numbers.

Institutional and legal reforms

There were several concrete reforms that follow from these principles:

- A UN-centered sovereign debt framework that incorporates autonomous human rights and macroeconomic advice, with defined timelines for stay and negotiation. Such a framework might coordinate public and private creditors and make opportunistic litigation less likely.
- Human rights impact assessments for large loan packages and structural conditionality, with open reporting and corrective measures if human rights are excessively jeopardized.
- Weighted voting reform, quota review, trade-offs between social outcomes and financial performance, and governance reform in the World Bank and IMF to increase the weight of Global South countries.
- The review of trade and investment rules should include more specific S&D (Special and Differential treatment) rules that allow more policy innovation without fear of

²⁷ Nagan, *supra* note 10, at 66-68

dispute, and flexible or “carve-out” provisions for developmental industrial policy.

- Debt sustainability frameworks with “social floors” DSAs would specifically model outcomes that secure a minimum level of public expenditure to fulfill human rights commitments.

These reforms are necessary and doable, even if they are politically difficult and contentious. The legislation should be framed to ensure that the human implications are considered by creditors and governments. A justice agenda is not only redistributive but also a structural transformation of the law to make human implications apparent and legally relevant.

COMPARATIVE PERSPECTIVE

Examining experiences around the globe helps illustrate how global economic governance works. There are some general parallels, even though each nation functions within its political and financial framework. These include whether there are legal protections for social and economic rights in times of crisis, the extent to which states maintain their independence to pursue development plans, and the ongoing conflict between domestic governments priorities and creditors demands.

Argentina and the ‘Holdout Problem’: The clearest example of how fragmented legal regulations can impede equitable restructuring is Argentina’s ongoing debt issues²⁸. Most creditors agreed to a restructuring agreement after the nation’s 2001 default, but a few “holdout” investors filed a lawsuit in US courts. Argentina could not pay restructured creditors unless it reached a full settlement with the holdouts, according to the New York judiciary’s interpretation of the *pari passu* clause²⁹. Numerous bondholders were affected by this decision, which also took funds from the general welfare. The case highlights a severe weakness. The courts in creditor countries have the authority to effectively determine the future of debtor countries in the absence of a global restructuring framework. The fact that millions of people’s livelihoods may depend on decisions made outside of their democratic systems is concerning from a justice perspective. The UN frequently uses Argentina’s story as evidence of the pressing need for a stable debt system.

²⁸ NML Capital Ltd. v. Republic of Argentina, 699 F.3d 246 (2d Cir. 2012)

²⁹ Noriega, *supra* note 14, at 12-18

Sub-Saharan Africa- Debt Relief and Its Limits: The Multilateral Debt Relief Initiative (MDRI) and the Heavily Indebted Poor Countries (HIPC) Program advanced international diplomatic collaboration and conceptually advanced relief efforts during the late 1990s and early 2000s for numerous African Countries, as nominal debt levels were reduced. Such relief efforts were, and remain, very much needed, as they systemically improved international cash flow diplomacy. On the other hand, they weakened the options of various governments and states. LPCs were granted the privilege, provided they commit themselves to an LPVSS set of promises. LPCs paradoxically received modest relief, and the dynamics in every country were the same. They quickly began borrowing more funds, which were only countered by the economically weaker neighbouring states. Such states and countries draw attention to the efforts, as deep structural problems are hidden beneath ‘relief’ from debt problems. Outdated as it was, it still illustrates the reality of the economic world. Counter-economic plans, seamlessly formulated by new-age or neo-colonialism, can negate the self-determined plans of new, independent states³⁰.

The Asian Financial Crisis of 1997–98³¹: Another valuable example is the Asian Financial Crisis. The IMF rescue packages had strict stipulations because of the collapse of capital and currency in Korea, Indonesia, and Thailand. These almost always required rapid corporate restructuring and financial deregulation. Critics say that the conditions sometimes worsened the decline instead of encouraging recovery. The case of Indonesia is illustrative. The policies worsened the recession, stoked violence, and weakened the political order, hurting millions of people in the process³². South Korea moved more quickly due to its advanced industrial sector, state capacity, and industrial base. Even in South Korea, the rapid post-crisis recovery required painful social adjustments, including slashed wages and higher unemployment rates. The broader lesson from these cases is that there are vulnerable but inequitable social strategies of displacement. Worse, social protection is the first to go and those who need it the most are the ones who lose it. The situation is especially true in the case of rapid adjustment. A more socially responsible framework would ensure that fundamental social rights are not violated within the adjustment framework and that rigid responses are not applied to domestic conditions.

Alternative Models- Bolivia, Ecuador, and South-South Initiatives: Some governments have sought to oppose the concepts of traditional trade and debt policies. Evo Morales

³⁰ Nagan, *supra* note 10, at 70-72

³¹ IMF, *The IMF and the Crises in Asia* (Independent Evaluation Office Report 2003)

³² Susan Engel, *The Asian Financial Crisis* 9-15 (2012)

implemented a framework predicated on resource nationalism and developmental state policies in Bolivia. Early in his presidency, he lowered inequality by funnelling gas revenue towards welfare programs. Under Rafael Correa, Ecuador went a step further by auditing its debt, writing off some of it as illegitimate, and restructuring on better terms. These strategies showed that, when states asserted sovereignty and set up an alternative, it was always contentious and faced opposition from other actors³³. The BRICS countries established the New Development Bank to create a lending institution less reliant on the standard conditionality used by most global institutions. Its long-term impact is unknown, but the bank's creation indicates dissatisfaction with existing frameworks and the desire for more equitable arrangements³⁴.

Greek and the Eurozone Crisis: Greek has also experienced some of the outcomes of the 2008 economic collapse, particularly the sovereign debt crisis, which served as a lesson in social self-immolation through austerity imposed by the EU and IMF, in the context of the global South. Health services were decimated, the social security safety net was torn, and the jobless queue expanded. Unlike other EU nations, Greek social contract has undergone a transformation. Greek serves, therefore, as a microcosm of the tendency in mature democracies toward social self-immolation to satisfy international creditors.

Key Takeaways

These comparative cases highlight several recurrent themes:

- Fragmented legal frameworks empower external courts and holdouts.
- While debt relief can offer short-term respite, it frequently perpetuates dependency without structural change.
- Despite their political sensitivity, South-South financing and alternative models show that various strategies are feasible.
- Even developed economies are vulnerable when governance puts financial stability over social justice.

These teachings attest to the ongoing injustice and flaws in the current system. Reform is

³³ James Thuo Gathii, *African Regional Trade Agreements as Legal Regimes* (Cambridge Univ. Press 2011)

³⁴ Nancy Birdsall, *Global Citizens, Global Governance* 44-47 (2012)

desirable and essential to avoid recurring cycles of poverty and dependency.

CONCLUSION AND RECOMMENDATIONS

This paper leads to one inevitable conclusion that poverty, debt, and dependency patterns are intrinsic to institutional and legal framework of global economic governance. Rules and institutions are far from neutral. They frequently prioritise creditors, market efficiency, and financial stability over socioeconomic rights and the right to develop independently. As a result, instead of addressing inequality, the governance system all too often makes it legal. Rethinking principles and practices is necessary for a justice-centred approach to global economic governance. Human dignity and socioeconomic rights must be viewed as central, not peripheral, at the normative level. This means that debt sustainability analyses should consider macroeconomic ratios to determine whether minimum levels of social protection, health care, and education can be maintained. This framework is already provided by international human rights law, and its incorporation into financial decision-making is required. At the institutional level, reforms are required in several directions:

- **Debt restructuring mechanisms:** Creating a predictable, fair, and legally binding sovereign debt workout framework, possibly under UN auspices, to prevent protracted crises and opportunistic litigation.
- **Governance reform of financial institutions:** Adjusting voting rights and decision-making in the IMF and World Bank to better reflect debtor countries' voices, thereby reducing global governance asymmetries.
- **Policy space in trade and investment:** Ensuring trade and investment treaties allow flexibility for developmental strategies, industrial policy, and social protection measures³⁵.
- **Mandatory human-rights impact assessments:** Embedding these into negotiating and implementing loan agreements, restructuring packages, and trade deals.
- **South–South cooperation and alternative financing:** Bolstering regional banks and

³⁵ UNCTAD, *Trade and Development Report 2022* 1-2 (United Nations 2022)

cooperative systems that can act as checks on the dominance of traditional creditors.

However, reform will not be easy. There are powerful interests that will continue to benefit from the status quo, and there is inertia in institutions. Nevertheless, the lessons of comparison that have been discussed in this book, from Argentina to Greece, demonstrate that it is the people who pay the price for inaction in terms of poverty, unemployment, and lost social rights. These consequences are not only bad for justice but also for economic stability in the long term. Globalisation will continue to integrate the world. The task is to make sure that the rules of this interdependence are not only written in the language of markets and lenders but also in the language of justice, fairness, and human dignity.