

Research article

THE POLITICS OF THE NORTH-SOUTH ECONOMIC DIVIDE & THE 21ST CENTURY 3RD WORLD ECONOMIES

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ABSTRACT

The widening economic disparities between the North-South nations is alarming. The divide is however not wholly defined by geography as the North is characterized by economic strength, affluence, and heavily productive. In contrast, the South represent the non-industrialized/ emerging industrializing countries, characterized by economic weakness, underdevelopment, largely consuming, dependent mostly on the North, and generally referred to as the 3rd world Nations. This paper attempts an assessment of the politics of the North-South Economic relations and to proffer a symbiotic relations for the 3rd world economies in the 21st century. The secondary sources of data collection was adopted. Findings revealed that underdevelopment is not a natural phenomenon but a dependency structure generated by the contact of the advanced industrial economies of Europe with the weak pre-industrial



economies of the South. It was also revealed that the greater tragedy in 3rd world's developmental experience has been that national economic policies have been dominated by neo-classical persuasions – that has led to the south wallowing in the morass of economic and technological backwardness. Despite political strategies by the 3rd world nations; such as the Non-aligned movement, the demand for a new International Economic Order (NIEO), NEPAD, meant to empower the 3rd world with development in an international system, the failure to recognize the quintessential link between economy and environment is the very Achilles heel of the 3rd world's growth paradigm. The paper recommends among others that wars are no development variables and should therefore be done away with. Also that less attention should be paid to Western reforms as such reforms have no developmental value than the promotion of regimes that spread political and economic quagmire triggered by global and multilateral forces, and fail to take into cognizance the complexities of the African environment. Though the NEPAD philosophy is a wholly African conception which provide a framework for African development and emphasizes the role of good governance in stimulating economic growth, it must devote most of its time to addressing fundamental issues related to the political economy of the 3rd world rather than impressing foreign governments such as those of the G8, with inflated accounts of democratization on the Southern divide.

Keywords: North-South, Economy, Development, Industrialization, technology and underdevelopment

Introduction

The North – South Divide or Rich and poor nations, is a Socio – Economic and political division that exist between the wealthy developed countries, known collectively as “the North”, and the underdeveloped/developing countries otherwise termed “the South”. It is interchangeably called politics of development and underdevelopment, and is the Centre piece of the New International Economic Order (NIEO) (Aja, 2001).

Almost all Nations comprising the North (industrialized) are in fact located in the Northern hemisphere, with a notable exception of Australia and New Zealand. Though it may appear bullish to identify the Northern/industrial nations into the rich and the Southern developing states with the poor as in both the North and the South, there exist notable economic disparities. The cases of the northern part of Italy and Mezzogiorno in the south, or between the slums and the suburbs of many cities in the U.S, or between Portugal and Greece on one side and the wealthier North Western Europe on the other side are pointers to this (Dougherty & Pftaltzgraff: 1997).

Therefore, the divide is not wholly defined by geography as the south represent the non-industrialized and emerging industrializing countries found in the southern hemisphere. Never the less, the architecture of the North is economic strength, it is a zone of plenty and affluence. It is the technology workshop of the entire world. In contrast, the architecture of the South is economic weakness. It is a zone of poverty and underdevelopment. The South is a scene of widespread deprivation, poverty, frustration, disease, poor quality of life and lack of infrastructure.



Technologically, the South is weak and dependent largely on the north, lack in capital and development infrastructure, has weak market economy and generally referred to as the 3rd world nations (Rourke:1991).

The North is a home to central North America and European countries which mostly governs the West and first worlds, with much of second worlds. The South comprises of Africa, Asia and Latin America with about 77% of the world's population, they produce only 15% of global National Product (GNP). The 23% of the world's population that lives in the North commands 85% of the world's wealth. Comparatively, while the North is heavily productive, the south is largely consuming. (Aja: 1998, & Aja: 2001).

The expression: "North-South divides" is still in common use, but the term "North and South" is already somewhat out dated. As nations become economically developed, they may become part of the "North" regardless of geographical location, while any nation that do not qualify for "developed" status is in effect deemed to be part of the "South"(Reuveny:2007).

Historical Background of the North – South Divide

The concept of North and South came into existence when parts of Africa were caught up in the web of international commerce. There were European Countries who decided on the role to be played by the African Economy while, Africa formed an extension to the European capitalized market (Rodney: 1972). As far as foreign trade was concerned, Africa, Asia and Latin America have been dependent on what European was prepared to buy and sell.

To a great extent "underdevelopment is not natural to any country or region in the world system". (Aja 1998:166), but due to historical process involving Europe and the rest of the world, a onetime barbarian Europe became industrialized workshop of the world. The core issue was the industrial revolution in Europe in the 18th Century. In the 19th Century, it resulted in industrialized capitalism (Aja: 2001). The decay and collapse of feudalism shifted the measurement of wealth from land to factories. This altered call relations, land released a large army of peasants who became factory workers or the working class. (Popou: 1984) The principles of division of labour ensured that workers engaged productivity in the area which there are specialized in, and their abilities best fitted. In the process, technology was effectively applied in the production system. The result of the development so far was industrial revolution and mass production beyond the consumption of Europe.

Nevertheless, industrial revolution occurred when earlier known civilization in Africa, Asia and the 19th century's Latin America were capitalized (non-industrialized) economies. Industrial revolution soon became an export phenomenon itself. It got first to North America (Aja: 2001). To this end, industrialization brought North wealth and technology. Industrial revolution was not just the production of food items, clothing and other basic needs; it pictured the application of technology as the production of anything to achieve greater height and happiness in life. Different firms were developed for the manufacture of different goods and services. Some which were for the production of sophisticated navigation aids weapon that were necessary for overpowering and subjugating the more premature and unarmed south.



The forceful integration of the South into international and unequal exchange relations went through a number of shapes. Walter Rodney (1972), among others such as Andre Gunden Frank, Gultung John and Wallestein Immanuel are of the view that the modern world system is informed enough to declare that underdevelopment was not a natural phenomenon but a dependency structure generated by the contact of the advanced industrial economies of Europe with the weak pre-industrial economies of the South.

To this end, the stages of North subjugation of Africa, Latin America and Asia was quite systematic and these was done through the following:

“Imperialism by trade: Sale of surplus product and purchase of cheap raw materials from the South, Imperialism by foreign direct investment, Monetization of local economies, Introduction of Taxation and forced labour, and the introduction of marketing boards”(Aja: 2001:167).

THEORETICAL ANALYSIS

In an attempt to explore this topic which is concerned with the North – South Divide and the 3rd world economies” the Marxist theory would be used as a framework for analysis. Though other theories like the liberalist and structuralist had taken different views in terms of explaining this subject, the Marxist theory; with scholars such as Karl Marx-1948, Karl Kautsky, Edward Bernstein, Sidney, Beatrice Webb, Harold J. Laski, Friedrich Engels, Lenin, among others, has as its central theme- the history of dialectical materialism where the system of economic production determines the institutional and ideological structures of society (Wetter, 1963).

The theory opines that all history are replete with class struggle between the ruling group and an opposing group, from which arises a new economic, political and social system. Marxism contain a transformation system of a thesis (ruling class) and an anti-thesis (opposing class), which clashes to produce a new economic, political, and social system (synthesis) (Dougherty & Pfaltzgraff, 1997). The Marxist theory is of the view that an equitable distribution of benefits cannot occur within the international capitalist system. Interestingly, most trends in global politics and most vital decisions in international relations are traceable to this economic forces. Otherwise, how would one explain why it has been difficult to sort out the incompatible rhetorical questions about the traumatizing competition among the North-industrialized nations of the center and their tacit agreement to exploit the developing 3rd world nations of the periphery? Some southern Countries are poor and exploited because of their history as subordinate elements in the world capitalist system and this condition will persist for as long as they remain part of that system:- the international markets under the monopoly control of developed economies, and thus operate to the detriment of the underdeveloped South tied to it (Spero, 1977). Quite simply, international market operations enable developed countries to extract the economic wealth of the underdeveloped South for their own use. In a nut shell, “trade between North and South is a process of unequal exchange, as control of the international market by developed capitalist North lead to a declining price for the raw materials produced by the South and a rising price for industrial produced by the North. Thus the terms of trade of the international market are structured against the South. In all,



international trade encourages the South to concentrate on backward forms of production which prevent development. (Spero, 1977).

Again, Marxism is further of the view that foreign investment further hinders and distort Southern development, often by controlling the most dynamic local industries and expropriating the economic surplus of these sectors via repatriation of profit, rotating fees and licenses. To some, there is in fact a net outflow of capital from South to North. In addition, foreign investment contributes to underemployment by establishing capital intensive production, aggravating uneven income distribution, displacing local capital and entrepreneurs, adding to the emphasis on production for export, and promoting undesirable consumption patterns (Timamy, 2007).

In Northern development, capitalist creation and perpetuation of underdevelopment is through the international financial system e.g. the Brettonwood institutions, Paris Club, London Club and others. Trade and investment remove capital from the South and necessitate southern borrowing from Northern financial institutions, both public and private. But debt services and repayment further drains their wealth e.g the payment of billions of dollars back to such international financial institution by the Obasanjo government stagnated the Nigerian Economy between 2000-2007, in terms of job creation and infrastructural development. Although the Marxist are of view that foreign aids services reinforce the distorted development of the 3rd world by promoting foreign investment and trade at the expense of true development and by exacting wealth through debt servicing. Reinforcing these external market structures of dependent economies, according to Marxist theory, is a few social class within the developing states. Local elites that have vested interest in the structure of dominance and a monopoly of domestic power, cooperate with the international capitalist elites to perpetrate the international capitalist system.

CONTENDING ISSUES IN THE NORTH-SOUTH DIVIDE

The North – South Economic divide paint a picture of wide range economic and technological development between the North (Industrialized) and South (non-industrialized) countries. This gap per se has not been static as most countries that were found to be a group of the South like India, China, Brazil, etc, fast migrated from the group. The gaps have been ever widening and had created structural economic imbalances or disequilibrium in the international economic system. It has converted the South into a dumping or testing ground for the North manufactured goods and services.

The lack of development capital combines with government instabilities to weaken further the capacity of the South to participate effectively in international economic relations. As the South seeks for external development capital, economic assistance, Foreign Direct Investment (FDI) and foreign aid, they all bargain from the position of weakness. The effect is obvious, as the world market dominated by science is competitive too. The South is in persistent crises of development and underdevelopment. As a largely consuming zone, the south is threatened by



further marginalization in the present era of globalization, which is driven by high – tech race in production and market activities. (Timamy, 2007)

With the top sided nature of the world economy, the south is demanding its share in the wealth of the North. The south demands generally, policies and aid that favor the transfer of resources to the South, and the other enabling development to empower its capacity to control, exploit, and manage natural, economic and human resources.

In respond to the demand of the South, the North has been basically playing the politics of divide and rule, marginalization and uncertainty. The North does not see the New International Economic Order; the clarion call of the south to cushion their developmental problems as a legal demand; or a binding agreement. The North does not intend to undercut its world's monopoly of development capital, technology and market ideology (Aja:1994). The North is unwilling to transfer resources to the South. For the North, if the South desire genuine development, it should toe the line of market economic reforms or effect structural adjustment programmes (SAP) capable of liberalizing their economies to permit greater flows of foreign capital, foreign direct investment and market offering. However, it could be observed that the greater tragedy in Africa's developmental experience and the 3rd world at large, has been that national economic policies have been dominated by these neo-classical persuasions – that led to the south walloping in the morass of economic and technological backwardness. The North has forced rules of diplomacy and international etiquette to be embraced by all. The south economic systems are now expected to operate based on laid down guidelines that facilitate their integration into the world economy. All these are global initiatives meant to exercise greater control on states around the world. By any means, the act of exercising control at the global level translated into creation of equivalent political and economic regimes in the 3rd world nations. The entire SAP package is rooted in marginalist doctrines and the notion of pareto-efficiency inspired by the policy agents of the International Monetary Fund (IMF), and the World Bank, and therefore anti-progressive especially considering that it is underpinned by a non-organic framework (Timamy:2007).

On her part, the South sound's both moral and legalistic, as it believes that the divide experienced by the South is as a result of long years of colonialism which has inflicted poverty on the zone. In a legal tone, it believes that the South claims the right to development as the most critical stage of human right and economic independence. An import as Claude Ake will argue is that, "the North – South dialogue is not promising. The present and future of the South is gloomy". (1981) The North – South axis is still a source of political tension in the world.

Political Independence of the South without Economic Independence

The end of colonialism which is one major cause for the North – South divide in most part of the 3rd world did not automatically end foreign economic domination and exploitation. They achieved political independence without Economic independence. In the 1960s, political independence of the New Nations did not change the unequal economic relations between the North and the South. Many reasons accounted for this and include the following:



Lack of inherited industrial and technological take off base, subservient neocolonial states, which failed to be captains of industrial development, the weak pricing of primary products, the difficulty of obtaining development capital, government instabilities due to prebendal politics, high degree of official corruption and economic mismanagement, the domination and activities of multinational corporations, the South quest for foreign aids without looking inward, among others.

In the 1960s and the 70s when colonialism collapsed in most part of the 3rd world, the international economic system was structurally stacked against the less developed countries of South. Economic gap between the North and South was not static. The MNCs and Brettonwood institutions were part of the facilitators use by the industrial North to exploit, subjugate, expand and deepen their domination of post - colonial economics.

Neocolonialism created aid serviced hierarchical structure on which the rich North were the center (core) of the world economic system, while the South remained at the periphery of the system (Bade, 1983).

Nevertheless the economic predicaments of the new nations were made worse by the emergence of the cold war which used to be between the East and the West (the rich North). The North became occupied with arms race and financing of proxy wars in the South, which threatened both the political and economic structures of the South the more. As the gap between the North and the South kept widening, human rights violations increased in the South, the legitimacy of government were questioned without appreciating economic growth and development to meet the basic need of the people. Worried about their present and future, the South initiated a political strategy in 1974 known as Non-aligned movement, and made a demand to effect a new International Economic Order (NIEO), which was to empower the 3rd world with development in an international world system.

Demand of the New International Economic Order

In 1974, a new approach was adopted by the 3rd world nations to help breach the North-South divide. This metamorphoses into the establishment of the New International Economic Order (NIEO). A number of UNGA resolutions supported the establishment of NIEO such as: Resolution 3082 (xxviii) 1974, 33/73 of 1978, 34/46 of 1979, 35/174 of 1980; 30/133 of 1981; 3/73 of 1982; 38/124 1983 and 38/210 of 1984, amongst others. (Aja, 1994:173). The adoption of UNGA Resolution 3082(xxviii) in 1974 which centered on the North's dominations of the existing economic structure and the unequal distribution of wealth gave rise to NIEO declaring call for some packets of reforms which included:

- Trade reforms with improved and stabilized market for primary products
- Removal of trade barriers and the regulation of prices and supplies.
- Reforms in monetary relations, including stabilization of inflation and exchange rates.



- Greater participation of the new nations in the decisions of the Brettonwood institutions and other such international agencies
- Assisting the 3rd world in gaining technology and increasing industrial production
- The right of Economic sovereignty by controlling domestic resources and to regulate the adverse activities of multi-national corporations (NDNCs).
- Extending from North to South economic aid at a level of at least equivalent of 1.7% of the GNP of each.
- Cancellation of the external debt of the least developed countries (LDCs) or an assured external debt rich package (Dougherty & Pfaltzgraff, 1997, Arnold, 1985).

In 1981, the group of 77 mainly promoted by the LDCs positioned further in the meeting at Cancun, Mexico where 14 states representing group 77 met with Western Industrialized states that represented the organization for Economic Cooperation and development (OECD). In the above mentioned meeting, they admitted that it has stake in the South, and that the North-South economic relations are subject to negotiation (Rourke:1991). Worst still, the failure to recognize the quintessential link between economy and environment is the very achilles heel of the 3rd world's growth paradigm. Unfortunately, though NEPAD is an indigenous African creation, it has been domesticated by the G8 countries to serve in the organized spoliation, as any support for NEPAD can only be made by the G8 nations after ensuring that Africa fulfills the neo-liberal conditionalities (Timamy:2007).

Conclusion and Recommendations

There is a fundamental truth which the South should not entertain with levity. That is, that the action posture of the 3rd world in support of the NIEO is troubling. It is largely an action from a position of weakness rather than strength. Not all its move has succeeded, but they are marks of growing assertiveness. In 1970, during the 6 days Arab-Isreali War, the South had a weapon in OPEC, in the quest to achieve NIEO agenda, but how long the weapon could be sustained.

The South at this point, should know that since the demand, NIEO has not really brought out positive result, it is time to depart. This would firstly build self confidence and trust in cultural authenticity of perhaps the Japanese and the Chinese spirit. Japan and China to a large extent have shown that human resources are more decisive in economic development than natural resources. This has been shown in Japan's patriotism and loyalty to their emperor. In addition, they have high sense of reasoning or responsibility, knowing that to die for wrong reason is to die like a dog. Unlike Japan and China, most 3rd world countries have both natural and human resources. It takes



political stability, national vision and broad education to combine natural and human resource for self-reliant development efforts.

The 3rd world at this point needs plan for an alternative future, one which can be achieved with the means already available today. Like Japan, India, China, South Africa, Malaysia, Taiwan, Brazil, etc, the 3rd world should learn to do away with wars, aggression, ethnic jingoism and chauvinism as a means of settling disputes. From the African experience, war is no development variables.

Also the 3rd world nations should develop cooperation amongst themselves than reliance on the magic of the help from the North. Incidentally, the South generally has the developed, developing and underdeveloped countries. “The developed and developing South are politically more disposed to helping the underdeveloped in capital, trade, investment and market offering (Aja:2001). Less attention should be paid to these western reforms. Though, advocates of such reforms will swear that they were designed to stimulate economic recovery and spur growth, in practice, such reforms have no developmental value than the promotion of regimes that spread hunger, political and economic quagmire triggered by global and multilateral forces. Such reforms introduced into Africa by the North are conceptually flawed, as they fail to take into cognizance the complexities of the African environment.

The South-South cooperation would be a good medium as Nigeria is already exploring trade and technical cooperation with Japan, China, South Korea, Malaysia, India, South Africa etc. China has in recent years expanded her trade and technical cooperation with a merger of sub-Saharan African countries. Cuba also has technical and trade allies in Africa. The Afro-Arab states have a great deal in common that only a defined frame work and institutional mechanism would promote more sense of cooperation and solidarity than mirror image of misunderstanding.

Consequently, the challenges now is for the 3rd world to promote more assiduously South cooperation which would by no means delink South from looking up to the North for greater evolutionary corporation in the area of trade, capital investment, technology and making offering. The strategy of inward looking for the South is basically to bargain or relate with the North from a position of greater strength. The North cannot do without the South and vice-versa. The vexed issue of North-South dialogue is not yet put to rest, particularly in this “wonderful” era of globalization.

Other 3rd world nations should borrow from the NEPAD philosophy. NEPAD; which is a wholly African conception and provide a framework for African development, emphasizes the role of good governance in stimulating economic growth. However, if the ideology of NEPAD is to contribute to the 3rd world economic growth, it must devote most of its time to addressing fundamental issues related to the political economy of the 3rd world rather than impressing foreign governments such as those of the G8, with inflated accounts of democratization on the southern divide.



Leaders of the 3rd world nations must realize as Timamy observed ‘... that the present world order is part of the problem, and not the solution to Africa’s (3rd world) unending nightmare’ (Timamy, 2007: xx).

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