

# POLI 445

# Politics of International Economic Relations

Session 8 – The Global South in the Global Economy 1

Lecturer: Dr. Bossman E. Asare

Contact Information: [bossasare@gmail.com](mailto:bossasare@gmail.com)/[beasare@ug.edu.gh](mailto:beasare@ug.edu.gh)



# UNIVERSITY OF GHANA

College of Education

**School of Continuing and Distance Education**

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# Session Overview

This session explores the global south in the international economy. The global south countries are the countries in the southern hemisphere. Global south countries are compared to global north countries. Global north countries are those countries located in the northern hemisphere. This distinction is clear when you look at the map of the world. The countries located in the northern section of the map are global north and those located in the southern section of the map are global south.

However, not all the countries that are located in the northern hemisphere are global north countries and not all those located in the global south are global south countries. For instance, Mexico and Haiti are located in the global north but they are actually global south countries. On the other hand, Japan and Australia are located in the global south but they are actually global north countries. Being global south or global north has to do with your characteristics and to some extent your location in the world.

# Section Outline

- **Topic One** :The Colonial Origins of the Global South Current Economic Status
- **Topic Two**: Theoretical Explanations of Underdevelopment

# Reading List

- Charles W. Kegley Jr. and Shannon L. Blanton, 2010. *World Politics: Trend and Transformation*, Wadsworth: Cengage Learning.
- Richard Payne, 2007. *Global Issues: Politics, Economics, and Culture*. New York: Pearson Longman.
- **Thomas Oatley (2013)**, *International Political Economy (fifth Edition): Interests and Institutions in the Global Economy*, Pearson Longman.



# Topic One: The Colonial Origins of the Global South Current Economic Status

- This section specifically examines the current plight of the global south against the background of colonialism. Essentially, you will understand how colonialism explains the current economic problems almost all countries in the global south face. The following will be explored as part of the topic.
- You should be able to distinguish between the two waves of colonialism.
- Explain how the adoption of mercantilists' economic policies during colonialism accounted for the human and economic underdevelopment in the global south countries presently.
- List the various names used for the global south and global north countries.
- Generally, scholars in the global economy have noted that the current global economic system was created by the most powerful countries in the world. They did not create an economic system that would make all countries equal. That means some countries are more equal than others. Colonialism has been identified as the main reason why the global system was not created to guarantee equality for all countries. Colonialism was the time when indigenous people, including Africa and many global south countries, were conquered and colonized by the Europeans. During this time the economies of the global south were designed for the gains of the Europeans.

# The Global South

- Colonialism came in two phases. According to Kegley (2009), the first one began in the late fifteenth century when the Dutch, English, French, Portuguese, and Spaniards used their naval power to conquer territories in the global south and other places for commercial gain. European powers at this time wanted to increase their power and wealth by exploiting and conquering other countries. The economic philosophy adopted by the European powers was mercantilism. Recall that in unit 1 we said mercantilism examines the relationship between state power and economic activity. It also stresses exports at the expense of imports.
- During colonialism, the economies of the global south were turned into the production of raw materials and these were exported to Europe and elsewhere for profits and the production of sophisticated equipment. Thus, while the countries of the colonial masters (Europeans) were focusing on the production of equipment that would promote their development, as well as educational opportunities for their citizens, Africa and other global south countries were solely concerned with producing raw materials for industries in Europe. By the early nineteenth century, this phase of colonialism had begun to crumble, especially in North America and South America. This means that Africa and some Asian countries were still under the control of the Europeans.

# The Global South (Cont'd)

- The second wave of colonialism began in the 1870s and ended with the declaration of independence by most colonies/countries in the 1960s. In this phase countries such as the United States of America and Japan also acquired territories alongside the Europeans. The US acquired Puerto Rico, the Philippines and Hawaii. Japan, for example, occupied Korea and Taiwan (Kegley 2009). Following the decolonization in the 1960s, most countries became independent and this ended colonialism. Decolonization is “the achievement of sovereign independence by countries that were once colonies of the great powers” (Kegley 2009:130).
- Although colonialism has ended, there are scholars who argue that a new form of colonialism or imperialism known as neocolonialism or neoimperialism is taking place. This is primarily the economic rather than the political and military domination of other countries. Those who believe in this thesis will tell you that, though Africa and other countries in Asia are independent politically, their economic policies are determined by the rich countries (USA, UK, Germany, France, Italy, and others) and the international financial institutions (the IMF and the World Bank).

# The Global South (Cont'd)

- Global south countries are also called developing countries and global north countries are known as developed countries. This indicates that global south countries are in the process of development whereas global north countries have already developed. During the Cold War most of the global south countries were known as the third world and global north countries were the first world. The second world during the Cold War comprised the Soviet Union, China and other eastern European countries that embraced communism. The Cold War was an ideological battle or rivalry between the United States and her allies and the Soviet Union and her allies. There was nothing like actual combat, but most of the war was characterized by the battle between capitalism and democracy being represented by the US and communism and centrally-planned economy represented by the Soviet Union. A centrally-planned economy is an economy controlled by the central or national government. Unlike capitalism where the major decisions in the economy are made by private individuals, in a centrally-planned economy the major, if not all, decisions are made by the state or the government.



# Sample Question

- Write short notes on the following concepts.

a. decolonization-----  
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b. centrally-planned economy-----  
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c. global south-----  
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# Topic Two

## Theoretical Explanations of Underdevelopment

- We will discuss three main theories that explain why some countries are poor while others are rich. The theories are Modernization theory, Dependency theory and World systems theory.

# MODERNIZATION THEORY

- Modernization theory or classical economic development theory notes that if global south countries want to promote economic development they need efficient production, free enterprise, free trade, technological innovation, and investments in education. Modernization theory also argues that it is not enough to have natural resources, such as gold, oil, or timber.
- Basically, the theory's argument is that global south countries cannot depend on their natural resources if they want to promote economic development. Rather, they need a coherent policy on education to train people with the requisite skills, knowledge and abilities essential to promoting development, a market economy that will unleash the entrepreneurial spirit of their people, and a democracy that respects the rule of law.

# MODERNIZATION THEORY (Cont'd)

- On the last point (the one that relates to democracy), for instance, proponents and supporters of this theory will tell you that countries in Africa and elsewhere are facing economic problems because the politics is not right. In a different way, democracy has not promoted human and economic development because we do not allow the democratic institutions to work.
- More often than not, leaders in Africa do not respect their countries' constitutions, and at times they make decisions that contradict the basic laws of their countries. The rule of law is missing in a number of countries and this allows some politicians to do what they want whenever they are in government. In sum, the modernization argument is that the global south's internal characteristics do not foster economic development.

# MODERNIZATION THEORY (Cont'd)

- According to the theory, the global south can learn from the global north. We need especially to investigate how the global north became prosperous and do the same things. If they invested in education, human resource development, democratization, and technological innovation, we should also be committed to education, human resource development, democratization, and technological innovation.
- Modernization theorists have also observed that rich, global north countries should help global south countries with investment capital through such measures as foreign aid or foreign direct investment to help drive their development. I need to make it clear that, for modernization theory, the onus or responsibility lies on developing countries to take their destinies into their own hands. Some of the proponents of modernization theory are Samuel Huntington and Walt W. Rostow.

# Dependency Theory

- Dependency theory fundamentally argues that “less developed countries are exploited because global capitalism makes them dependent on the rich countries that create exploitative rules for trade production” (Kegley 2009:142). As an explanation, the dependency school notes that the world is divided into two. You have the rich global north and the poor global south.
- The rich global north are called the core countries and the poor global south are known as the periphery countries. Core countries basically imply that they are the countries that set the agenda and make the most important decisions in the global system, whereas periphery countries indicate that global south countries do not take part in the making of the major decisions in the global system. In other words, global south countries are dependent on the global north countries. Periphery also suggests that you live in the margins of society or the global system and, as such, you are not really important in the scheme of things of the world.

# Dependency Theory (Cont'd)

- Moreover, according to dependency theory, colonialism created specific roles for both the global north and global south countries. Global south countries role have been the production of raw materials to feed industries in the global north. On the other hand, global north countries specialize in the production of sophisticated industrial commodities. For dependency theorists, partly because the raw materials from the global south are perishable, they are not able to command higher prices.
- Global north's advanced technology allow their products to command higher prices (they are also not perishable). Take for example, cars and computers from the global north and cocoa or coffee from the global south. The point here is that if you do not sell your cocoa or coffee they are going perish. However, cars and computers are durable goods, indicating they can be kept for a long time if people do not buy them. What is more troubling to proponents of dependency theory is that, in most instances, the prices of the raw materials and goods from the global south to the global north are determined by the global north, but global south countries do not determine the prices of goods coming to their countries from the global north.

# Dependency Theory (Cont'd)

- As a result of these challenges facing developing countries or the periphery countries, the dependency school has called for the global south countries to delink themselves from the global north. By delinking, they mean that global south countries should not have anything to do with the global north. The problem here is that how many developing countries can survive without the global north countries technology and industrial goods. Given the chance to decide, it is more likely that global south countries, such as Ghana and Nigeria and their citizens might prefer to be in an economic alliance or association with global north countries rather than with other global south countries.



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# World-Systems Theory

- World-systems theory accepts the basic arguments of the dependency theory that the world is divided into the capitalists' core countries (global north) and the peripheral states (global south). To supporters of world-systems theory, global capitalism has widened the inequality between global north and global south because it calls for division of labor between the global north and the global south. This division of labor ensures that the global south produce raw materials for exports and they import technological goods from the global north. As I indicated under dependency theory, raw materials rarely command higher prices whereas technological goods do better comparatively.

# World-Systems Theory (Cont'd)

- Perhaps the main difference between the two theories is that world-systems theory argues that there are some countries that are called semi-periphery countries. These are the countries “midway between the rich “core” or center, and the poor “periphery” in the global hierarchy, at which foreign investments are targeted when labor wages and production costs become too high in the prosperous core regions” (Kegley 2009:143). Examples of semi-periphery countries are Taiwan, Singapore, Hong Kong, and South Korea, the People’s Republic of China, India, Malaysia, and Thailand. In recent times countries like Brazil, Kuwait, Qatar, United Arab Emirates, and South Africa also appear in discussions as global south countries doing well economically to merit semi-periphery status

# Sample Questions

1. What is the main difference between dependency theory and world-system theory?
2. Give three reasons why it will be difficult, if not impossible, for global south countries to delink themselves from the global north countries?

# Conclusion

- We have discussed how the global south has evolved to the current era. The effects of colonialism on their development as well as the theories that explain the development level of countries have been discussed.

