

POLI 445

Politics of International Economic Relations

Session 9 – The Global South in the Global Economy 2

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Session Overview

The session continues with the discussions on the global south. Here, we will focus on the differences between the global south and the global north and also look at some of the strategies the global south countries have used to promote economic development.

Session Outline

- **Topic One** : Differences between the global south and the global north
- **Topic two**: Strategies used to promote economic development



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

Differences between the global south and the global north

- This topic will examine the differences between global south countries and global north countries. I have already explained what it means to be a global south country and global north country. And I believe you can give examples of global north countries and global south countries. There are many differences between the two groups of countries and in this discussion I will make the effort to discuss a number of these differences.

Differences between the Global South and the Global North

- The first difference I want us to discuss is population growth in relation to resources control. By and large, population growth in the global south is higher than that of the global north. In many global north countries, it is common for couples as well as singles to say that they do not want to have children. As a result of this, many global north countries have low birth rates. Most global north countries are especially concerned that their low birth rates will within some few years translate into not having enough people from their countries to join the labor force. On the other hand, in many global south countries having many children is still esteemed. For instance, the World Bank has noted that the global south makes up 85% of the world's population but they control only about 20% of the resources of the world. This implies that the global north countries make up 15% of the population of the world but they control about 80% of the resources of the world.

Differences between the Global South and the Global North (Cont'd)

- Secondly, technological capabilities separate the two groups of countries. Global north countries have advanced technologically and consequently they have been able to use technology to promote economic development. More importantly, global north countries have created technologies suited to their development. However, only few global south countries have advanced technologically.
- These are countries such as China, India, Taiwan, Singapore, South Korea, Malaysia, and etc. Many global south countries have not made any progress in terms of technological advancement and this means that we depend on the global north for technology. In many, if not most, instances, the technology we get from the global north are ill-suited to our development. This technological gap has placed many global south countries in extreme poverty.

Differences between the Global South and the Global North (Cont'd)

- Moreover, the domestic economy in the global north is largely a market economy (commercial liberalism, capitalism) and this means that private individuals play a more important role in their economies. In the global south, not all of us have capitalism. Few global south countries still have centrally-planned economies, but the majority has a blend of capitalism and the state playing the major roles in the economy. Even in the global north countries, the states/countries still play a role in their economies. For example, in the US and other Western European countries, the credit crunch and economic downturn of 2008/09 saw many governments intervening in the economy to help the private sector.

Differences between the Global South and the Global North (Cont'd)

- Another factor that explains differences between the global north and the global south is level of economic development. All global north countries are economically developed. Developed countries is “a category used by the World Bank to identify global north countries, with a Gross National Income (GNI) per capita income (PCI) of \$11,116 or more annually” (Kegley 2009:138). The GNI is the measure or the value of the production of goods and services in a country in a particular year. This includes the contributions of citizens of a country living abroad and excludes foreigners living in the country. All Ghanaians living outside the country are part of our GNI, and foreigners living in Ghana are not part of our GNI. This is different from the gross domestic product (GDP), which is the measure or the value of goods and services produced in a country in a particular year. So the GDP includes the contributions of all those living in the country but excludes those living abroad. Ghanaians living abroad are not part of our GDP but foreigners living in the country are part of our GDP.

Differences between the Global South and the Global North (Cont'd)

- Democracy also is another variable that distinguishes global south countries from global north countries. Indeed global north countries have democracies that have been tried and tested for a very long time. The behavior of their political institutions can easily be predicted, in that the laws governing their activities are clear for all people living in these countries to see. On the other hand, not all the countries in the global south have democracies. Even those that have democracies are yet to reach the levels of the global north. In reality, democratic countries in the global south can best be described as 'democratizing states.' Democratizing, which is a present continuous tense, implies that they are in the process of becoming democracies.
- This is why in many global south countries elections are frequently, if not regularly, characterized by some political parties' making allegations of rigging, vote-buying, violence, and etc. In Ghana, for example, I guess you are aware that our presidential and parliamentary elections have for the most part been influenced by violence, vote-buying, intimidation of voters and electoral officers in certain regions, and allegations of rigging.

Sample Question

Focusing on any three variables or factors, explain how global south countries differ from global north countries.



Topic two

Strategies used to promote economic development

- We have already established that global south countries are underdeveloped or developing economies, and this requires them to adopt policies to promote human and economic development. The strategies discussed in this section are those initiated by the global south countries and some were also initiated by groups and institutions outside the global south.

Strategies

- 1. **Import-substitution industrialization-** Import-substitution industrialization means global south countries establishing industries to produce the goods they import from the global north countries. This means they are substituting the goods they import from the global north with those produced locally. The logic here is that if global south countries are able to produce the goods, such as computers, cars, and other technological equipment, they import from other countries, they will be able to develop their economies by creating more jobs for their people. Another logic underlying this strategy is that it helps global south countries to address their persistent balance of trade deficits. In unit 1 I said trade deficit is when the value of a country's imports exceeds her exports. By reducing their imports they will be able to invest their money in areas like education, health care, energy, and roads.

Strategies (Cont'd)

- The problem with this strategy is that global south countries have to protect their markets to make this successful. Trade protection in general is frowned upon by the WTO. Recall that I said one of the main principles of the WTO is market liberalism. And market liberalism requires countries to open their economies and markets to foreign competition. This suggests that countries in the global south that protect their markets from foreign competition are likely to face pressures from the international financial institutions and the WTO. Another problem is that many global south countries do not have the capacity to produce the goods they import from other countries. Let us take into consideration most of the countries in sub-Saharan Africa. Although this strategy appears to be good, only handful of global south countries (including those called semi-periphery) can produce quite a number of the goods they import from the global north.

Strategies (Cont'd)

2. **Export-led industrialization**-Export-led industrialization is a “strategy that concentrates on developing domestic export industries capable of competing in overseas markets” (Kegley 2009:148). With this strategy global south countries produce industrial goods for exports to global north countries. The underlying principle is that the goods from the global south should be able to compete with the goods produced in the global north in the global north countries’ domestic markets. However, like one of the problems with import-substitution industrialization, only a handful of developing or global south countries can produce goods to compete with the goods in the global north countries. In Ghana, for example, we do not have the capacity to produce industrial goods that can compete with the goods in the USA, Germany, Britain, France, and etc.

Strategies (Cont'd)

3. **Regional trade agreements-** regional trade agreements are trade agreements between and among countries in a particular region of the world. As a strategy to enhance economic development in the global south, global south countries join forces with other global south countries in the same region of the world so that they can trade among themselves. With these agreements goods from one global south country can easily enter other global south countries' markets without any impediments. In sub-Saharan Africa, as a case study, some regional trade agreements are ECOWAS and the Southern Africa Development Corporation (SADC). The challenge is that most sub-Saharan African countries produce the same raw materials or commodities and this makes trading among them unlikely to lead to economic development. Another problem is that, in spite of regional trade agreement, ECOWAS countries, for example, encounter a lot of problems trading among themselves.

Strategies (Cont'd)

4. South-South Cooperation-South-South Cooperation is the coming together of all global south countries to promote economic development in their countries. With this strategy, all global south countries present a united voice and policy in their dealings with the global north countries. The rationale here is that, once they are seen as one block by the global north countries, the global north countries will find it difficult to exploit them in their trade relationship. Usually, this strategy is championed by the big economies in the global south, such as the People's Republic of China, India, and Brazil.

The challenge here is that global south countries have some colonial and economic relationships with some global north countries and these tend to work against the coming together of all global south countries. As I stated previously, Ghana and other African countries are likely to prefer economic alliances with the global north rather than with the global south. The issue is that you need countries that can help you with money and other technological assistance for your economy to grow. Global north countries are in a better position to do this for Ghana and other African economies.

Strategies (Cont'd)

5. Debt Cancellation-With this strategy global south countries call on their trading partners, the global north countries and international financial institutions (IMF and the World Bank), to cancel their debts so that they can invest those financial resources (principal and the interests on the loans) in education, hospitals, roads, public transportation, rural development, and etc. Nonetheless, in most instances, once these debts are cancelled, global south countries start another round of loans and, consequently, the debt problem continues

Strategies (Cont'd)

6. Democracy- Most global south countries have embraced democratic governance as a means to promote economic development. Democracy is primarily a government system based on the consent of the people. In other words, the people control the government. Democracy is supposed to allow transparency, accountability, impartial judiciary, and other virtues in the management of a country's economy. Investors in general want to invest their resources in countries that have stable political systems so that any change of government will not affect their investments. In sub-Saharan Africa, for example, many countries are becoming democracies because many global north countries do not want to give financial and technical assistance to countries that are governed by autocrats or dictators.

Strategies (Cont'd)

7. Outsourcing and off shoring- this is what I said about outsourcing and off shoring. Outsourcing is when a business organization or a company moves part of its production process to another city or country. Off shoring is when the business organization moves the entire production to another country, say from Ghana to Nigeria or vice-versa. These strategies were initiated by business organizations in the global north (it started with laws in their countries that permitted them to do so) so that they could benefit from the cheap labor in the global south. This is because labor cost is cheaper in the global south than the global north. Global south countries have also capitalized on this to call for more companies in the global north to relocate into or outsource some of their jobs into their countries to create more opportunities for their people. The Philippines, China, and India, for example, are leading destinations for outsourcing and off shoring.

Strategies (Cont'd)

8. Remittances-This is the money sent to families and people of global south countries largely by their citizens living and working in the global north countries. For many global south countries, this serves as a good source of income for their citizens and the countries as a whole. It is estimated that some countries like Mexico and India get about 10 billion US dollars annually from their citizens living abroad. In 2016, Mexicans in the United States sent a record amount of 27 billion US (\$) Dollars (Asare, 2018)

In Ghana, there are many people studying in universities, senior high schools, and other places because they have relatives living abroad helping them. Remittances also help the overall economy because it ensures that producers of goods and service providers can have people with money to purchase their products.

Strategies (Cont'd)

9. Foreign Direct Investments-this is when citizens and corporations from other countries with assets invest in other countries. Frequently, these are corporations and individuals from the global north countries who have the financial resources to invest in certain sectors of the global South's economy. You can also have FDIs from other global south countries to other global south countries and FDIs from one global north country to another global north country as well as from the global south to the global north.

What global south countries do is that they lobby rich individuals and corporations in the global north to come and invest in their countries. In Ghana, we have the Ghana Investment Promotion Council (GIPC) to help the country attract investors. Once a country gets investors, many jobless people will be engaged and this will enhance economic development.

Strategies (Cont'd)

10. Foreign Aid –This is “economic assistance in the form of loans and grants provided by a donor country to a recipient country for a variety of purposes” (Kegley 2009:151). A number of global south countries depend on the global north countries and international financial institutions for loans and grants. Loans are supposed to be paid back by the global south countries. Grants are not supposed to be paid, but at times global south countries are required to use grants for particular projects.

Sample questions

1. Discuss how the following strategies enhance economic development in the global south;

- **democracy**-----

- **foreign direct investment**-----

- **remittances**-----

- 2. Evaluate the effectiveness of import-substitution industrialization and export-led industrialization strategies for economic development in sub-Saharan Africa.

Conclusion

- The session has examined the differences between the global south and the global north as well as the strategies that global south countries have used to promote economic development.
- Can you provide some of the differences between the south and the north not discussed here?
- Are there some strategies you can as well offer that the session has not highlighted?

