

## **Rethinking the North-South Dialogue and Development of the Third World: Issues and Prospects**

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### **ABSTRACT**

*The bifurcation of the world into North and South is an economic divide that highlights the unevenness in the level of development in the world. While the global North is mainly developed, the global South plays host to bulk of the underdeveloped countries. This study therefore interrogates some of those specific demands and how far they were actualized; it also offers some prognosis alongside. The study is anchored on the Dependency Theory. However, it is the same historical process that developed the North, that equally underdeveloped the South and left the later dependent on the former through the various neocolonial structures they left behind in the Global South, hence at independent most countries of the South met a global economic system which was in both principle and practice skewed to favour the North to the detriment of the South. The North-South dialogue is an effort by the South to push for a restructuring of the global economic system to enshrine evenness in the global distribution of wealth; this is manifested in the New International Economic Order (NIEO) which came with some specific requests to the North.*

**Keywords:** *Development, global economy, North-South dialogue, third world*

### **INTRODUCTION**

From the outset, we need to state that the terms North and South are socio-economic and political rather than geographical. This clarification is important for the fact that some scholars tend to gloss over their non-geographical expression. For instance, when Amuzegar (1975) states that “the conflict between the poor developing nations living in the Southern Hemisphere and the rich industrial nations of the North has entered a new phase in recent months” he does not necessarily mean that the poor developing nations are living South of the equator while the rich industrial countries are in the North of the equator. The use of

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North-South tern is more for convenience than strictly geographic as many of the poor developing countries are in the South of the equator. It must however be acknowledged that the rich industrial countries are mostly North of the equator. Wikipedia (2015) puts it more succinctly when it states that the “North-south divided is broadly considered a socio-economic and political divide. Generally speaking, definitions of the Global North include North America, Western Europe and developed part of East Asia. The global south is made up of Africa, Latin America and developing Asia including Middle East. . .”

We note from the foregoing that even though some part of Asia including Middle East and some part of Africa are in the Northern Hemisphere, they are categorized as South while in all essence Australia and New Zealand which are both in the Southern Hemisphere belong to the North in international political economy. Some writers prefer the terms Global North and Global South which tends to rest the argument that the terms are rather socio-economic and political than geographical.

In concrete terms, what really differentiates the North and the South? Wikipedia (2015) states that 95% of the North have enough food and shelter as well as functioning education system. In the South, only 5% of the population have enough food and shelter. It lacks appropriate technology, it has no political stability, the economies are disarticulated, and their foreign exchange earnings depend on primary products exports.

In the economic front, the North which has only twenty-five percent of world population controls eighty percent of the income earned anywhere in the world. In the manufacturing sector, ninety percent of the industries are owned by and located in the North. This is in contrast with the South which is home to seventy-five percent of the world population but has access to only twenty percent of the world income. This is essentially what is known in international political economic relations as the North-South Divide. Some prefer to call it the North-South Gap. So how did the South come to this past? We shall take a little tour of the history of the South’s underdevelopment.

### **Historical Background of the South Underdevelopment**

The interplay of politics and economics at the global level has brought about an unequal rate of development between the North and the South. What is the genesis of this state of affair? The underdeveloped countries of Africa, Asia and Latin America had their separate autonomous development before their contract with Europe. Development is people’s ability to conquer and harness nature for their own betterment. It is therefore relative. It is in line with this, that Rodney (1972) states that:

*Development in human society is a many sided process. At the level of individual it implies increased skill and capacity, greater freedom,*



*creativity, self discipline, responsibility and material well-being... at the level of social groups; it implies an increasing capacity to regulate both internal and external relations...*

What this means in effect is that development involves the ability of members of a society to concertedly deal with their environment. The people of Africa, Asia and Latin America were not lacking in this. However, everything was changed with the discovery of the Americas by Christopher Columbus in 1492. The relations between Europe and the rest of the world had to take another shape from then onward.

With the discovery of America and the economic wealth it promised there was a mad rush by European to harness the bounties. Some pooled their resources together while others borrowed from the bank to embark on the journey that promised to change their fortune for good only to meet a lot of disappointment and possible bankruptcy. The native Indians whose labour the Europeans wanted to use to trap the bounteous wealth were not used to settle agricultural patterns for the farm work involved and they were not physically strong enough for mining purposes. Moreover the European had come and infected the Indians with flu that war against Europe at that time. All these combined to lead to the death of the Indians in their millions.

The Europeans had to turn to Africa where they had seen strong and able bodied people who they thought could do the necessary work in the Americas. It was at this period that the legitimate trade which Africans had with Europeans was discarded by Europeans in favour of slave trade by which the able bodied men and women of Africa were transported to the Americas. This was the productive force of the people. Their forceful removal led to the disarticulation of the African economy and the beginning of African underdevelopment.

The Trans-Atlantic slave trade led to Agricultural boom in America which in turn led to industrial revolution in Europe. The industrial revolution led to quick depletion of raw materials and the saturation of the capitalist economy. The crisis of capitalism that followed could only be solved if there were new areas to get the necessary raw materials for the industries and of course new markets for the over produced industrial goods. There was need to fan out and the Europeans again started another rush for the lands of Africa, Asia, and Latin America. Thus capitalism and its crisis led to imperialism. Imperialism is the outward expansion of capital. The reason for this outward expansion is because as Hobson (1971) notes, workers are paid low wages which reduces their purchasing power and therefore the under consumption of industrial products. The capitalists, if their business would survive, must look up to countries abroad to market their surplus goods and invest their profit which no longer had multiplier effect at home.



For imperialism, which is also seen as the economic subjugation of foreign lands, to be properly anchored, these foreign lands also needed to be politically subjugated. It was in this light that imperialism led to colonialism and its utmost job was the material exploitation of these lands through forced labour, taxation and purchase of raw material to the colonial people at the price also dictated by Europeans. The market forces of demand and supply did not play any role in the transactions, leading to what is known as the double exploitation. It was this that cemented the underdevelopment of these Third World countries that at their economies which were tied to that of departing colonial overlords only sank lower.

### **THEORETICAL UNDERPINNING**

This work is anchored on the Dependency Theory. The Theory arose in Latin America in the 1960s as an alternative to the Modernization Theory. Prior to the time, the argument has been that Third World underdevelopment can be traced to internal factors such as lack of capital, adverse climatic condition, corruption, inferior culture and so on. According to Okereke and Ekpe (2010) one of the key agencies that acted as a midwife for the birth of the dependency paradigm was the United Nations Economic Commission for Latin America (ECLA); which was headed by Argentine Economist, Raul Prebisch. They played crucial role in redefining the cause of Third World underdevelopment. According to Roxborough (1979), there was immediate link between changes in the industrialized countries of the centre and the underdeveloped countries in the periphery. They went further to state that Latin America had taken the role of supplier of raw materials and food stuffs for industrial nations and in return imported manufactured products. This situation was regarded as disadvantageous to the former, given that it resulted in the balance of payment deficit. The ECLA advocates autonomous national development and import-substitution strategy as viable policy options to stimulate development in Latin America countries. Bill Warren concluded that the dependency theory arose in Latin America in the 1960s in response to the alleged failure of both continual development and theory attempting to explain it.

By the time the colonial overlords left, they had put in place structures that will ensure that their erstwhile colonies in such a state that they will always be producers of raw materials while they themselves will be the supplier of industrial goods. Secondly, they lack lackeys (comprador bourgeoisie) that will do their biddings. The net result is that the economic crises of the third world continue to heighten while the economies of developed countries continue to boom.

Dependency theory is a rejection of the classical liberal theories especially that of



David Ricardo which state that the law of comparative advantage will benefit all. Raul Prebisch and others of Latin America origin argue that the arrangement of the international economy favours the North as the Less Developed Countries (LDCs) suffer from declining terms of trade with the developed countries (DCs). Dependency theorists, according to Cohn (2012), argue that the North benefits from global capitalist linkages and dynamic development based on internal needs, while the South's development is severely constrained as a result of its interactions with the North. The South will as a matter of fact be scorched in these interactions because the development of the capitalist economies of the North and its sustenance required the underdevelopment of the South.

Offiong (2001) agrees with the foregoing when he argues that Western colonial imperialism impoverished Africa and reduced African societies to poor, dependent, satellite/peripheral, raw material exporting and industrial products importing nations. He maintains that the resulting international division of labour following the early stage of economic globalization never led to parallel development through Ricardo's notion of comparative advantage. By the early 1960s when majority of the Third world countries had gained independence they were faced with the stark reality that their economies were enmeshed in the international economy which was controlled by the North and which was unfavourable to them.

### **North-South Dialogue: UNCTAD**

Before World War II, international trade suffered from economic nationalism and protectionism. Every nation guarded its local industries from adverse foreign competition. The colonial overlords ensured, of course, that no other power neared their colonies. The protectionist policies adopted by different States invariably had a disastrous effect on the world economy in that in the early 1930s there was a worldwide economic depression which to some extent was a catalyst to World War II. Balaam and Dillman (2011) state that the trade situation and the depressed international economy helped generate the bleak economic conditions to which ultranationalist leaders such as Mussolini and Hitler reacted.

Before the end of the war in 1945, the need to restructure the shattered European economy was already being mooted. The world economy was not in a healthy state as a result of the war, coupled with the long depression that was occasioned by protectionism. So there was need to restructure the international economy. As the World War II was nearing its end, the capitalist world began the restructuring of the political economy with the conference at the Bretton Woods in 1944. According to Balaam and Dillman (2011), it was there that "Allied Leaders", led by the United States and Great Britain created a



New Economic Order based on economic liberal ideas they hoped would prevent many of the interwar economic conflicts and problems that led to World War II.” There was therefore need to reduce tariffs, subsidies and other protectionist measures that would offset domestic protectionist and mercantilist behaviours. In 1948 the General Agreement on Tariffs and Trade (GATT) was established and it became the primary organization responsible for the liberalization of international trade. GATT, according to Aja (2001), operates on the basis of three principles:

- i. Non-discrimination, multilateralism and the application of the Most Favoured Nation (MFN) principle to all signatories;
- ii. Expansion of trade through the reduction of tariffs and trade barriers to allow greater flows of capital, labour and technology;
- iii. Unconditional reciprocity among all signatories.

From the beginning GATT was not wholly accepted as the Eastern Socialist bloc led by the Soviet Union and the majority of newly emergent states especially those of Asia and Latin America did not sign the GATT agreement. This was because GATT was titled in favour of western capitalist countries. By the 1960s when most of the developing countries gained their independence they realized that their economies were making no headway; firstly, because it was tied to and manipulated by the erstwhile colonial masters. Secondly, the GATT regime was to their disadvantage. Trade and economic liberalization only favoured the multinational corporations (MNCs) which were extracting economic surplus and wealth from the underdeveloped countries to the industrial countries. Even in pure trade the mechanism in operation brings about an equal exchange relations. The underdeveloped countries’ seeming comparative advantage in primary products is vulnerable to international market prices, which in every way are below those of manufactured goods which these third world countries must import from the developed states of the North. This in all intents and purposes result in a net outflow of revenue from the underdeveloped countries to the industrial North (Balaam and Dillman, 2011).

This state of affairs brought a lot of frustration to the underdeveloped countries. While their growing strength in number at the United Nations the seventy-seven developing countries decided to put their acts together and spearheaded the establishment of the United Nations Conference on Trade and Development (UNCTAD) in 1964. These seventy- seven Less Developed Countries in the United Nations became known as the Group of 77 or simply, G-77. The establishment of the UNCTAD was really the beginning of North- South dialogue. Balaam and Dillman (2011) state that the G-77 sought to make UNCTAD a mechanism for dialogue and negotiation between the Less Developed Countries and the Developed Countries on trade, finance and other development issues.



For the most part, the developed countries resisted UNCTAD initiatives. Nevertheless, through UNCTAD, LDCs were generally able to secure some concessions and preferential treatment – a Generalised System of Preferences (GSP) on tariffs for their exports to developed nations. Knox, Agnew and McCarthy (2003) state that under the banner of the “Group of 77” the LDCs issued a declaration that the unity of the developing countries in UNCTAD has sprung out of the fact that facing the basic problems of development they have a common interest in a new policy for international trade and development. The developing countries have a strong conviction that there is a vital need to maintain, and further strengthen this unity in the years ahead. It is an indispensable instrument for securing the adoption of new attitudes and new approaches in the international economic field.

### **The Demands of UNCTAD**

Akpakpan (1999) states that the developing countries that bear the brunt of the negative aspects of the international political economy, through the auspices of the UNCTAD, made the following demands on the North:

- (a) Economic nationalism where government sees the need to intervene to protect local economy and local industry;
- (b) Generalized preferences to give access to the developed countries industrial goods export,
- (c) Elimination of discriminatory trade policies against primary products;
- (d) Stability of exchanges rates;
- (e) Ensuring stable growth of world trade in an interdependent world system; and
- (f) Controlling the adverse activities of multinational corporations (MNCs) International Monetary Fund (IMF) and World Bank.

### **Gains of UNCTAD**

In spite of the spirited resistance of the North to the demands of the South through the UNCTAD, Aja (2001) maintains that the UNCTAD succeeded in:

- (i) Protesting the ideological hegemony of international capitalism against the rest of the world economy;
- (ii) Minimizing the export of harmful aspects of free trade policies to the Less Developed Countries (LDCs);
- (iii) Promoting the socio-economic consciousness of the LDCs on how to use economic nationalism to resist adverse foreign domination and exploitation, which had implication for their gains or losses in world trade;

- (iv) Helping to secure a number of favourable commodity agreements such as the international cocoa agreement;
- (v) Effecting no less than eight (8) rounds of trade negotiations in search of a stable world and exchange relations system;
- (vi) Promoting the call for a New International Economic Order, this eventually resulted in the North-South Dialogue in 1974.
- (vii) Insisting that on the International Monetary Fund (IMF)'s conditions of debt management, an independent body should be selected to review the debt sustainability of the highly indebted low-income countries.

### **OPEC as a Precursor of NIEO**

This success of UNCTAD was not far-reaching enough to change the scale of things. The economic woes of the LDCs continued to mount. The Middle East which was home to about 70% of world's known oil reserve was at the mercy of the industrial countries of the North as a result of their colonial history. Between 1956 and 1967 crude oil was sold at \$2 per barrel. In 1960, however, four Middle East countries- Saudi Arabia, Kuwait, Iraq and Iran- plus Venezuela formed the Organisation of Petroleum Exporting Countries (OPEC). These countries at this period controlled 80% of the world's crude oil exports. All their effort to pressure the oil companies that controlled oil explorations came to nothing in the 1960s.

By 1973, given the sustained growth of the world economy which the South was not really benefitting from and now inflationary pressure mounting in the world economy, which the South was suffering, oil markets became much tighter. It was at this period that another Arab-Israeli war broke out, precisely in October, and the oil weapon proved more effective. Nau (2009) states that a meeting of OPEC in Kuwait City on October 16, OPEC officials announced a 70% increase in oil price, from \$2.90 to \$5.12 per barrel. For the first time in history of oil exploration and exploitation OPEC, against the oil companies, fixed the world oil price. In December of the same year, OPEC doubled oil prices once again to \$11.65 per barrel. By March 1974 oil price had quintupled to \$25.6 per barrel.

Motivated by the audacity of OPEC, the G-77 which now numbered one hundred and thirty countries in 1974, decided to champion cartels and regulations of world resource markets. At the meeting of UNCTAD in 1974 the Group of 77, as they are still known, called for a New International Economic Order (NIEO) which will among other things set prices and supplies of raw materials other than oil.





## **The New International Economic Order**

The Global South, that is, the developing countries had used their numerical strength in the United Nations to form a coalition known as G-77 on which platform they were able to convene the UNCTAD which later became a permanent United Nations organisation through which the South express its interest on development issues. This was in 1964. Kegley and Charles (2009) states that a decade later the G-77, that is the Global South, again used its United Nations numerical strength to champion a New International Economic Order (NIEO) to replace the international economic regime pushed by the United States and the other capitalist countries since World War II. The NIEO is the 1974 policy resolution in the United Nations, according to Kegley and Charles (2009), which called for a North-South dialogue to open the way for the less developed countries of the Global South to participate more fully in the making of international economic policy. In short, the South sought to compel the North to abandon practices perceived as perpetuating their dependence. The main proposals advanced under the banner of the NIEO include the following:

- (i) Giving preferential, non-reciprocal treatment to Global South exports to industrialized countries.
- (ii) Establishing commodity agreement to regulate and stabilize the world market for primary commodities;
- (iii) Linking the price of Global South exports to the price of imports from industrialized countries;
- (iv) Increasing financial resource transfers to Global South countries;
- (v) Reducing the burden of Global South debt through rescheduling, interest subsidization or cancellation;
- (vi) Increasing the participation and rating power of Global South countries in international financial institution;
- (vii) Regulating the activities of multinationals corporations in the Global South to promote the reinvestment of profits earned by MNCs in host country economies;
- (viii) Expanding technical assistance programmes and reducing the cost of transferring technology to the Global South (Kegley and Charles, 2009).

Sodaro (2008) avers that because of the South lingering economic backwardness, the G-77 called for a New International Economic Order based on preferential concessions by the advanced countries of the North in order to compensate the poorer countries of the South. But this radical reordering of the world trading regime has not come about. The question is, why? The answer is because the North rebuffed many of the South proposals and fought back:



- (i) First they created a new institutional mechanism. In the wake of the oil crisis five main industrial countries; the United States, Great Britain, Germany and Japan met in France in 1975 and began an annual process of economic summit among the heads of state and government. Canada and Italy joined in 1976 and they become known as the Group of 7 or the G-7. The effort was to stave off the worst consequences of the oil crisis and to preserve the open trading system which the south was pushing to reorder.
- (ii) The North also established the International Energy Agency (IEA) to coordinate importing country policies towards OPEC and initiated a conference on International Economic Cooperation (CIEC) with OPEC countries to counter the more revolutionary proposal being propounded under NIEO (Nau, 2009).

With these the efforts of the South to bring about a New International Economic Order (NIEO) has not really borne fruits. Yes, there were concessions here and there but the South economic quagmire is as present as the day. The North- South gap may be widening for some countries of the South even if some Asian Tigers are trying to bridge it.

### **The Future of North – South Dialogue**

The future of the North-South Dialogue is not very bright. The main reason for this is the economic weakness of the South. In today's international economic relations, the weak countries can realize their goals and objectives only if they are in consonance with the aspirations of the developed North. And with how things are between the North and the South, the prospect for the attainment of the objectives of NIEO is near zero. Again the North is committed to the tenets of liberalism and capitalism. For them there is nothing wrong with the present international economic regime to necessitate change. What more, the North and their leaders see the leaders of the South as corrupt and therefore think that even if the world's wealth is more redistributed there is no guarantee that the wealth will reach the people (Okereke and Ekpe, 2002). With these, it is apparent that the North is not ready for NIEO. It therefore behooves the South to put its house in order by:

- (i) Looking inwards for autonomous development, the important thing here is leadership. It is leadership and nationalism that transformed Japan, China, South Korea, and the other Asian Tigers. Related to this, is the issue of corruption, a country like Nigeria should have elevated herself in the international economic arena but for corruption. If Nigeria puts her acts together she could be an African Tiger.
- (ii) The South should embrace South-South dialogue and come up with South-South Co-operations. China and Venezuela are now working together. Rourke (2008)



states that China has agreed to invest billions of dollars to modernize the Venezuela's production facilities and in return China has been guaranteed substantial deliveries of Venezuela's oil in the coming years.

## CONCLUSION

The international political economy is capitalist oriented and the developed countries of the North are in control of it. The ease of life they are enjoying today compared to the underdeveloped countries of the South is not something they are ready to jettison. The South should have realized by now that the North is not ready to play along with NIEO. There is no need to keep on bemoaning their lot in the international political economic relations. The important thing is to stand up and chart their course in the same economic regime. If the Asian Tigers could do it, other countries of the South can equally do it. What is needed is good leadership and nationalistic approach. Like Kwame Nkrumah said, the less developed world will not become developed through the good will or generosity of the developed powers. It can only become developed through a struggle against external forces which have vested interest in keeping it underdeveloped (Nkrumah, 1965).

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