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The Global North and the Global South: Why the Divide?

Course name: Economic Growth and Development

Lecture 3

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Recapitulating Lecture 2

- Limitations of using GDP estimate as an indicator of development
- World Bank's country classifications by income (low income, lower middle income, upper middle income and high income)
- Country ranking by GDP by market exchange rates and purchasing power parity
- The vocabulary of developing countries
- Three Worlds, One planet (first, second and third world)
- Distribution of world population by the Triad, Third World, and Central and Eastern Europe + Turkey and Central Asia
- Distribution of global GDP
- Global GDP per inhabitant
- Occupation and production structure

Value added in agriculture sector as percent of GDP

Employment in agriculture as % of total employment

GDP per capita, PPP

Human Development Index

Percentage female in labour force

Percentage urban population

- Demographic characteristics

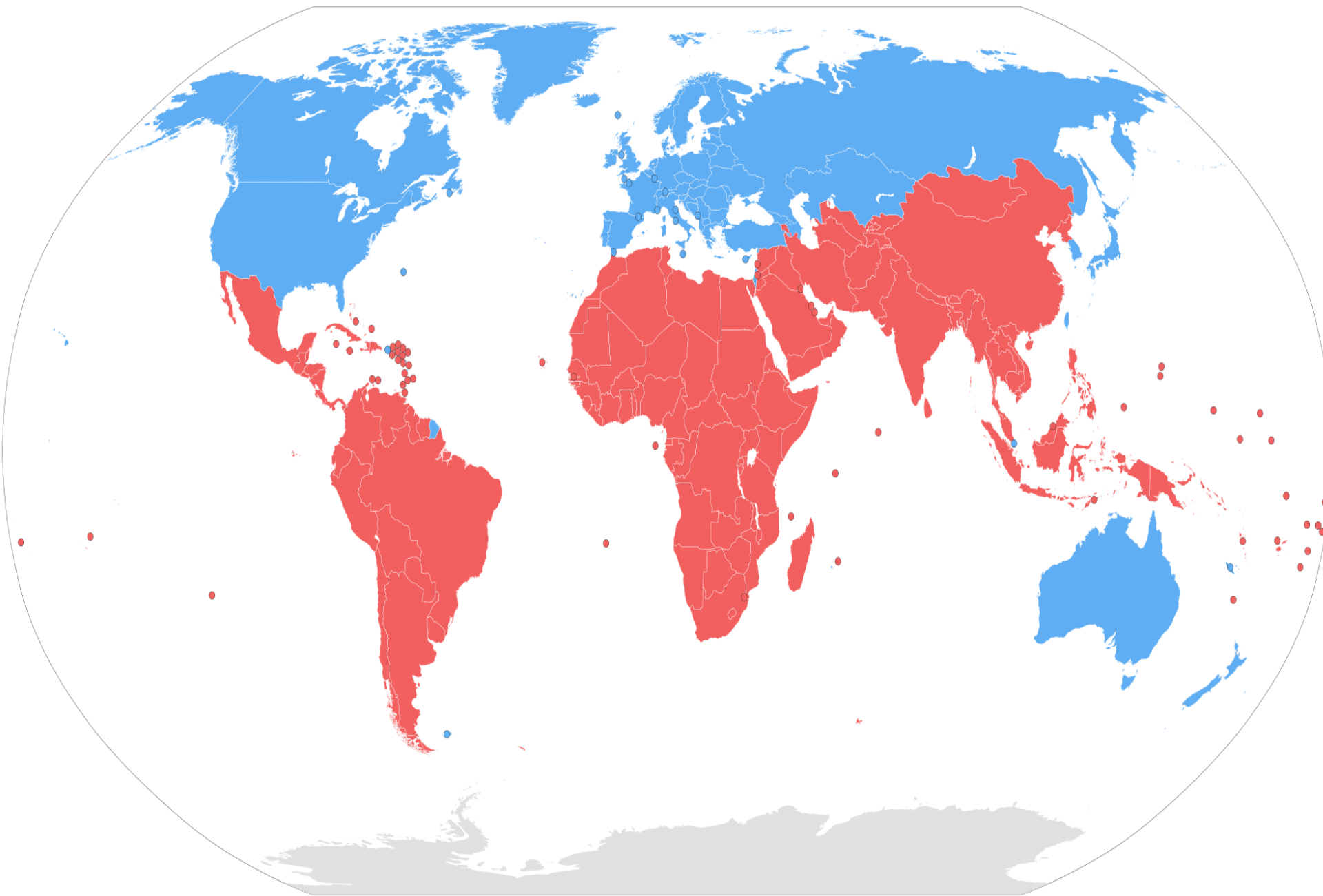
Birth Rates and Death rates

Fertility rates

- International trade and terms of trade

Export mix constitutes more of primary goods in case of developing countries

- Social security arrangements



Global North-Global South

For the purposes of our discussion, the Global North includes Australia, Canada, Israel, Hong Kong, Macau, New Zealand, Japan, Singapore, South Korea, Taiwan, the United States and all of Europe (including Russia)

The Global South includes Asia (with the exception of Japan, Hong Kong, Macau, Singapore, South Korea and Taiwan), Africa, Central America, South America, Mexico, Africa, and the Middle East (with the exception of Israel)

- In economic terms, the North—with one quarter of the world population—controls four-fifths of the income earned anywhere in the world.
- 90% of the manufacturing industries are owned by and located in the North.
- Inversely, the South—with three quarters of the world populations—has access to one-fifth of the world income.
- As nations become economically developed, they may become part of the "North", regardless of geographical location.
- similarly, any nations that do not qualify for "developed" status are in effect deemed to be part of the "South".

Globalization refers to the increased flow of trade, people, investment, technology, culture, ideas among countries and creates a more integrated and interdependent world

World Bank's Prescription wrt Globalization

- First, countries should dismantle protectionist measures they have in place, and make a firm commitment not to implement policies that distort global markets.
- Second, countries should come together to update the international rules governing trade to account for changing economic conditions, and effectively implement negotiated agreements.
- Third, individual countries and institutions such as the World Trade Organization should work together to eliminate barriers that increase trade costs. In particular, they must abolish agricultural subsidies, remove restrictions on trade in services, improve connectivity, facilitate cross-border trade and investment, and increase trade finance.
- Finally, and most important, wealthy countries should support developing countries' efforts to integrate themselves further into the global economy. Given trade's record of reducing poverty, this is a moral imperative; it is also indispensable for peace and stability.

Globalization was “painted” as

- The emergence of the South due to a massive “diffusion of development” within the Capitalist World Order, from the North to the South, and consequently the historically observed duality of the World Economy (North and South) will disappear.

This picture was based on the following assumptions:

- Real wages in the South are much lower than in the North since the South is overpopulated with large labour reserves
- In a world where capital is more mobile, even if labour is not, capital from the North will shift the location of its production activity from the North to the South, to take advantage of these low wages, for meeting global demand.
- Even if capital from the North does not move to the South, local capitalists in the South who have access (or can obtain access) to frontier production technologies in a large number of spheres, can produce in the South, to meet global demand.

However increased income inequalities of the 1990s and the global financial crisis of the later part of the 2000s associated with the increased fragility of the advanced capitalist economies posed a grave danger to this picture.

Globalization and its Discontents

- Globalization has siphoned the resources and knowledge of the poor of the South into the global marketplace, stripping them of their life-support systems, livelihoods, and lifestyles.
- The WTO, run by an oligarchy of countries (the United States, Japan, the European Union, and Canada), claims to protect poorer states from unilateral actions of stronger ones by providing uniform rules and dispute settlement mechanisms for global trade. In truth there is a gross imbalance in bargaining and negotiating capacities between the North and South.
- By joining the WTO, developing countries give up their power to impose conditions on the entry of foreign companies. This liberalization of investment has enabled cheaper goods and services to swamp southern markets, often replacing what is locally made.
- Vandana Shiva of India's Research Foundation for Science, Technology and Ecology, considers global free trade in food and agriculture to be the world's biggest refugee creation program. India, for example, has seen a shift from production of food crops to cotton for export. The amount of land dedicated to the production of "white gold" has tripled. Profits are high, but so too are the costs. Pesticide use has increased.

Paradigms in international poverty discourse

- The North – South worldview and the Cancun Summit of 1981
- Deterioration of international economic conditions, debt crisis, new balance of power between the developed and developing countries
- Financial distress of the developing countries
- Growing social unrest, impossible strains on governments, and prospects of revolution or chaos
- The evolution of global economic forces did not allow the concerns of the developing countries to remain a priority on the international agenda
- Important “ideological shifts” contributed to the marginalisation of North-South issues
- Given their differences in economic structure, the North and the South had different needs

Perspective of Bretton Woods Paradigm in analyzing world poverty

Perspective of UN paradigm in analyzing world poverty

Three approaches to world poverty

	Traditional North-South Approach	Bretton Woods Paradigm	UN Paradigm
Worldview	Bipolar division between rich and poor countries	Inclusive globalization Economic integration	Two-tiered globalization Social exclusion
Geography of Poverty	Developing countries	Least-developed countries	Developed countries and developing countries
Determinants of Poverty	External factors (economic environment dominated by developed countries)	Internal factors (non 'market-friendly' economic policies)	Internal and external factors (conflict between economic objectives and social needs)
Political Platform	New international economic order	Liberalization of markets Competitiveness of firms	Sustainable human development Inter-generational equity

Source: Therien, Jean-Philippe (1999), "Beyond the North-South Divide: The Two Tales of World Poverty", Third World Quarterly, Vol. 20, No.4.

Snapshot of Lecture 4

- Indices of economic development
- Contemporary controversies of Growth and Development
- Unequal growth
- The concept of “inclusive growth”