Interrogating the Relevance of the Global North-South Divide

Shalmali Guttal, Focus on the Global South, February 3, 2016

The global North-South divide has been conceptualized in economic, political and developmental terms, where geographic locations of nations are broadly identified with levels of industrialization, economic progress, science and technology, standards of living and political-economic power in the global arena. The world has changed considerably since the time when the North-South relationship was articulated, although the terms continue to be used today as they were then. A few decades ago, the South was associated with starvation, malnutrition, poverty, epidemics, low educational levels, political authoritarianism and dictatorships. Today, although hunger and poverty continue to exist in many South countries, the numbers of wealthy and extremely wealthy people are rising rapidly. Many South countries—especially in Latin America and Asia—contribute large numbers of well-educated, competent professionals to the global workforce.

Possibly the most important developments in the past three decades are the advance of global capitalism through economic and financial globalization, and the adoption of capitalism in part or full by almost all nations. Financial markets and financialisation have linked countries and people in far deeper ways than the globalization of production. However, national boundaries, historical wrongs and historical iniquities still remain. Despite improvements in social-economic indicators, and increases in wealth accumulation and capital and investment flows among many countries of the South, there continue to be significant differences between North and South countries in living conditions, consumption levels and patterns, social and economic structures, access to services and resources, and political power in supranational global governance. Systems and institutions of global economic and financial governance continue to be dominated by the North despite attempts by developing countries to secure greater power.

Inequality and inequity remain inherent and almost foundational characteristics of the North South divide. Inequality is not a surface phenomenon that can be rectified by diverting cash here and there, but a deep structural defect that diminishes individual and collective potential for many, and shapes power relations within and among societies. It exists as a differentiating set of factors both, across and within the countries of the North and South, prompting many to refer to conditions of wealth, power, poverty and inequality as a South in the North and a North in the South. While such theorizing may seek to challenge the traditional global North-South divide, it still uses the labels of North and South to denote more or less the same conditions as in the original conceptualisation.

Two key questions are whether the changes in the world are adequately reflected in the core characteristics of the North-South divide, and what type of conceptualisation would most accurately express the present day balance of
global economic and political power. In the following sections, I attempt to briefly examine differences and commonalities between global North and South countries and peoples.

The Developmental Angle

The North-South divide has also been conceptualised as the development gap between wealthy and poor nations that could be closed through the transfer of capital, technology and know-how to build modern systems and institutions for material advancement. For over sixty years, mainstream development has defined acceptable and unacceptable standards of life for the world’s peoples, based largely on Northern values and consumption, and led by experts and institutions from the North. The dominant image of the post World-War II era of development was one of social and economic transformation through the application of economic, technological, scientific, intellectual and institutional expertise. Development interventions have touched all aspects of social, cultural, economic and political life, and have been instrumental in the integration of local and national economies into the global economy.

Certainly, advancements have been made in many areas: medical and other sciences, public health, education, industry, communication and digital technologies, information and knowledge systems, etc. However, development has not resulted in positive social and economic change for the majority, or even significantly reduced hunger and poverty. On the contrary: the world’s wealth and assets have become concentrated in the hands of wealthy elites and Transnational Corporations (TNCs); workers’ wages remain low and unemployment persists in most countries; runaway climate change is imminent; environmental pollution and destruction are accelerating; recurring economic and financial crises are the “new normal;” old pathogens and diseases are making a comeback and new viruses multiplying in over crowded, polluted urban environments; and millions of people are being dislocated from traditional lands, environments and territories because of capitalist investment, land and water grabbing, natural disasters and wars.

The above have been accompanied by a corresponding increase in wars, social/ethnic conflicts and violence, and decreased democratic and political space for many. Contemporary economic relationships are mediated through capitalist free trade and investment agreements in which, the benefits sought by TNCs bear a striking resemblance to colonial arrangements of resource extraction and profit repatriation. With increased expansion of TNC activities have come more private security companies to provide them with protection.

From the North-South perspective, an important change over the last two decades has been the rise of countries such as China, India, Brazil, South Africa, Turkey, Vietnam and the Asian Tigers as economic powers with increasing numbers of middle and upper class consumers. Private corporations and state enterprises from these countries are investing and acquiring assets in other countries of the South, competing with transnational investors from the North and changing the geographies of global investment flows.
The UNCTAD World Investment Report 2015 notes that, “Investments by developing-country multinational enterprises (MNEs) also reached a record level: developing Asia now invests abroad more than any other region. Nine of the 20 largest investor countries were from developing or transition economies. These MNEs continued to acquire developed-country foreign affiliates in the developing world.”

Today, development is described and planned in the language of free markets, free trade agreements, private (often corporate) investment, private sector expansion and business plans. Recurrent financial crises have shrunk the Official Development Aid (ODA) budgets of bilateral donors—most of which are countries of the North. India, China, Thailand, Malaysia and Vietnam provide development assistance to other countries linked with trade-investment privileges. At the same time, philanthrocapitalism has expanded by leaps and bounds, and dollar billionaires have jumped into the development fray forming consortia with other foundations, companies, governments, United Nations (UN) Agencies and civil society organisations (CSOs). TNCs are also in the development game on their own steam, blazing trails of corporate social responsibility and eluding national laws.

In Asia, development is characterized by an obsession with economic growth, operationalized through privatization, trade and investment liberalization, and market and corporate friendly regulation. Human rights, the environment and justice are easily sacrificed to keep investments flowing in and markets functioning. In many countries, the public sector is being gutted of financing even as governments underwrite private sector provision of essential services such as water, healthcare, education and transportation. An important cause of inequality and poverty is the capture of land, water and natural wealth by rich elites, politically powerful actors, businesses and corporations for speculation, real estate/property development, industrial agriculture, energy, extractive industry, etc. Land, water and nature based investments are resulting in dispossession and environmental destruction on a massive scale, which are purposive acts aimed at consolidating and concentrating wealth, resources and power in the hands of an elite minority. Such captures are legal, and regulations and laws are being reformulated to advance the interests of private (often foreign) investors, many of whom are in economic partnership with state enterprises, making them doubly powerful.

**Inequality**

It is widely accepted and without doubt that inequality—in class, race, gender, power, wealth, opportunity, consumption, etc.—is one of the most enduring challenges that the world is facing. However, most calculations tend to concentrate on income and assets, without sufficient attention to issues such as access, justice, governance, etc. The metrics of inequality and inequity need to be looked at afresh in order to bring in the nuances necessary to help us understand the relationships between the different dimensions of inequality, and move us
towards more relevant contemporary articulations of the concepts that North
and South encapsulate

Over the past decade many reports have enumerated the obscenities of extreme
wealth and extreme poverty both, globally as well as within countries. The 2015
Global Wealth Report by Credit Suisse estimates that less than 1% of adults
worldwide own 45% of the total wealth in the world, while 71% of the adults
account for only 3%.ii Among these, 46% of the dollar millionaires are in the
USA, followed by 7% in the UK, 6% in Japan, and 5% each in Germany and
France.iii The report points out that the global distribution of wealth is skewed
towards the wealthy. For example, the share of wealth owned by High Net Worth
Individuals (HNWI) has continued to rise since 2002, even if the number of
HNWI fell for the first time since 2008. Although North America and Europe
contain only 18% of the adult population, together they account for 67% of total
household wealth. In all the other regions, the share of wealth fails to match the
population share and the disparity between population and wealth is apparent.
Even China—which has a high share of HNWI—accounts for 21% of the adult
population of the world, but only 9% of global wealth. The picture is worst for
Africa and India, where the population share exceeds the wealth share by a
factor of more than ten.iv

A 2014 report by the Asian Development Bank notes that despite increasing
economic growth (GDP) and reductions in overall poverty over the past 25 years,
inequality in a large part of the Asia Pacific region has increased tremendously.
Inequality is manifested in several ways, including in incomes, ownership of
property and economic assets, opportunity and access to services essential for
human wellbeing. The report’s editors argue that while addressing inequality
should be a priority in and of itself (from the perspective of values and justice),
inequality also undermines economic growth and poverty reduction.v

The numbers describing the extent of inequality and concentration of wealth are
shocking, but they do not convey the depth of immiseration caused by such
collection. There are wide gaps between macroeconomic indicators of
economic growth, incomes, GDP and employment on the one hand, and micro-
level conditions of wellbeing and poverty on the other hand. Even if macro
figures show an increase in GDP growth and incomes, at the micro level, we still
see increasing unemployment, worsening work conditions, the impoverishment
of small farmers and producers, distress migration, and growing feminization of
poverty.

Many wealthy individuals and inherited-wealth elites in the South are part of the
top 10-20 percent of the world’s wealthy, just as poor people in the South are
part of the world’s poor. This does not correct or render irrelevant the wealth
inequalities between North and South countries. Wealth is not an equalizer.
Without just redistributive measures, the creation of wealth will create poverty.
Wealth concentration in one class or country entails draining it from other
classes and countries. In many Asian countries and globally, we are witnessing a
net transfer of wealth, public assets and control over natural resources to
already wealthy elites, upper classes and private corporations through a variety of legal mechanisms and illegal practices.

Those most negatively affected by the above are workers, peasants, fisherfolk and other subsistence producers in both rural and urban areas. Their wages, earnings and savings do not increase, nor their access to goods and services improve; they often end up paying more for food, energy, water, rent and daily life compared to middle and upper classes. Women, children and youth are particularly affected: harder lives translate to heavier workloads for women, less time and fewer resources to transform their lives; children and youth are unable to access opportunities that would contribute to significant changes in their futures. The winners are those at the top of the economy, who continue to get richer because our economic and legal systems—nationally and internationally—are set up in their favour. They legally pay far less tax than they should, can paying taxes altogether, and easily siphon their wealth into holdings in different parts of the world where they will not be assessed for tax.

An important commonality between global and national inequality is inequality in opportunity, which arises not only from income disparities, but also from social, cultural, racial, religious and gender discrimination. Persisting inequality of opportunity is a structural problem that denies people the potential for crossing class and power divides. Within countries of the South, these include the poor, workers, those evicted and displaced by investment, those facing wars and natural disasters, etc. They are more vulnerable to illnesses, epidemics, economic shocks and abuses of power.

Inequalities in opportunity also exist at broader levels, between societies in the South and North: societies in the North generally have better social security and services, public infrastructure and resources to respond to natural disasters, epidemics, etc. than those in the South. World Bank-IMF led Structural Adjustment Programmes (SAPs) dismantled public institutions and social services infrastructure in developing countries to free up money for debt servicing and enable privatization. What SAPs were not able to destroy were attacked by the Asian financial crisis and continue to be attacked by trade and investment agreements such as those in the World Trade Organisation (WTO) and the Trans-Pacific Partnership (TPP). Few relatively wealthy countries of the South—for example Thailand and Malaysia have succeeded in building and retaining robust, good quality public services and infrastructure side-by-side with allowing private sector expansion.

**Climate change**

“Climate change is one of the greatest moral disasters of human history, because the people who will suffer the most have been the least responsible for its cause. Those of us in the developed countries somehow think that we will escape its results, turning away from the hundreds of millions who will be caught in the whirlwind of misery that is coming.”

*Rabbi Lawrence Troster*
Historical and contemporary inequality are exemplified in the climate crisis and problemized in contrasting approaches to reductions of Green-House Gas (GHG) emissions between some countries of the North and South. Since 1992, member countries of the United Nations Framework Convention on Climate Change (UNFCCC) have acknowledged the different capabilities and differing responsibilities of individual countries in addressing climate change through the principle of Common but Differentiated Responsibilities and Respective Capabilities (CBDR–RC). The reasoning behind CBDR is that developed countries—the North—have a far greater share of GHG emissions than developing countries—the South—because of higher levels of fossil fuel extraction and consumption, industrialization and natural resource exploitation over a far longer period of time. The historical aspect is crucial here, an implicit recognition of colonialism and unequal development in colonial and post-colonial eras.

Since 1992, increases in economic growth and GHG emissions in heavily populated developing countries such as China and India prompted some wealthy countries to insist that all countries with high emissions—including developing countries with potential to grow—should make binding commitments towards emissions cuts. This shifted the emphasis from historic to current responsibility, undermining the principles of equity and justice in tackling climate change. In the 2014 Conference of Parties (COP) in Lima, countries came to a compromise: common but differentiated responsibilities and respective capabilities, in the light of different national circumstances. Equity and justice have lost their significance even further in the wake of the agreement at the 2015 COP in Paris, that include voluntary pledges from countries outlined in their respective Intended Nationally Determined Contributions (INDCs).

In global climate negotiations, many Asian governments demand greater and binding commitments for emissions cuts from developed countries on the basis of the CBDR principle. They claim a right to development, to extract and use fossil fuels as needed, which would increase GHG emissions. But back home, development does not exist as a right for majority of Asia’s factory, plantation and mine workers, for indigenous peoples, or for those who are poor and marginalized. Across the region, rural and urban communities have long been struggling against a development paradigm that is extractive, polluting, destructive and unjust, that breeds poverty and inequality, displaces peoples and fractures societies. It serves largely elite and corporate interests, entrenching massive disparities in living standards and environments, consumption, and access to essential goods and services (for example, food, health, water, housing, education and energy) between the poor and working classes, and the rich. From an equity and justice perspective, everyone within national boundaries should not bear the same responsibility for emissions cuts: while upper classes must reduce consumption, the poor actually need to increase consumption to simply survive with dignity.

The huge disparities in consumption, quality of life and environments between the poor and upper classes within countries are equally evident between many
North and South countries, at both individual and societal levels. The recognition of one type of inequality or injustice (within developing countries) does not negate other existing inequalities or injustices (between developing and developed countries). Certainly, developing countries need to recognize and act on their responsibilities to limit GHG emissions and identify pathways for alternative development approaches that are based on clean energy, protection of natural wealth, public transport, etc. But developed countries must acknowledge their historical roles in bringing about the climate crisis, which enabled them to build strong public sectors, infrastructure, scientific knowledge, etc. They cannot convert historical responsibility to current responsibility.

The impacts of catastrophic climate change, especially climate driven displacement will serve as an acid test of how North and South countries cope with climate refugees: large influxes of people “competing” for resources, but pushed to do so because of actions taken in the past by those who enjoy these resources today. UNDP's 2007-2008 Human Development Report estimated that 330 million people could be displaced if the global temperature rises beyond 3 degrees Celsius. Even a rise of 2 degrees Celsius will disrupt food production cycles and trigger severe storms and droughts. Here again, societies/nations with adequate food reserves or the means to procure them, and structural capacities to protect and rescue their populations will fare better than those whose coffers have been drained by debt servicing, financial crises and high import bills.

Local populations are being made even more vulnerable to natural disasters and climate change because their resilience and coping capacities are weakened through destructive land-water-forest based investments, displacement to make way for energy projects, real estate/property development, and lack of access to money and technology. Climate refugees are a future certainty. Both, North and South countries need to face their responsibilities and start preparing to absorb them into their societies, rich or poor.

**In Conclusion**

Until the hegemonic structures and systems that enabled the North to build their economic and political power are not dismantled, the North-South divide will continue to exist. Structural differences in living conditions, human and societal capabilities and economic and political power, are still prevalent between the North and South. At the same time, North and South are constructs and it is probably more strategic to focus attention on some actors within these constructs rather fussing about the overall conceptualization. For example, International Financial Institutions, the World Bank, International Monetary Fund, the World Trade Organisation and Bank of International Settlements are some of the most powerful institutions of Northern hegemony and have been instrumental in cementing inequality and inequity between North and South countries.

Tackling global capitalism, the power of TNCs, persisting /entrenched inequality, climate change and migration are absolute priorities for global peace and justice.
In so doing, Northern domination will have to be checked, as will the refusal of North countries to act on their historical responsibilities have to be challenged. But equally important is critically monitoring and challenging the expansion, use and abuse of power and privilege in, among and by South countries.

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