Foreign Aid and the North-South Divide

By

Kingdom E. Orji,
Department of History and Diplomatic Studies, Ignatius Ajuru University of Education Port Harcourt
&
Wori Isaac Ndudirim
Department of History and Diplomatic Studies
Ignatius Ajuru University of Education Port Harcourt
Email: woriisaac@gamil.com
Phone No: +2348135609972, +2348116056988

Abstract

This work examined foreign aid and the north south divide ,it analyses broadly two economic worlds that cut across the globe, these are the Global North and the Global South. That while, the Global North represent the economically developed societies of Europe, North America, Australia, Israel, South Africa, amongst others, the Global South represents the economically backward countries of Africa, India, China, Brazil, Mexico amongst others. The work relied on secondary sources of information, which involved using written materials which include textbooks, academic journals, and news articles. Also multidisciplinary approach was also used, allowing us to draw on data or expertise from other fields that are closely related to the humanities and social sciences. The work reveals that While Global North countries are wealthy, technologically advanced, politically stable and aging as their societies tend towards zero population growth the opposite is the case with Global South countries. While Global South countries are agrarian based, dependent economically and politically on the Global North, the Global North has continued to dominate and direct the global south in international trade and politics with the political but manipulative economic tool of Foreign aid and interventions. The study recommend that on a net profit convergence, the Global Souths approach to trade must give priority to the development of local production capacities by the application of restrains and market control.

Introduction

Despite similarities in the colonial experience, it is challenging to define the "postcolonial era" because it encompasses ongoing relationships across numerous countries from the colonial era both in the North and South. According to Childs (1997), despite the global South's diverse political and economic paths in the decades after political independence, as suppliers of raw materials, most southern nations were incorporated into the global economy as importers of materials and manufacturers of imported items (Young, 1997). It is therefore worthy of note that this financial expertise increased the vulnerability of Southern nations to the falling terms of trade for main commodities in comparison to manufactured goods and foreign investors' efforts to limit national sovereignty in order to protect the success of their investments in enterprises that exploit natural resources (Miles, 2013)

In the decades that followed the second World War, newly independent nations of the South, such as Asian, African and South American nations came together to form a more just postcolonial international order. Representatives of 29 newly independent countries from Asia and Africa met in 1955, met in Bandung, Indonesia, and committed to fostering international trade, human rights, and independence of nations of the south, and also condemn new forms of colonialism. The Bandung Conference gave rise to an alliance of Asian, African, and Latin American states (later known as the Group of 77 plus China) that used a number of legal doctrines to express its demands for economic justice and national self-determination, such as perpetual sovereignty over natural resources, the right to development, and the principle of the common human heritage. A New International Economic Order (NIEO), which did not last long enough, was attempted to be established by Southern countries using their numerical majority in the UN General Assembly in order to advance these demands and secure debt relief, preferential access to Northern markets, and the stabilization of primary commodity export prices. The debt crisis of the 1980s and the Great Recession both contributed to the NIEO's early death.

The structural adjustment measures enforced by the IMF and the World Bank as criteria for debt relief compelled the Southern countries to undertake a typical package of economic changes. Privatization, deregulation, trade liberalization, the decline or deletion of social safety nets, and an increase in export production to pay

off the foreign debt were some of the reforms implemented during this time. As a result, countries in the South have relied on aid from the north to support their governments, industries, and economies. Unfortunately, these aids have turned out to be a scourge for the South rather than a godsend.

Methodology

The study mainly relied on secondary sources of information, which involved using written materials or documents. These sources, which include textbooks, academic journals, and news articles authored and published by numerous historians, are crucial for reconstructing historical events. A multidisciplinary approach was also used, allowing us to draw on data or expertise from other fields that are closely related to the humanities and social sciences. These models were utilized to generate the data that was used to rebuild this work and to ensure that there was little chance of content distortion.

Conceptual Review

Foreign Aid

The most fundamental definition of the phrase, according to Masi (2020), is "resources given from one country to another." However, it is typically used to refer to resources provided or lent by governments, organizations, and people in wealthy nations to assist citizens of underdeveloped nations. Foreign aid is sometimes known as international aid, economic aid, or development aid; this is a different category from military aid. Foreign aid is the international transfer of money, products, or services from one nation to another or from an international organization to another nation or its people.

Aid can be financial, military, or emergency humanitarian (such as assistance provided in the immediate aftermath of a natural disaster). The voluntary transfer of resources from one nation to another is known as foreign aid. This transfer includes any flow of capital to developing countries. A developing country usually does not have a robust industrial base and is characterized by a low Human Development Index (HDI) (Masi 2020)

The Development Assistance Committee (DAC) countries provided a record $145 billion in net foreign aid to developing nations in 2016, according to the

Organization for Economic Cooperation and Development (OECD). In contrast to the remaining 30% of aid funds, which were distributed as multilateral aid (i.e., from multilateral donor organizations to recipient countries), nearly 70% of these aid funds were distributed as bilateral aid (i.e., directly from donor countries to recipient countries or to multilateral organizations with donor-imposed restrictions). Since the late 1990s, the proportion of bilateral aid to multilateral aid has largely remained at 70:30 (OECD, 2017).

The economic development literature has revealed two opposing viewpoints regarding the effectiveness of international aid initiatives. The traditional pro-aid viewpoint, which emerged in the 1950s and 1960s, contends that foreign aid enhances the domestic economic resources of the recipient country, reduces foreign exchange restrictions, transfers managerial and modern know-how, and makes it easier to access international markets (Childs, 1997). The radical anti-aid viewpoint, which emerged as a result of the empirical finding that some of the assistance recipient countries' economic growth was less than desirable in the 1970s, contested this point of view. Foreign aid, according to the anti-aid viewpoint, depletes domestic resources, exacerbates income disparity at home, pays the transfer of incorrect technologies, and generally supports unreliable and dishonest administrations in recipient nations (Lee 2010)

It's important to realize that foreign aid might take the form of a grant or a loan. It could be in a soft loan or a hard loan. According to this definition, a loan is considered a hard loan if it requires foreign money for repayment of the help. It is a soft loan if it is made in the borrower's home currency. While its affiliates' loans are soft loans, the World Bank makes hard loans.

North-South divide

According to the United Nations Conference on Trade and Development (UNCTAD, 2022), the concept of Global North and Global South (or North South divide in a global context) is used to describe a grouping of countries along the lines of socio-economic and political characteristics. The Global South is a term that broadly comprises countries in the regions of Africa, Latin America and the Caribbean, Asia (without Israel, Japan, and South Korea), and Oceania (without Australia and New Zealand).

Low income, high population density, subpar infrastructure, and frequent political or cultural marginalization are the main characteristics of the majority of the Global South nations. The Global North, which broadly consists of Northern America and Europe, Israel, Japan, and South Korea, as well as Australia and New Zealand, is on the other side of the split from the Global South.(Mutlin, 2013).

Given that many of the nations in the Global South are geographically situated in the Northern Hemisphere, it is worthy of mention that the names Global North and Global South do not apply to the cardinal directions of north and south.

Global North and Global South are terms used to describe developed and developing nations, respectively, by Mitlin, (2013). The word, as used by governmental and developmental organizations, was initially developed as a more open and value-free replacement for "Third World" and related potentially "valuing" terminology, such as developing countries.

According to Mimiko (2012), the countries of the global south are commonly colonial targets today or in the past and have recently industrialized or are in the midst of doing so. However, the historical and political reasons that have shaped the North-South divide for centuries are attributed to the colonization of numerous countries in the South by nations in the North is a significant contributing element. During the colonial era, the North took advantage of the local population by taking resources and riches from the South. In many areas of the South, this left a legacy of underdevelopment and poverty. The North kept up unfair commercial links with the South after colonialism, which helped to keep the economic divide between the two areas alive. The North constructed a framework for the world economy that served their own interests and put obstacles in the way of commerce and the economic growth of the South.

Foreign Aid and the North-South Divide

Foreign aid and the North-South divide are closely intertwined concepts that have been discussed extensively in the field of international relations and development studies. The North-South divide refers to the economic and developmental disparities between the wealthier, industrialized countries of the global North (primarily located in Europe, North America, and parts of Asia) and the less

developed countries of the global South (mainly in Africa, Latin America, and some parts of Asia). Foreign aid plays a significant role in addressing the North-South divide by providing financial, technical, and humanitarian assistance from wealthier countries to less developed nations. The primary goal of foreign aid is to promote economic growth, poverty reduction, and sustainable development in recipient countries. However, foreign aid has been a topic of debate and criticism in relation to the North-South divide. Critics argue that aid perpetuates dependency, reinforces power imbalances, and fails to address the root causes of underdevelopment. They argue that aid can create a cycle of reliance, where recipient countries become dependent on external assistance rather than developing their own self-sustaining economies. Moreover, some argue that foreign aid is often driven by the political and strategic interests of donor countries. Donor countries may use aid as a means to exert influence, secure access to natural resources, or promote their own economic interests. These dynamics can further perpetuate the North-South divide by reinforcing existing power imbalances and contributing to the neo-colonial relationship between developed and developing nations.

Additionally, the effectiveness of foreign aid in reducing poverty and fostering development has been a subject of debate. Critics argue that aid can be misused or misallocated, leading to corruption, inefficiency, and limited impact on the ground. They emphasize the importance of good governance, transparency, and accountability in aid delivery to ensure that resources reach the intended beneficiaries and are effectively utilized for development purposes. In recent years, there has been a growing recognition that foreign aid alone is not sufficient to address the North-South divide. Efforts have been made to promote more holistic approaches to development, such as promoting trade, investment, technology transfer, and capacity building. The United Nations' Sustainable Development Goals (SDGs) provide a comprehensive framework for global development, emphasizing the need for partnership and cooperation between countries to achieve sustainable and equitable development. There are low levels of living and deprivations in human development in the Global South countries. In addition to this Global South countries are characterized by low levels of labor productivity throughout the Global South countries levels of labor productivity (output per worker) are extremely low compared with those in the Global North, (Masi, 2020)

argue that the concept of production function systematically relating outputs to different combinations of factor inputs for a given technology is often used in the way in which societies go about providing for their material needs. But the technical engineering concept of a production function must be supplemented by a broader conceptualization that includes among its other inputs managerial competence, access to information, worker motivation and institutional flexibility and all these are almost lacking in the Global South countries. (Young, 1997) argue that the workers low productivity may be due largely to physical lethargy and the inability, both physical and emotional to withstand the daily pressures of competitive work. Low productivity leads to low income, which can leads to low capacity forward, and to low productivity, argues (Mutlin, 2013)

In early human history the environmental impacts of small bands of hunter-gatherers would have been relatively small, even though the use of fire and the desire for specific foods may have altered the natural composition of plant and animal communities. The Neolithic Revolution 2,500 to 10,000 years ago marked the emergence of agriculture and settled communities. Societies outgrowing their local food supply or depleting critical resources either moved on or faced collapse. In contrast, stable communities of shifting cultivators and horticulturists existed in New Guinea and South America, and large agrarian communities in China, India, Polynesia and elsewhere have farmed in the same localities for centuries. Technological advances over several millennia gave humans increasing control over the environment. But it was the Western industrial revolution of the 17th to 19th centuries that tapped into the vast growth potential of the energy in fossil fuels to power sophisticated machinery technology. These conditions led to a human population explosion and unprecedented industrial, technological and scientific growth that has continued to this day. From 1650 to 1850 the global population doubled from around 500 million to 1 billion people. By the 20th century, the industrial revolution had resulted in an exponential increase in the human consumption of resources and an increase in health, wealth and population. Ecology as a new scientific discipline was gaining general acceptance and ideas now part and parcel to sustainability were being explored including the recognition of the interconnectedness of living systems, the importance of global natural cycles, the passage of energy through tropic levels of living systems.

The population of the world in the year 2004 was just over 6.4 billion people; of this number more than Two-third live in the Global South and less than one-sixth in the Global North. Still both birth and death rates are strikingly different between the Global North and Global South. In Global North birth rates are low while in the Global South birth rates are high. For Global North birth rates are on the order of 15-20 per 1,000 populations where as in the Global South they range from 30-40 per 1,000 populations. The yearly number of deaths per 1,000 in the Global South is also higher than that found in the Global North. The high birth rate in the global south has far reaching consequences. Children under age 15, make up almost 40% of the total population in the Global South as opposed to less than 20% of the total population in the Global North. Thus in the Global South, the active labour force has to support proportionally almost twice as many children as it does in the Global North. By contrast, the proportion of the people over the age of 65 is much greater in the Global North. Both older people and children are often referred to as an economic dependence. The Global South is characterized with a very high rate of people working in rural areas and according to (Masi, 2020) over 65% are rurally based, compared to less than 27% in the Global North. Similarly 58 % of the labor force is engaged in agriculture, compared to only 50% in Global North. Agriculture contributes about 14% of the GNI of Global South Nations but only 3% of the GNI of Global North. Masi further argued that people in the Global South countries concentrate on agricultural production because since their incomes are low their first priorities are food, clothing, and shelter and also due to the primitive nature of technologies, poor organization and limited physical and human capital inputs.

The Global South is dependent on and vulnerable to the Global North. There is an unequal strength between the Global North and the Global South. The Global North being stronger than the Global South, the unequal strength between the two is manifested not only in the dominant power of the Global North to control the pattern of international trade and agreement regulating it but also in their ability often to dictate the terms whereby technology, foreign aid, and private capital are transferred to Global South. This has acted as a factor in contributing to the persistence of low levels of living, rising unemployment, and growing income inequality in the Global South compared to the Global North. There is a pattern of resource use that aims to meet human needs while preserving the environment so that these needs can be met not only in the present, but also for future generations.

The term was used by the Brundtland Commission which coined what has become the most often-quoted definition of sustainable development as development that "meets the needs of the present without compromising the ability of future generations to meet their own needs." Indigenous peoples have argued, through various international forums such as the United Nations Permanent Forum on Indigenous Issues and the Convention on Biological Diversity, that there are *four* pillars of sustainable development, the fourth being cultural. *The Universal Declaration on Cultural Diversity* (UNESCO, 2001) further elaborates the concept by stating that "...cultural diversity is as necessary for humankind as biodiversity is for nature"; it becomes "one of the roots of development understood not simply in terms of economic growth, but also as a means to achieve a more satisfactory intellectual, emotional, moral and spiritual existence". In this vision, cultural diversity is the fourth policy area of sustainable development.

Impacts of Foreign Aid and the North-South Divide

The impact of foreign aid on the North-South divide is a complex and debated issue. While foreign aid has the potential to contribute positively to development and narrowing the gap between the global North and South, its impact is influenced by various factors and can vary depending on the specific context. Foreign aid can provide financial resources and technical assistance to support economic development in recipient countries. Aid can be used to invest in infrastructure, education, healthcare, agriculture, and other sectors that can stimulate economic growth. By addressing the lack of capital and resources in developing countries, aid can contribute to reducing poverty and improving living standards, which would in turn support capacity building efforts in recipient countries by providing technical expertise, training programs, and knowledge transfer. This can help strengthen governance structures, institutions, and human resources, enabling countries to better manage their own development processes, through improving healthcare systems and educational opportunities in developing countries. It can support the construction of hospitals, clinics, and schools, as well as the training of healthcare workers and teachers. By enhancing access to quality healthcare and education, aid can empower individuals and communities, leading to long-term development outcomes. As well it noteworthy that we consider that Foreign aid often includes humanitarian assistance in response to natural disasters, conflicts, and emergencies. This aid can provide

essential relief, such as food, clean water, shelter, and medical supplies, to populations in crisis. Humanitarian aid can help save lives, alleviate suffering, and promote stability in affected regions.

However, it is important to recognize that aid can have limitations and potential negative consequences as critics argue that foreign aid can create dependency and hinder self-sufficiency in recipient countries. If aid is not effectively managed or if it comes with stringent conditions, it can undermine local initiatives and perpetuate reliance on external assistance, hereby influencing the political and strategic interests of donor countries. Donors may prioritize their own national interests or use aid as a tool to exert influence. This can reinforce existing power imbalances between the global North and South and contribute to the persistence of the North-South divide, which in most cases the aids are vulnerable to corruption and misallocation, where resources are not efficiently and transparently utilized for development purposes. This can undermine the intended impact of aid and hinder progress in recipient countries. This can lead to unequal relationships and perpetuate the neo-colonial dynamics between developed and developing nations.

Donors may attach conditions to aid, requiring recipient countries to adopt specific policies or reforms. While conditionality can be intended to promote good governance and accountability, it can also undermine recipient countries' sovereignty and hinder their ability to pursue their own development paths. Aid programs are often designed and implemented by external actors without sufficient input from local communities and stakeholders. This lack of local ownership can lead to projects that do not align with the needs and priorities of the recipients, resulting in limited impact and sustainability and in some cases; they can disrupt local markets in recipient countries. For example, the provision of free or heavily subsidized goods through aid programs can undermine local producers and markets, leading to long-term economic distortions and dependency on external assistance, as foreign aid often focuses on addressing immediate needs and providing short-term relief, rather than addressing the underlying structural issues that contribute to the North-South divide. Persistent issues such as unequal trade policies, debt burdens, and global economic imbalances are not adequately addressed through aid alone.

The Way forward

Nations in the Global South cannot afford to embrace a free and open market situation in its entirety without restrains. A free market guarantees the Neoliberal economic markets in an effort to give corporations legal rights that often compromise the sovereignty of states. Most developed nations must begin to advocate for a free and open market, while also continuing to subsidize some of their critical sectors like Agriculture, thereby making competition with developing and least-developed nations almost impossible. Their Neoliberal rhetoric is usually irreconcilable with the often increased level of state intervention and size of government. (Makawana, 2006). The General Agreement on Trade and Services (GATS) is one of such free market approach that sought to remove trade barriers, and since its implementation by the WTO in 1994, the sovereign right of governments to regulate subsidies and provide essential services for its citizens have become more difficult.

Most countries understood that without protection, free and open market may end up benefiting only a few business executives and special corporations which enjoys unhindered access to toss industries within the market in search of tax and regulation heavens. This was the case with the North American Free Trade Agreement (NAFTA), a free market agreement that limited restrictions in trade between the US, Mexico and Canada. With high corporate tax and increased regulations in the US, most companies relocated to Mexico, leading to loss of manufacturing jobs in the US. NAFTA taxes, strangulating regulations and high wages in the US and since these companies were also allowed to ship in their goods back to the US market, it led to the collapse of small businesses that couldn't compete under the prevailing condition. NAFTA featured prominently during the 2016 US Presidential elections and was ultimately renegotiated by the Trumps administration to "protect" the US market and workers. This can work out in the Global South.

Apparently, the advocacy for free market often conceal the attendant devastating impact on emerging markets, but focus on the removal of all state interventions to trade and its ability to transfer economic decisions and power to individuals. A process which reduces democratic choices to demands and supply, and characterized human relations as competition, hence, making excuse for the

exploited as being punished for inefficiency while the exploiter is rewarded for merit and hard work.

Constructivist-functionalism as an Alternative to Foreign aid in the Global South, must institute "protection", to give the Global South greater control of the market and the destines of their citizens. On a net profit convergence, the Global Souths approach to trade must give priority to the development of local production capacities by the application of restrains and market control. The following stabilizing conditions may be required;

1. Improve technological capacity in production of goods and services
2. Apprenticeship education
3. Strengthened custom relations
4. Development of mutually beneficial market conditions
5. internal production control
6. Elimination of dumping status

Conclusion

It is important to acknowledge these negative issues and work towards addressing them to ensure that foreign aid contributes to sustainable development and narrowing the North-South divide. This requires promoting recipient country ownership, transparency, accountability, and a holistic approach that goes beyond aid to address the structural causes of underdevelopment. To maximize the positive impact of foreign aid on the North-South divide, it is crucial to ensure aid effectiveness through the principles of ownership, alignment, harmonization, and results-based management. Donor countries and recipient countries need to work together to promote transparency, accountability, good governance, and sustainable development practices. Additionally, a comprehensive approach that goes beyond aid, including trade, investment, technology transfer, and capacity building, is necessary to address the structural causes of the North-South divide.

References

Childs, P. W. (1997). *An Introduction to Post-Colonial Theory.* Routledge.

Lee, C. J. (2010). "Introduction: Between a Moment and an Era: The Origins and Afterlives of Bandung," in C. J. Lee (ed.), *Making a World After Empire: The Bandung Moment and Its Political Afterlives.* Ohio University Press.

Makwana, R. (2006). Neoliberalism and Economic Globalization. Int. Pub.

Masi P. E. (2020). *The Struggle for the Global South: A narrative on race, injustice and imbalance.* University of Port Harcourt Press ltd.

Miles, K. (2013). *The Origins of International Investment Law: Empire, Environment and the Safeguarding of Capital.* Cambridge University Press.

Mimiko, N. O. (2012). *Globalization: The Politics of Global Economic Relations and International Business.* Carolina Academic Press. Mitlin, D. S. (2013). *Urban Poverty in the Global South: Scale and Nature.* Routledge.

Young, L. (1997). *World Hunger.* Routledge.