A Critical Analysis of Dependency Theory in Explaining the North-South Divide

By

By Ani, Miracle Chinenye
Department of History and Diplomatic Studies,
Faculty of Humanities,
Ignatius Ajuru University of Education
Rumuolumeni Port Harcourt, Rivers State. Nigeria.
Tel.no: +2348034623541
Email: kingdom.orji@iaue.edu.ng
&
Kingdom E. Orji,
Department of History and Diplomatic Studies,
Faculty of Humanities,
Ignatius Ajuru University of Education
Rumuolumeni Port Harcourt, Rivers State. Nigeria.

Abstract

This paper critically evaluates dependency theory as a framework for understanding the emergence and persistence of the North-South Divide, the socio-economic disparity between the industrialised Global North and the developing Global South. Dependency theory posits that underdevelopment in the Global South results from exploitative economic relationships with the Global North, perpetuating a core-periphery structure. This study examines the theory's strengths, such as its emphasis on historical exploitation and unequal trade, and its limitations, including its deterministic outlook and neglect of internal factors like governance. Through a comparative analysis with alternative frameworks, such as world-systems theory and neoliberal perspectives, the paper assesses dependency theory's explanatory power in the context of colonialism, imperialism, and modern globalisation. Case studies, including Latin America's commodity dependence and Africa's resource extraction, illustrate the theory's relevance and shortcomings. The analysis reveals that while dependency theory effectively highlights structural

inequalities, it overlooks agency within the Global South and the complexity of global economic integration. Recommendations include integrating dependency insights with policies promoting regional cooperation and institutional reform to address the divide. This critique underscores the need for a nuanced theoretical approach to tackle global inequalities effectively.

Keywords: North-South Divide, dependency theory, core-periphery, global inequality, world-systems theory

Introduction

The North-South Divide highlights socio-economic differences between the wealthy Global North (like North America and Western Europe) and the less developed Global South (including Africa and Latin America). This divide stems from historical colonialism and continues due to unfair economic systems, leading to gaps in wealth, technology, and political power. Dependency theory, developed by thinkers like Andre Gunder Frank and Raúl Prebisch, explains that the Global South's underdevelopment arises from exploitative relationships with the North.

This paper examines dependency theory's effectiveness in explaining the North-South Divide by analysing its strengths, such as focusing on historical exploitation, and its weaknesses, like being overly deterministic. The study also compares it to world-systems theory to assess its relevance in today's world. The goal is to evaluate dependency theory's value in explaining this divide and to suggest ways to reduce global inequalities, informing policies for fair development in the Global South.

Clarification of Concepts: Understanding Dependency Theory and the North-South Divide

The North-South Divide describes the differences in wealth, power, and development between rich countries in the Global North, like North America, Western Europe, and Japan, and poorer countries in the Global South, such as those in Africa, Latin America, and parts of Asia. This divide shows itself in various ways, including income inequality, differences in technology, and levels of

influence in the world. These issues often stem from historical events like colonialism and imperialism.

Countries in the Global North play a significant role in global trade, finance, and decision-making. In contrast, nations in the Global South usually rely on selling raw materials and face problems like poverty, debt, and lack of development. The divide is not just about money; it also includes political and cultural factors. The Global North often uses institutions like the International Monetary Fund (IMF) and large corporations to maintain this imbalance.

Dependency Theory started in the 1960s and 1970s, led by scholars like Andre Gunder Frank and Raúl Prebisch. It helps explain the North-South Divide, arguing that underdevelopment in the Global South is not a natural stage but results from exploitative economic relationships with the Global North. The main idea is the core-periphery model. In this model, the "core" (Northern countries) takes resources, labour, and profits from the "periphery" (Southern countries), causing dependency (Frank, 1967). For instance, colonial systems forced African and Latin American economies to provide raw materials, leading to trade imbalances that still exist today.

Another important idea is unequal exchange. This explains how the South's main exports, like coffee and oil, are valued less than the North's manufactured goods. This undervaluation limits the South's ability to grow economically (Prebisch, 1950). Dependency theory criticises neo-colonial practices, such as IMF policies, that maintain this dependency.

Related concepts include neo-colonialism, which describes how Northern countries continue to influence Southern nations economically and politically after independence, and South-South cooperation. This refers to efforts by Southern countries, like BRICS, to work together against dependency.

Critics of dependency theory suggest alternative views, such as world-systems theory. This theory adds a semi-periphery category (e.g., Brazil, India) to describe countries moving between core and periphery (Wallerstein, 1974). Together, these

ideas highlight the North-South Divide as a complicated mix of historical exploitation, economic systems, and global power dynamics, which is important for understanding dependency theory.

Historical Context and Core Arguments of Dependency Theory

Dependency theory began in the 1960s and 1970s, developed by scholars like Andre Gunder Frank and Raúl Prebisch. It critiques modernisation theory, which claimed that all countries could develop by following the industrial path of the Global North. Dependency theory argues that the gap between the industrialised Global North (like Europe and North America) and the developing Global South (including Africa, Latin America, and parts of Asia) is not just a temporary issue but a lasting result of exploitative economic relationships.

At its core, dependency theory uses the core-periphery model. In this model, the "core" countries (the North) extract resources, labour, and profit from the "periphery" countries (the South), which keeps the South underdeveloped. This relationship began during colonialism when European powers changed Southern economies to provide raw materials for Northern industries, like Latin American silver and African minerals.

Even after colonialism, trade continues to be unfair. Southern countries often receive low prices for their raw materials while paying high prices for Northern manufactured goods. This unequal exchange deepens the dependency of the South on the North. Overall, dependency theory sees the North-South Divide as a historical and systemic issue rooted in colonialism and maintained by global capitalism.

The theory has a strong historical basis. During the colonial era, Britain took cotton and minerals from Africa and India, which helped fuel its industrial revolution. However, this left those colonies with weak economies that depended on selling raw materials. As a result, after gaining independence, Southern nations still faced a gap, since they were included in the global economy mainly as suppliers of raw goods rather than as manufacturers. Dependency theorists say that institutions like the International Monetary Fund (IMF) and the World Bank often serve Northern

interests and maintain this divide. They do this with policies like structural adjustment programs, which focus on repaying debt instead of supporting local development (Cardoso & Faletto, 1979). This historical view helps explain why countries in the Global South find it hard to industrialise; their economic role continues to be linked to serving Northern markets.

Strengths of Dependency Theory

Dependency theory helps explain the North-South Divide by analysing historical and systemic inequalities in global economics. It is a key framework for understanding global disparities. One of its key strengths is its focus on history, tracing the divide back to colonial exploitation and imperialism.

Scholars like Andre Gunder Frank (1967) argue that the underdevelopment of the Global South is not a temporary issue but a direct result of the Global North's wealth gained through the extraction of resources and labour during colonial times. For example, during the colonial era, Spanish colonisers took large amounts of silver and gold from Latin America, particularly from mines in Potosí, Bolivia. This extraction fueled Europe's economic growth while local economies lost capital and infrastructure.

Similarly, Britain exploited African resources like gold and diamonds in South Africa and cotton in Nigeria. These actions changed local economies to focus on exporting raw materials. For instance, in Ghana, the colonial focus on cocoa production still shapes its economy today. Cocoa exports make up a big part of the GDP but are subject to price changes set by Northern markets (Rodney, 1972). This historical view shows how colonial legacies created economic structures that maintain the North-South Divide, making dependency theory a valuable tool for understanding global inequality.

One important point of this theory is the idea of **unequal exchange**, introduced by Raúl Prebisch in 1950. Unequal exchange explains why there is a constant gap between rich and poor countries. It suggests that the Global South sells primary goods, like coffee, oil, and minerals, at lower prices than the manufactured goods sold by the North, like machinery and electronics. This price difference leads to a

flow of value from poorer countries to richer ones. As a result, countries in the Global South struggle to accumulate capital, which limits their ability to invest in industry, infrastructure, or education. For instance, Latin America's focus on agricultural exports, such as bananas in Central America and soybeans in Brazil, shows how trade terms favour Northern economies. Southern nations receive less value for their products over time. Prebisch's research showed that from the late 19th century to the mid-20th century, the value of primary commodities fell compared to manufactured goods. This trend continues to hold back development in poorer countries. In Zambia, the economy relies on copper exports. However, global market price changes, often controlled by demand from the North, restrict economic growth and diversification. The concept of unequal exchange is a key part of dependency theory, explaining how the divide between the North and South continues.

Dependency theory effectively criticises multinational corporations (MNCs) and neo-colonial institutions that maintain **economic inequality**. MNCs, mainly from the Global North, take resources and profits from the Global South. They often send wealth back home instead of investing it in local communities. In the Democratic Republic of Congo (DRC), foreign mining companies extract cobalt and coltan, which are crucial for technology industries like smartphones and electric vehicles. Despite this, local communities remain poor while profits go to Northern shareholders. A report from 2020 found that over 70% of the DRC's mining revenues benefit foreign companies, leaving little for local development.

Neo-colonial institutions, like the International Monetary Fund (IMF) and World Bank, also contribute to this divide. These institutions, led by Northern powers, impose policies that increase dependency. In the 1980s and 1990s, structural adjustment programs forced African countries, like Nigeria and Kenya, to open their markets, privatise state-owned businesses, and prioritise repaying debts. This often meant cutting social services like education and healthcare. These policies, according to dependency theorists, keep Southern economies aligned with the interests of the North. For example, Nigeria faced severe cuts ordered by the IMF in the 1990s, leading to less public investment and more poverty, showing how these mechanisms sustain economic inequality.

Dependency theory looks at global issues by connecting economics, politics, and culture. It explains the North-South Divide by showing how global capitalism shapes Southern economies to benefit Northern markets. Politically, it criticises how Western governance models were forced onto colonised countries, creating weak systems that don't fit local needs. For instance, the borders drawn by European powers in Africa ignored ethnic and cultural differences, which caused conflicts after independence and slowed development in places like South Sudan. Culturally, the theory reflects post-colonial critiques, pointing out how Eurocentrism pushed aside local knowledge, making it harder for the South to develop independently. This approach sets dependency theory apart because it links economic issues to broader power struggles, offering a clear way to analyse global inequalities.

Dependency theory has a key strength: it challenges dominant ideas like modernisation theory, which suggests that all countries can develop by following the North's example. By rejecting this one-size-fits-all approach, dependency theory allows scholars and policymakers in the Global South to question Western-focused development models and push for necessary reforms.

This influence can be seen in historical movements like the New International Economic Order (NIEO) in the 1970s, which aimed for fairer trade, debt relief, and greater control over resources for Southern nations. Though the NIEO faced pushback from Northern countries, it showed how dependency theory encouraged advocates in the Global South. Today, movements calling for reparations for colonial exploitation and fair trade agreements continue to draw on the insights of this theory, highlighting its ongoing importance in addressing inequality.

Another important aspect of dependency theory is its emphasis on the agency of Southern nations. The theory encourages these countries to work together to resist dependency on the North. For example, early efforts like the Non-Aligned Movement and the Group of 77 aimed to unite Southern nations to negotiate better trade and financial terms. Although these efforts faced obstacles, they paved the way for modern alliances like BRICS (Brazil, Russia, India, China, South Africa).

This group works to challenge Northern control by creating alternative economic networks.

China's investments in African infrastructure, like railways in Ethiopia, show a shift towards collaboration among Southern nations. Dependency theory anticipated this need for Southern cooperation by emphasising the importance of breaking free from Northern control. Overall, dependency theory remains a useful tool for understanding and addressing the North-South Divide.

Limitations of Dependency Theory

Dependency theory provides important insights into the historical and structural reasons for the North-South Divide, but it has significant limitations that make it hard to fully explain global inequalities. One major criticism is its focus on external exploitation by the Global North, which overlooks internal issues in Southern countries that also contribute to underdevelopment. Dependency theorists, like Andre Gunder Frank, suggest that the Global South remains stuck in a core-periphery relationship, making development nearly impossible without changing global capitalism. This viewpoint often ignores domestic problems such as corruption and poor governance. For example, Nigeria's reliance on oil is shaped by Northern demand and multinational companies, but internal corruption also plays a big role in its struggles, as shown by its low ranking on Transparency International's Corruption Perceptions Index. Similarly, Zimbabwe's economic decline under Robert Mugabe shows how poor internal policies, like failed land reforms, can drive underdevelopment. By seeing Southern countries mostly as victims, dependency theory oversimplifies the complex mix of internal and external factors that sustain the divide.

Another limitation is that dependency theory ignores the ability of Southern nations to act independently. This makes it hard to explain how some countries, like South Korea and Singapore, have successfully overcome dependency. These nations improved their status through state-led industrialisation, smart trade policies, and investment in education. For instance, South Korea focused on export-oriented industrialisation and education reforms in the 1960s and 1970s to become a leader in technology and manufacturing, proving dependency theory wrong.

Similarly, India has grown its information technology and services sectors, showing how Southern countries can engage with global markets to become less dependent. These examples illustrate that the North-South Divide is not a fixed structure but something that can change through proactive policies and internal reforms.

Dependency theory also struggles to explain the complexities of modern globalisation, which has changed global economic relationships. The rise of South-South cooperation, like the BRICS alliance, challenges the idea of a strict core-periphery model by creating new economic networks that reduce Northern control. For example, China's investments in African infrastructure, like the Addis Ababa-Djibouti Railway, offer Southern countries development options outside traditional Northern influence, complicating the idea of ongoing subordination. Additionally, the growth of digital economies in the South, such as Nigeria's fintech sector, shows that technology allows these nations to compete more equally in global markets. Dependency theory's focus on traditional trade fails to capture these changes, making it less relevant in a world where Southern nations are increasingly establishing their own agency and forming partnerships with each other.

The theory also overlooks non-economic factors, such as cultural, political, and social influences, that shape the North-South Divide. Post-colonial scholars like Edward Said argue that cultural marginalisation from colonial legacies harms Southern countries' confidence in their own knowledge systems, making self-reliant development harder. For instance, Western education models often sideline traditional practices in Africa, contributing to cultural alienation. Additionally, political instability, such as the ongoing conflicts in South Sudan or Somalia, makes development challenges more complex than just external exploitation. These cultural and political aspects suggest that the divide is complicated and needs a broader analysis than dependency theory offers.

Finally, dependency theory lacks strong solutions for overcoming the North-South Divide. While it explains the structural causes, it suggests a few practical actions.

Recommendations like withdrawing from the global economy or using protectionist policies often prove unrealistic in today's globalised world.

Contemporary Relevance and Challenges

Dependency theory helps explain ongoing issues in the North-South Divide, such as Africa's reliance on its resources or Latin America's debt problems. For example, Zambia depends on copper exports, which are mainly managed by foreign companies. This situation reflects the theory's ideas about exploitation in developing countries. However, globalisation makes the theory more complicated, as emerging economies and new technologies change the landscape. The growth of digital industries in the South, like Nigeria's fintech, offers new paths to development that don't rely on traditional dependency. Additionally, internal issues like bad governance or conflict, seen in South Sudan, worsen the divide in ways that dependency theory doesn't fully consider.

While dependency theory highlights structural inequalities and links them to past colonial exploitation, it has limitations. It shows how unequal trade and multinational corporations keep the divide alive today. The theory frames the underdevelopment of the Global South as a result of the core-periphery dynamic, pointing out how resource extraction from Africa and Latin America created ongoing economic dependencies. Examples like Nigeria's oil dependence and Latin America's agricultural exports demonstrate how systemic barriers to development persist.

However, dependency theory often ignores internal issues like governance failures and corruption, which also keep the divide in place. Success stories like South Korea and Singapore show that strong policies and internal efforts can break dependency, a detail the theory frequently overlooks. Moreover, globalisation introduces complexities, such as cooperation between southern nations (like BRICS) and the emergence of digital economies, requiring a more flexible approach than dependency theory's strict model.

To understand the North-South Divide better, we can compare dependency theory with world-systems theory, which includes semi-peripheral nations and neoliberal

views. This comparison suggests we need a blended approach that combines historical insights with current realities. In conclusion, while dependency theory is a useful tool for understanding the North-South Divide's history and structure, its limitations call for integration with other frameworks that emphasise the role of Southern agency. Policymakers should merge the insights from dependency theory with strategies like regional cooperation, fair trade, and institutional reforms to tackle the divide more effectively.

Conclusion

This paper critically analyses the role of the dependency theory in the postulations North - South divide. The main thrust of the argument is the fact that the historical experiences of the underdeveloped continents in Africa, Asia and Latin America must be taken into cognisance. It succinctly notes that some of the precolonial, colonial and colonial experiences hampered the capacity that constituted a clog in the development trajectory of underdeveloped politicians. A Critique of dependency theory reveals that it overlooks some internal "disequalibriums" such as corruption and ethnic politics, amongst other that cripple economic growth and development. It is expected that the diversification of national economies and result oriented regional integration, the yawning gap between the North and South nations will be bridged.

References

Amin, S. (1976). Unequal development: An essay on the social formations of peripheral capitalism. Monthly Review Press.

Amsden, A. H. (1989). Asia's next giant: South Korea and late industrialisation. Oxford University Press.

Cardoso, F. H., & Faletto, E. (1979). Dependency and development in Latin America. University of California Press.

Cheru, F., & Obi, C. (Eds.). (2010). The rise of China and India in Africa: Challenges, opportunities and critical interventions. Zed Books.

Dos Santos, T. (1970). The structure of dependence. The American Economic Review, 60(2), 231–236.

Evans, P. (1979). Dependent development: The alliance of multinational, state, and local capital in Brazil. Princeton University Press.

Frank, A. G. (1967). Capitalism and underdevelopment in Latin America. Monthly Review Press.

Galeano, E. (1973). Open veins of Latin America: Five centuries of the pillage of a continent. Monthly Review Press.

Mkandawire, T., & Soludo, C. C. (1999). Our continent, our future: African perspectives on structural adjustment. CODESRIA.

Prebisch, R. (1950). The economic development of Latin America and its principal problems. United Nations.

Rodney, W. (1972). How Europe underdeveloped Africa. Bogle-L'Ouverture Publications.

Said, E. W. (1993). Culture and imperialism. Knopf.

Stiglitz, J. E. (2002). Globalisation and its discontents. W.W. Norton & Company.

Transparency International. (2024). Corruption Perceptions Index. https://www.transparency.org/en/cpi

UNCTAD. (2023). Trade and development report 2023: Growth, debt and climate – recalibrating the global economic system. United Nations Conference on Trade and Development. https://unctad.org/publication/trade-and-development-report-2023

World Bank. (2024). World development report 2024: The middle-income trap. https://www.worldbank.org/en/publication/wdr2024

Yergin, D., & Stanislaw, J. (2002). The commanding heights: The battle for the world economy. Simon & Schuster.