LESSON 5: Global Divides—The North and the South

Over thirty years ago a commission chaired by Willy Brandt, former Chancellor of the Federal Republic of Germany, published a report entitled ‘North-South: A Programme for Survival’ (1980). The report drew an imaginary line (the Brandt Line, based on GDP per capita) to delineate the boundary between the advanced industrialized North and the poorer South. According to this model, richer countries are almost all located in the Northern Hemisphere, with the exception of Australia and New Zealand; and, poorer countries are mostly located in tropical regions and in the Southern Hemisphere. However over time it was realized that this view was too simplistic. Countries such as Argentina, Malaysia and Botswana all have above global average GDP (PPP) per capita, yet still appear in the ‘Global South’. Conversely, countries such as Ukraine appear to be now amongst a poorer set of countries by the same measure.
Despite very significant development gains globally which have raised many millions of people out of absolute poverty, there is substantial evidence that inequality between the world’s richest and poorest countries is widening. In 1820 western Europe’s per capita income was three times bigger than Africa’s but by 2000 it was thirteen times as big. In addition, in 2013, Oxfam (a confederation of 20 independent charitable organizations focusing on the alleviation of global poverty) reported that the richest 85 people in the world owned the same amount of wealth as the poorest half of the world’s population. Today the world is much more complex than the Brandt Line depicts as many poorer countries have experienced significant economic and social development. However, inequality within countries has also been growing and some commentators now talk of a ‘Global North’ and a ‘Global South’ referring respectively to richer or poorer communities which are found both within and between countries. For example, whilst India is still home to the largest concentration of poor people in a single nation it also has a very sizable middle class and a very rich elite.

For most observers, the parameters of the North-South debate have changed radically. Explanations for this evolution vary enormously. For some, new attitudes have formed, such that the traditional North-South divide is giving way to a more mature partnership. Others maintain that the South or the Third World no longer exists as a meaningful single entity, or that it has ceased to be a political force in world affairs. Still others suggest that the North is generating its own internal South, and that the South has formed a thin layer of society that is fully integrated into the economic North. As demonstrated by this mélange of opinions, the image of a polarization between a Northern developed hemisphere and a Southern developing hemisphere no longer offers a perfectly clear representation of reality. In short, the understanding of international inequality and poverty has been substantially transformed over recent years.

In 2002, Brandt 21 Forum (an NGO mandated "to carry on the original work of the Brandt Commission"), through the leadership of James Bernard Quilligan (the managing director of the said organization), published ‘The Brandt Equation: 21st Century Blueprint for the New Global Economy," which contained a review of how nations responded to the Brandt Reports’ call “for a full-scale restructuring of the global economy, along with a new approach to the problems of development, including an emergency program to end poverty in developing nations.” Results of the review revealed that “the international community has not responded to the proposals in any meaningful way. Although the Brandt Reports were widely read and discussed, developed nations have focused more on their own interests. As documented by the United Nations Development Program, the World Bank, the International Monetary Fund, and other agencies, the economic disparities outlined in the Brandt Reports have widened significantly since 1980:

1. Without new family planning programs to slow fertility and birth rates, world population has expanded by 1.7 billion people, more than 90% of whom were born in poor nations
2. Deprived of increases in global food supplies and local agricultural production to end starvation and malnutrition, the number of people suffering from hunger in developing nations has risen from 500- 600 million to 1 billion people
3. For want of a comprehensive program for sanitation, clean water, health care, housing, and education in poor nations, the incidence of people living in poverty has multiplied from 800 million to 1.8 billion persons
4. Lacking educational and employment opportunities for personal development, women in developing nations have become increasingly destitute from gender discrimination and conditions of impoverishment
5. Regardless of the official international assistance standard of 0.7% GNP, aid to developing nations has slumped from .35% to .21% of GNP
6. Having no international agreement to reduce the difficult loan payments owed to developed nations, the debt of developing countries has surged from $700 billion to nearly $3 trillion
7. Devoid of a framework for the non-violent resolution of international disputes and the multilateral reduction of weapons, allowing governments to use their resources for the peace and welfare of their people, armaments expenditures around the world have accelerated from $450 billion to more than $800 billion a year
8. Minus global programs to stabilize energy prices and supplies for developing countries, slow the depletion of renewable energy sources, and reverse climate change, environmental pollution and global warming have broadened, including a 12% increase in carbon dioxide emissions
9. Missing out on vast possibilities for international peace and development through sharing with poor nations the benefits of the information revolution, 90% of technology ownership and use remains in developed nations, creating a global ‘digital divide’
10. In lieu of a responsible commitment to raise the income and quality of life of people in developing nations, corporations invest and produce mainly where wages, taxes, trade and financial regulations, and environmental safeguards are the lowest
11. Instead of promoting accessible, balanced exports of goods and resources between rich and poor nations to build cooperation and enlarge international markets, trade has been hampered by local subsidies and protectionist barriers, driving down the export prices of developing nations.

12. Rather than making global economic rules and institutions equitable for every nation, restoring confidence and trust throughout the world, money and finance remain unregulated at the global level, resulting in currency instability, recession, and financial risk in developing nations.

13. Short of a consensus to link all of these issues and coordinate world economic development objectives through effective high-level discussion, global negotiations among heads of state from developed and developing nations have not occurred since 1981.

### The Brandt Proposals: A Report Card

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**Understanding Global Poverty:** In the context of fighting world poverty, two distinct, competing perspectives are emerging. While it is true that they share a common objective—to understand how the distribution of wealth has been affected by the dynamics of globalization—two visions are systematically opposed in most other ways. In everyday language, one might be described as optimistic, the other as pessimistic. In more political terms, one is the reflection of the ideology defended by the large international economic institutions (the IMF, World Bank, GATT/WTO), whereas the other corresponds to the approach supported by the UN and most of its specialized agencies. More specifically, the IMF, the World Bank and the GATT/WTO maintain that the gap between the haves and the have-nots is in the process of being narrowed. The UN and the group of organizations which constitute the UN system (Economic and Social Council or ECOSOC, the United Nations Development Program or UNDP, the International Labor Organization or ILO and UNICEF) affirm that, on the contrary, the rich/poor divide is growing wider (although in recent years the UN has acknowledged that world poverty has been reduced). At a time when the North-South image is increasingly called into question, the Bretton Woods paradigm and the UN paradigm have now become the principal roadmaps informing the debate on international poverty.

**The Bretton Woods paradigm.** The understanding of poverty among International financial institutions (IFIs)—IMF, World Bank, GATT/WTO—is founded upon a positive analysis of the postwar period:

Over the last five decades, average per capita incomes in developing countries have more than doubled. The GDPs of some economies have more than quintupled. There has been a `green revolution’ in South Asia, an ‘economic miracle’ in East Asia, Latin America has largely overcome its debt crisis, and substantial gains in health and literacy have taken place in Africa.

The optimism of the World Bank, which the IMF fully shares, is reinforced by the view that the economic conditions of the 1990s are particularly encouraging for the Third World. Positive factors include, among other things, ‘stable macroeconomic conditions, expanding flows of private capital to countries maintaining sound policies, and world trade growth at a solid 6-7 percent a year’. Moreover, IMF experts assert that the South is less and less dependent upon cycles of economic activity in the North. With such a favorable outlook, the IFIs are understandably prone to conclude that the international community has succeeded in rolling back
poverty. In this respect, the Bank notes with satisfaction that ‘twenty-five countries have ‘graduated’ or phased out their reliance on World Bank lending’, and that between 1987 and 1993 the ratio of the world population living below a poverty line established at $1 a day, diminished albeit marginally from 30% to 29%.

The World Bank defines poverty in absolute terms. The bank defines extreme poverty as living on less than US$1.90 per day> (PPP), and moderate poverty as less than $3.10 a day. It has been estimated that in 2008, 1.4 billion people had consumption levels below US$1.25 a day and 2.7 billion lived on less than $2 a day.

Acknowledging that the globalization of the economy does not produce only winners, World Bank insists more and more often that poverty reduction is both ‘the most urgent task facing humanity today’ and the Bank’s ‘overriding objective’. Also affected by this wind of change, the IMF emphasizes more than ever ‘the need for greater equality of economic opportunity’ in its policy dialogue with developing countries. Clearly, ‘poverty alleviation’ has become one of the main buzzwords in the contemporary jargon of IFIs. In each of the years 1995 and 1996, almost one-third of World Bank investment lending was spent on poverty-targeted projects. The Bank’s adjustment loans were also adapted ‘to make sure they would not adversely affect the poor’. The more discrete strategy favored by the IMF to alleviate poverty has consisted in increasing financial contributions to poor, mostly African, countries already engaged in a process of macroeconomic adjustment.

The IFIs’ refocus on poverty, which has certainly been more than a simple public relations exercise, derives from an approach which is remarkably different from the old North-South vision. First, the Bank and the IMF place more emphasis on domestic, rather than on external, causes of poverty. Thus, poverty is treated as a consequence of ‘country-specific imbalances, policy errors, or political difficulties’. It follows that ‘the primary responsibility for fighting poverty lies with the governments and the people of developing countries themselves’. Also, there is the strong belief among IFIs that implementing ‘market-friendly’ policies is the only way to eradicate poverty. Hence, at the IMF and World Bank alike, the development of private enterprise and the reinforcement of international economic integration are considered priorities in any effective program against poverty.

The optimism of the IFIs regarding the state of the international war on poverty—a central feature of the Bretton Woods paradigm—has the complete concurrence of the GATT/WTO. The conclusion of the Uruguay Round, the establishment of the WTO and the vigor of international trade in the 1990s have all contributed, according to the GATT/WTO, to an unprecedented consensus that trade is the engine of economic growth. This institution takes particular pride in the new role played by the developing countries within the multilateral trade system. With the Uruguay Round, the GATT/WTO claims to have succeeded in shedding its ‘rich man’s club’ reputation. As WTO Director-General Renato Ruggiero explained, ‘Developing countries—and the economies in transition—now rightly see the WTO as their organization’.

In a recent press release last September 2018, the World Bank reported the percentage of people living in extreme poverty globally fell to a new low of 10 percent in 2015 — the latest number available — down from 11 percent in 2013, reflecting steady but slowing progress. The number of people living on less than $1.90 a day fell during this period by 68 million to 736 million. About half of the world’s countries now have poverty rates below 3 percent. Two regions, East Asia and Pacific and Europe and Central Asia, have reduced extreme poverty to below 3 percent. The Middle East and North Africa region had previously been below 3 percent in 2013, but conflict in Syria and Yemen raised it to 10%. But the rate dropped only one percentage point in the two years from 2013 to 2015. Unfortunately, despite the tremendous progress in reducing extreme poverty, rates remain stubbornly high in low-income countries and those affected by conflict and political upheaval. A case in point is Sub-Saharan Africa, where, poverty will remain in double digits by 2030.

The UN paradigm. The UN has been more reluctant than the Bretton Woods institutions to abandon the North-South roadmap. After all, the promotion of this world-view was one of the principal justifications of the organization for more than 20 years. Since the end of the Cold War, however, references to the North-South divide have been increasingly rare in the UN’s discourse. To fill the void, a new field of reflection and activity has emerged around the notion of ‘global poverty’. This development has recently attracted much attention from the media and the public through the holding of the Copenhagen Summit. Attended by 121 heads of state and government, this UN conference examined three interrelated themes: the alleviation of poverty, the promotion of employment and the enhancement of social integration. By virtue of its agenda, the Copenhagen meeting has been emblematic of how, over the past few years, the entire UN system has been involved in the elaboration of a new vision of poverty and international inequality.
The UN system is too fragmented and too complex to speak with one voice. Through their complementary contributions, however, institutions with mandates as diverse as the ECOSOC, UNDP, ILO and UNICEF have produced an innovative and strongly integrated interpretation of international poverty. One consistent feature of that interpretation is that, in comparison with the Bretton Woods paradigm, the UN paradigm on poverty is more pessimistic. First and foremost, the UN paradigm is founded on a contradiction that appears both politically and morally unacceptable in the present world order. As stated in the Copenhagen Declaration: 'We are witnessing in countries throughout the world the expansion of prosperity for some, unfortunately accompanied by an expansion of unspeakable poverty for others'. While recognizing the immense social and economic progress that has been accomplished everywhere in the world over the past half-century, the UN emphasizes the unequal distribution of the fruits of development.

While taking into account the diversity of national situations, the UNDP highlights the increasing polarization of incomes at the international level. The organization reports that between 1960 and 1993 the gap in annual per capita income between the developed and the developing countries rose from $5,700 to $15,400. Moreover, according to UNDP evaluations, between 1960 and 1994 the share of world income of the richest 20% rose from 70% to 86%, while the share of the poorest 20% declined from 2.3% to 1.1%. The ratio between the two groups thus increased from 30:1 (1960) to 78:1 (1994).

**United Nations Definition of Poverty.** “Fundamentally, poverty is a denial of choices and opportunities, a violation of human dignity. It means lack of basic capacity to participate effectively in society. It means not having enough to feed and clothe a family, not having a school or clinic to go to, not having the land on which to grow one’s food or a job to earn one’s living, not having access to credit. It means insecurity, powerlessness and exclusion of individuals, households and communities. It means susceptibility to violence, and it often implies living on marginal or fragile environments, without access to clean water or sanitation.”

From a geopolitical perspective, the analysis of world poverty proposed by the UN includes elements of both continuity and change in relation to the traditional North-South approach. In terms consistent with that approach, the UN paradigm suggests that developing countries face particular difficulties in adjusting to globalization because their economies tend to be more vulnerable to external shocks originating in the commodity and financial markets.

The UN paradigm breaks with the old North-South interpretation by recognizing more clearly the growing differentiation within the Third World. UN tends less and less to treat developing countries as a homogeneous group confronted by the same economic constraints. Although Asia continues to shelter the largest number of poor people, that region’s economic ‘take-off’ is increasingly emphasized. In particular, the UN emphasizes that income growth rates attained in East Asia constitute ‘a record exceeding anything experienced’, and that, until the mid-1990s, Asia was the only continent of the South where the percentage of poor was decreasing. The UN tends to regard poverty as a problem affecting individuals rather than states. The UN paradigm also presents poverty as a problem which, besides its economic aspects, comprises sociological and ethical dimensions: ‘A poor person is not only one who is hungry but also one who is oppressed, humiliated and manipulated’. For the UN, the consumerism which defines contemporary civilization accentuates the division between rich and poor, between winners and losers. As such, it responds inadequately to the exigencies of human dignity. Materialism would not, therefore, seem to offer a sustainable solution to the problem of poverty. ‘Poverty is material’, recognizes the UN, ‘but also spiritual; it consists of the absence of hope, boredom, solitude which is not sought but endured’. Thus, the UN paradigm seeks to take into account all the complexity of the social environment in which poverty exists.

A recent 2018 report from the UNDP reveals that some 1.3 billion (out of the world’s 7 billion) people live in multidimensional poverty, which is almost a quarter (close to 25%) of the population of the 104 countries for which the 2018 Multidimensional Poverty Index (MPI) is calculated. Of these 1.3 billion, almost half - 46 percent - are thought to be living in severe poverty. Multidimensional poverty is found in all developing regions of the world, but it is particularly acute – and significant – in Sub-Saharan Africa and South Asia. In Sub-Saharan Africa for instance, some 560 million people (58 percent of the population) are living in multidimensional poverty, 342 million (61 percent of those living in multidimensional poverty) of them severely so. In South Asia 546 million people (31 percent of the population) are multidimensionally poor, 200 million of them (37 percent) severely so. Figures for the other regions are less severe and range from 19 percent of people in the Arab States living in multidimensional poverty, to two percent of those living in countries covered by the dataset in Europe and Central Asia. The latest data also reveals the vast majority – 1.1 billion – of the multidimensional poor live in rural areas around the world, where poverty rates, at 36 percent, are four times higher than among those living in urban areas. In addition to the 1.3 billion classed as poor, an additional 879 million are at risk of
falling into multidimensional poverty, which could happen quickly if they suffer setbacks from conflict, sickness, drought, unemployment and more.

CONCLUSION

Different claims have been heard within the development community about how much progress has been made against poverty. The World Bank reported that 736 million people continue to live on less than $1.90 per day and UNDP reported that more than 1 billion are multidimensionally poor. The discrepancy in the figures is of course due to the difference in the measures used by the two organizations. Both the WB and UNDP, however, agree that in the last two decades (since 1990s), poverty levels have significantly been reduced, although poverty reduction has been deeply uneven between regions and countries. A majority of the world's poorest people now live in countries that moved from low- to middle-income country status after 1999— notably Pakistan (2008), India (2007), Nigeria (2008), and Indonesia (2003). Extreme poverty today is also increasingly concentrated in conflict-affected areas.

Globalization seems to be irreversible. It produces both winners and losers among the poor. Thus, the question that needs to be addressed is how we can better govern this process to make it more inclusive and fairer than the current conditions. That is, it is not globalization ought to be abandoned, but rather it is poor governance of globalization is what needs to be challenged. If managed correctly and fairly for the benefit of all, globalization could be a positive force. International community should act together in an effort to make available the resources necessary to wage a war against poverty and inequality. Naturally, this requires fundamental adjustment of the global status quo, starting with a true political pledge of the developing and developed countries to conceive an enhanced global financial and economic landscape. Whatever the methods and measurements used, it is important that poverty reduction via economic growth becomes the ultimate aim of development endeavors towards a more peaceful, prosperous, and accountable economic world.

NOTE: All citations and references were omitted for readability purposes.