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## THE NEW INTERNATIONAL FOCUS ON POVERTY ALLEVIATION: A POLITICAL ECONOMY VIEW

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### Abstract

The economy of the world could be easily stratified into the haves and the have-nots. In strict economic sense, the Developed and underdeveloped nations. This scenario has defined the world economic order of the last century. Close to the end of the last century the underdeveloped countries, seeing the deepening gap between them and the developed countries opted for a New International Economic Order (NIEO) that will address the existing gap. The centrepiece of the NIEO agitation was the reduction of "poverty" in the underdeveloped countries. "Poverty" was identified as the main cause of the perpetuation of underdevelopment. However, the developed countries, being mindful of the cold war and space technology struggle amongst themselves gave no attention to the "poverty" agitation of the underdeveloped countries. The developed countries rather protected their interests while forcing the existing world economic order on the underdeveloped countries. With the distributive justice theory as a weapon, the underdeveloped countries have been contending that the World Economy should be adjusted structurally to accommodate their interest.

With the demise of the cold war and near fulfilment in space technology, the monster "poverty" which has totally ruined underdeveloped countries has started migrating to the developed countries. The developed countries cannot stop or recede this monster, which is rapidly eating into the fabrics of their rich and protected economies. In order to minimise or eradicate the incidence of poverty on their economies, they have discovered that underdeveloped economies must be encouraged to grow. This worry then remains: what rate of growth is expected to keep underdeveloped countries at a position where they are not too poor to import goods from the developed and not too rich to compete with the developed countries or change the present World Economic Order?

### 1.0. INTRODUCTION

The quick response of the international community to problems that have international dimension have been glaring even from the early Egyptian cultural domination of the world (Osahon, 1998). International alliance of countries even from that time to solve multidimensional problems outside their domains has also been very conspicuous. The 20th century had been extremely remarkable in this regard. First was international alliance to quell the Japanese insurgence (1st World War). The next was the international alliance to quell the Second World War (the German or Nazi insurgence 1939-1944). Next was the international convention to order the World in the right direction (the United Nations - at Bretton Woods, 1944). The international collaboration to rebuild the war-torn Europe in 1945 was anchored by member



countries of the World Bank Group. Yet, the international alliance to fight communism (1917 - 1986), the longest in the century was another great alliance. Not to forget was the great alliance in the 1990 -1991 "desert storm" which almost destroyed the fragile but ambitious Iraq. Not forgetting the NATO onslaught on Yugoslavia currently to save the ethnic Kossovos. These lists may not be exhaustive, but they serve as clear exposition of international alliances to combat multi-dimensional problems, which will have negative externality on the global society.

After the World wars and the cold war (Eastern versus Western blocs), something, with a very strong negative potent, which was all the while roaming around now, reared its head. Robert McNamara (World Bank President 1968 to 1981) had earlier warned of this yawning monster, poverty (Susan and Sabelli, 1994). Poverty then concentrated in Africa, South America, and South East Asia. These places were very irrelevant in the destructive arms race that the world saw itself in the destructive part of the century. Every call for attention in these poor Underdeveloped Countries (UDCs) or fight against poverty was seen by the international community (mostly the western bloc countries) as a misplacement of priority (Susan and Sabelli, 1994). They concentrated in fighting the cold war, arms race, and races to the sky (other planets). They invested in the financial sector of Eastern Asian countries, which they used as pawns to fight the non-conforming eastern bloc countries (the Asian countries were near to the East). They gave glorifying names to these countries (Eastern Asian Tigers) and created financial bubbles, which were to soon fade away as predicted by *La Rouché*, an American economist and presidential aspirant (1994). The demise of the Eastern bloc saw the collapse of the Eastern Tigers' economies, an indication of earlier predictions and non-committed investments in the area by the leaders of the international community, notably amongst them, the developed Western bloc countries (USA, UK, Italy, Germany, Japan, France, and the Netherlands).

The question to ask is what informs international response to World's problems? We had earlier said that problems that have international dimensions or those that will impact the world negatively are the ones they will respond. However, it has been noticed that very important problems, have in many cases, been ignored by the international community. The problem of poverty is the most glaring. Why was this not confronted when it started? How about the rise and sustenance of repression against

Palestinians by Israel? Why was apartheid allowed in South Africa for so long? Why is Britain allowed to colonise Argentina's Falkland Island till date? Why did it take so long for the international community to intervene in Liberia and Sierra Leone? These and many others keep worrying us.

However, in this paper we decided to take up poverty and analyse the new international focus on it. Is the focus real? Why is this focus now? What are the options adopted to ameliorate poverty? These are the issues this paper will address. The general objective of this paper is to undertake a political economy discourse and approach to the new and late international focus on poverty.

## 2.0. THE THEORETICAL FRAMEWORK

This paper adopts the distributive justice theory as its framework. This theory has a lot to do with poverty in the world amidst plenty. The theory although not universally accepted currently and in its infant stage is by me a lucid interpretation of what the world should look like. The theory of distributive justice actually states that justice, especially that of poverty eradication, should be justifiably distributed for the benefit of the whole world (Keohane, 1989). The theory views, as a stepping stone of the applicability of this theory, the recent call by developing countries for a New International Economic Order (NIEO), an obvious departure from erstwhile World Economic Order (WEO), which favoured only a part of the global system (the North pole countries).

The theory of distributive justice, which was actually developed by Latin American economists, was adopted by some Third World governments, who called for a New International Economic Order in the 1970s (Keohane, 1989; Weisband, 1989). They saw the plight of vast millions of people who painfully wither in the face of squalor beyond the bounds of human dignity as a consequence of injustice wrought by forces beyond their control, which obviously include unjust terms of trade against the primary producing UDCs, among others.

A situation where countries in the Northern Hemisphere gain more favourable terms of trade had been criticised by many. The *Prebisch-Singer* thesis arguing that economic development of Latin American countries is impeded by a tendency for long-run deterioration of terms of trade of raw materials producing countries has acquired enormous support status. Although there are attempts to re-write history with *Theodore Morgan* of University of Winsconsin, resorting to United Kingdom and Japanese 19<sup>th</sup>



century data to demonstrate terms of trade of primary product (Higgins, 1964). Also, *Gottfried Harbeller's* attack on the thesis at the Rio de Janeiro meetings of the International Economic Association in 1957. Harbeller is of the opinion that after all deteriorating terms of trade (TOT) could not be said to be bad.

While discussing Harbeller's, *Dr. Helio Schilitler Silva* pointed out that factually Latin American terms of trade deteriorated between 1870 and 1940 for both minerals and tropical products, and with respect to both the UK and the US. Thus he remained unconvinced by Harbeller's argument on this point. However, *Howard Ellis*, agrees with Harbeller, stating that "on a sober and objective basis... many other lines of activity and policy are vastly more important for raising per capita income than operations directed towards influencing the terms of trade". Also, *Ragnar Nurske* maintained that there had been a tendency to "exaggerate both the actual extent and the economic significance of changes in the terms of trade" (Higgins, 1964).

Notwithstanding these arguments, the fact remains that export of the UDCs are highly concentrated. It is based on this that a call for the re-ordering of the present international economic order is envisaged (Higgins, 1964).

The demise of the cold war and West's concentration on integrating and reforming the former Eastern bloc countries largely at the expense of the Third World, the new mythology of the dangerous classes is becoming clearly identified with the South. Today's uneasy bourgeoisie, inside and especially outside the South, would prefer to ignore them but realises implicitly or explicitly that, somehow, these masses will have to be held in check and managed (George and Sabelli, 1994: 144).

In fact, distributive justice theory suits the paper appropriately as it tries to highlight the right position the international community should take to eradicate poverty in the world, if this truly is their aim in their current message against poverty. If justice had been distributive, the monumental incidence of poverty in the UDCs would have been minimal. If world political economy was not anchored on self-interest alone, wide-scale distribution of world's riches could have reduced poverty and other problems considerably.

### 3.0. THE PREVAILING INTERNATIONAL ECONOMIC ORDER

The prevailing international economic order (ieo) had witnessed the world as a global village, faced with the Cupertino of unequal

partners in economic and trade matters. The northern pole countries are by far more developed and organised than the Southern pole countries. The International Economic Order (IEO), which calls for free and liberalised trade, even under GATT, places the small nations at a disadvantaged position. The Southern underdeveloped countries which have abundant raw materials, whose international demand is price-inelastic do not have any influencing say over their goods. However, when such goods are refined and sent back to these nations, they go at exorbitant rates, as demand for input in these underdeveloped countries are price-inelastic. This condition, therefore, opens an avenue for obvious exploitation of the poor countries by the very rich ones.

A justifiable means of assessing the above scenario will be to take a look at the terms of trade of the developed and developing countries. It is always evident that the terms of trade in many cases favour developed countries. Higgins (1964) in the manner of *Galbraith* argue that UDCs suffer deficits in their terms of trade with DCs. This is also corroborated by the theory of Lewis (1954).

This lopsided Terms of Trade (TOT) forced the southern countries to consider forcing the international community, by any means possible, to adopt a New International Economic Order (NIEO), where countries will be equally treated and respected in international trade and other transactions. They saw the domination of the developed north-pole countries as resulting from the South's over dependence on them for export, and even import. This realisation energised the south to call for and encourage South-South co-operation in trade and international economics. The new focus was hoped could weaken the power monopoly of the northern developed countries of the world.

With the expected NIEO not in place, the developed countries continued to dominate. This domination had further widened the existing gulf between the developed and developing countries, the rich and the poor in the world, and has really engendered capitalist appropriation of sources, means, and factors of production.

The developed countries have continually committed the yield it is making from these developing countries in developing themselves and in the arms race. However, as the economies of the developing countries gets worse daily, demand for the goods and services of the developed countries wane, thus reducing the developed countries' GNPs.



The summary is that, the North-South relationship as represented in the current IEO has brought about serious lop-sided and unfavourable terms of trade against the developing countries.

#### **4.0. WHY, THE LATE FOCUS ON POVERTY?**

As at 1966, the World Bank had estimated the yawning poverty facing the world and its implication (Susan and Sabelli, 1994). The Indian and Ethiopian famine experiences and Malthusian theoretical exposition glaringly shows the effect of poverty: first manifested in poor demand power and subsequently, depression of the economy. Notwithstanding the serious implications of poverty in the world, the developed western nations, which comprise the cream and core of the respected international community, cared less or very minimally so about the 'monster'. They saw poverty as an inevitable thing that has come to stay with underdeveloped nations. After all, the *Holy Bible*, they say, is quoted as saying, "... the poor you always have with you...."

In its action or programme schedule, fighting poverty in developing countries was among the least in their prioritised list. Both the Eastern and Western blocs developed countries concentrated their riches and armoury in prosecuting the cold war. The arms race was the order of the day. The poor underdeveloped countries were encouraged and sensitised to import arms and ammunitions. Between 1960 and 1990, over 60% of imports by underdeveloped countries were arms and ammunitions. Many of these small countries were drafted to take sides in the name of allies. Grants and aid given to the allies by their senior partners were with specific instructions to be used for arms import. This created the unnecessary demand for the products (in this case arms and ammunitions) of the developed industrialised nations.

It has been argued by many, (Mcnamara, 1973; Clark, 1981; Agene, 1995) that the World Bank spent so much between 1960 and 1994 in the UDCs to alleviate poverty. However, Susan and Sabelli (1994), Pearceman (1994) among others argue contrary to this view. Their counter argument is that what the World Bank spent was too meagre to correct the rigidities in these economies. That if the World Bank announced, for instance a loan or grant of \$10million for poverty alleviation work, about \$8 million would be repatriated to the rich DCs to fund vehicles, expatriate quota and other foreign concerns. This ends up depleting the effect of such alleviation strategy.

Recently, there had been concerted efforts made by the international community to address and correct their stand on poverty in the UDCs. This late unprecedented focus has brought about queries and surprises from the progressive sections of the world community. The paper will in this section critically analyse the causes of this late focus

- (i) **Collapse of the Eastern Bloc** – The collapse of Soviet Union signalled the end of socialism and organised Eastern bloc in the international comity of nations. With the end of the cold war, the craze for the stockpile, import and export of arms and ammunitions was no more the order of the day. Rather, countries were investigating options for economic growth and development. Also, DCs who were depending on arms export experienced serious threatening negative Balance Of Trade (BOT) positions. A need for diversification was obvious, and DCs had to identify such diversification if their economies must not collapse. The solution was none-other than the stimulation of the import demand consciousness of the UDCs. The only way to do this was to improve individual demand power of these UDCs. Thus, the fight against poverty began.
- (ii) **Intensive Immigration to the DCs** – The swelling number of immigrants, escaping from excruciating poverty in their home countries (the UDCs) to the DCs posed serious social and economic problems in these DCs. Unemployment was high and population far exceeded facilities. A large percentage of these immigrants were illegal. Cases of illegal immigrants abound to prove this assertion: in 1997 German citizens protested against immigrants who had come to cause unemployment in their country. In the same year French nationals called for the immediate deportation of immigrants. In the month of October 1998, a Nigerian immigrant to Belgium was killed while police tried to evacuate her from Belgium. In May 1999, another Nigerian national was killed in Australia while police were trying to forcefully evacuate her. In the late 1997 and early 1998, the USA was fighting Cuban and Mexican nationals who immigrated illegally into the USA in order to escape poverty. The only way to stem this soaring problem is actually to



encourage growth and development in the UDCs, the DCs concluded.

## 5.0. THE POVERTY ALLEVIATION MESSAGE

### 5.1. Agencies That Carry This Poverty Alleviation Message:

The anti-poverty message of the international community is that of alleviating and not eliminating. After all, in our Part 1 poverty defined as a relative concept was only defined as perceived by the poor. Therefore, the international community develops strategies to alleviate poverty, while the benefiting country is expected to sustain such strategy for subsequent eradication of poverty in its domain.

Over the years, the poverty alleviation message has been carried by some international institutions – the World Bank, International Monetary Fund (IMF), United Nations Development Project (UNDP), and International Fund for Agricultural Development (IFAD), Non-Governmental Organisations (NGOs), among others. Complementing the institutional messages are embassies of developed countries, which in most cases provide the important poverty alleviation facilitation.

### 5.2. The Message

Interesting to note is the nature of the poverty alleviation strategy adopted in UDCs by the developed countries and their agencies. The message centres on improving the welfare of the UDCs. Also, the welfare improvement is to be anchored on sustainability. These international messengers are of the opinion that the only way UDCs could sustain investment is when they invest in small projects. That such sustenance will definitely alleviate poverty. Given this scenario, the development message which these agencies carry include the following:

- (i) **Investment In small ventures** – “Small is beautiful”, they always say. This will allow the cadre of people to always look for investment in small ventures. Many rural development initiatives of most development agencies are inundated with expired technology. They argue that one has to start from somewhere (very low) before reaching for the tops. In many cases, facilitation fee for expatriates labour (that could have been conveniently recruited in domestic system) far outweigh actual project fee. Funding of large scale industrial concerns are not granted the UDCs. When granted, it is at a very exorbitant and

competitive market rate, that will discourage borrowing. This inability to borrow to meet industrial development need, for example, in Nigeria, has led to the closure of many budding industries like: Oku Iboku Paper Mill; Delta Steel Company; Ajaokuta Steel Mill; etc.

- (ii) **Invest Only In Agriculture** – What many development agents are encouraging in UDCs is agricultural intensification. They say this is to meet the food demands of UDCs and reduce poverty. However, in agriculture, they do not encourage mechanisation. They see this as an unsustainable approach to farming, but they are adopting similar system in their countries. Other needs of these countries, they say, should be imported. In fact, 80% of United Nations (UN) assistance to UDCs is for the agricultural sector.
- (iii) **Develop Interest Groups and Unions** – They facilitate and encourage the formation of interest groups in the communities or grassroots level. The danger with these groups and unions is that it may mar competition as collusion may set in to protect the suppliers and destroy the buyers.
- (iv) **Do not Deforest For Development** – They make the UDCs believe, and fearfully so, that if they deforest, the whole earth plane will be extinct. They see any industrial development project in the UDCs as generating anti-environmental properties that will definitely mar the expected fall-out of development. The question then is, did they not consider this fact when industrialisation started in Europe and America? There is currently a great debate on industrialisation and ozone layer depletion. The current trend of argument in the developed world is yet that no more industrial estates should be created, especially in Africa that earnestly seeks industrialisation in order that the ecosystem balance of the world could be maintained for the sake of keeping the current level of ozone cover. We should recall that it is only industrialisation that closes the yawning gap between the Developed and under developing countries of the world. We also know that proceeds from sales of raw agricultural



products will only perpetuate the dependence of Underdeveloping countries on the Developing countries, as the DCs determine the price of the products while also indirectly but forcefully determining quantity supplied of these products (crude oil which is a major export product of developing countries is a perfect example). There is yet any argument to the fact that some of the industrial estates sprawling the developed countries should be relocated to these underdeveloped economies, since there is need to regulate the establishment of industrial estates in the world.

## 6.0. CONCLUSION

That poverty had been razing the economies of the UDCs for over two centuries now is not a new thing. What is new is the current brazen movement of the rich DCs to offer palliatives to the poor UDCs. These palliatives, from our analysis can only stimulate the demand-side of the UDCs economies, while becoming neutral concerning the supply-side. If this is achieved, then the UDCs will continue in their perpetual dependence on the DCs.

Also, given the practices of the DCs in providing poverty alleviation palliatives to the UDCs, the theory of distributive justice, which this paper adopts, still remain a mirage. Self-interest and greed to monopolise governs the sensibilities and intellects of the DCs. Driven by this greed and self-interest the theoretical foundation of our paper becomes unattainable.

In conclusion therefore, this paper posits that the new international focus on poverty is not well founded. It is anchored on self-interest, half-truths, and basic sympathy in some cases. If the international community is really interested in poverty alleviation, the distributive justice approach should be embraced. This will secure the New International Economic Order (NIEO) that progressive UDCs had been yearning for.

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