The Creation of Underdevelopment

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In any discussion on development or underdevelopment, the first sticking point usually, is a definition of the term. Can development be judged on the basis of a per capita Gross National Product over a certain amount ? Is the percentage of the working population employed in industry a valid measurement of a nations development ? I think a more humanistic approach is to measure the quantity of doctors per thousand, average life expectancy or even more crudely, the existence of malnutrition. If you use any of the above criteria, you may still arrive at the same answer, that the majority of the world's nations are less well off than the 'First World', and that many are lagging further behind rather than catching up. I intend to show that underdevelopment is principally due to the effects of colonialism and imperialism. Colonialism introduced dependency into parts of the world which had been self sufficient for millennia. It denied those countries a natural development of their own culture and imposed western religious and social rules on the indigenous peoples.

The stripping of native resources and the resulting dependence on imports from Europe, effectively financed the Industrial Revolution and with every technological leap forward, the gulf between colonised and coloniser increased. Both the World Bank and Ratzel's stagist theory see industrialisation as a key element of development, "the bank has always viewed industrialisation as a means to raise productivity and incomes." (World Bank Development Report, 1987) Two essential inputs for production are capital and labour, both were taken from the colonies in large quantities, and left the labour force and resource base seriously weakened. The drain on capital from the Third World continued after independence, and in many cases even increased. The developed nations are importers of primary products and exporters of manufactured goods, their countries, especially in Western Europe and Japan, are far too densely populated to feed themselves with their own produce, they must trade to survive. Where would they export their excess to and import their needs from if all of the world was developed? The willingness of banks to invest in the Third World, initially for development but increasingly to meet day to day obligations brought about the debt crisis when the world economy went into recession in the 1970's. A brief look at the growth of European power and the rise of the World Economy would appear to be the logical starting point to our understanding of the problem.

Africa and Asia had long been known to Europeans at the end of the 15th century, trade had been conducted for centuries with China, and North Africa had supplied grain to the Romans. Two countries on the periphery of the trade with both Asia and Africa, due to the virtual monopoly on Mediterranean shipping by the Venitians, were Spain and Portugal. They led the way in searching for a western trade route to the Far East, and thus found the New World. The impact was almost immediate, the new lands attracted many people, often supported by princes who financed expeditions in return for tribute (Parry,1952). The gold and silver taken from Central and South America encouraged other European nations to look westward, and it was there that most effort was expended at that time. By the beginning of the 18th century Spain and Portugal controlled Central and South America,with minor exceptions such as Dutch Guiana. Africa was largely unexplored apart from the coast and immediate hinterland, the Cape was an important link in the trade with Asia and was one of the few substantial developments. Asia was valued for its spices, and early in the 18th century Holland achieved control of the "spice islands", leading to the rule of territories through companies such as the Dutch East India Co. and its English counterpart.

Africa then came into its own through the increased supply of slaves to the Americas. The plantations there were having problems due to the shortage of native labour, disease and malnutrition having taken their toll, (Hayter 1981, de Castro 1952). Millions of Africans were removed from their homeland to keep the mines and fields across the Atlantic in production. The numbers are impossible to quantify. Adedeji (1981) states that up to 50 million may have been transported or killed in transit. While this may not be exact, it does indicate the scale of the traffic. The profits from the transport and sale of this human commodity, along with the profits from the production of the plantation crop were enormous and greatly contributed to the expansion of the European economy. Africa was then subjected to the somewhat similar treatment as the Americas,

> seven European powers took simultaneous military action to share out a continent. In just over twenty years Africa was carved up and subjugated.
>
> (Crow et al, 1981)

The United States, Canada, Australia and New Zealand had achieved independence or dominion status by the end of the 19th century, and the Russian empire had a boundary similar to that of todays, the North-South divide had taken shape.

So what was the effect of colonialism across the world? Walter Rodney, quoted in Hayter's 'The Creation of World Poverty' (1981), Hayter's 'The Creation of World Poverty' (1981),

> The contention here is that over this period Africa helped to develop Western Europe in the same proportion as Western Europe helped to underdevelop Africa.

The vast profits made by individuals and companies from plantations, slave trading, or plunder were eagerly taken up by the advent of the Industrial Revolution. This had a dramatic effect on the colonies around the world. There was a great need for raw materials, and for markets to which to export these goods. A form of infrastructure was developed, but it did not account for the needs of the colony. Railways for example were built (usually with local capital) purely to help export raw materials and to facilitate the import of manufactured goods. In India the effect of this was drastic,

> the British subsequently proceeded to destroy the industrial economy of India Between 1815 and 1832 the value of Indian cotton goods exported fell from £1.3 million to below £100,000. Not only that, but the value of English cotton goods imported into India rose from £156,000 to £400,000 by 1832.
>
> (Hayter,1981)

This was achieved through duties and taxes, and sums up the desires of the colonisers. The colonies were expected to supply raw materials at prices set by their European rulers, and then import manufactured goods at prices again set by the Europeans. One of the more tragic events was the switch from subsistence farming to the growing of cash crops, cotton, groundnuts etc. for export. This led to areas which before could feed their population, but now were unable to do so. The original occupiers of the land were forcibly removed or 'evicted' when they could not pay their 'taxes' (Amin). The consequences last to this day in many countries, they export cash crops to help pay for 'development aid' and receive or buy surplus butter and wheat as food aid. Once fertile soils were over used and not allowed to recuperate, leading to erosion and infertility, the effects of this are visible today in all the lands of the 'South'. The plantation owners took no heed of the local conditions or practices in their choice of crop or land, if England required cotton for her mills so then India would grow cotton.

Perhaps the most cynical phase of exploitation came after independence, or nominal independence, of the colonies. When it became obvious that the status quo could not be maintained, independence was granted, but not for humane reasons, rather as the best means of keeping a hold on what they had. In Africa, for example, the continent was often divided up into tiny states, incapable of surviving on their own, some land-locked and depending on neighbours for transport links, others with colonial borders drawn in straight lines, across tribal lands and geographical features. Instead of national colonialism, neo-colonialism in the form of domination by multi-national companies came into being. Instead of straight forward plunder, intricate methods of pricing were used, supernormal profits. To illustrate the returns on investment made by the multi-nationals, a lengthy quote from Frank (1965) is useful,

> Estimates from the US Department of Commerce show that between 1950 and 1965 the total flow of capital on investment account from the US to the rest of the world was $23.9 billion, while the inflow from profits was $37 billion, a net inflow of $13.1 billion. Of these totals $14.9 billion flowed to Europe and Canada, while $11.4 billion flowed in the opposite direction,a net outflow of $3.5 billion. Yet between the US and all other countries, that is mainly the poor, underdeveloped ones, the situation is reversed. $9 billion of investment flowed into these countries, while $25.6 of profits flowed out, a net inflow from the poor to the rich of $16.6 billion.

It does not require more than basic arithmetic to realise the returns in percentages, from the developed world -30%, and from the under developed 284%. Raw materials were still imported by the former colonisers at prices set by themselves, with out any value added, Nkrumah (1981) writes

> In 1954 Nigeria produced 89,000 tonnes of cocoa beans and received for her crop £39 million, in 1965 it is estimated that Nigeria will produce 310,000 tonnes, and is likely to receive for it £40 million.

A trebling of production, for no extra gain over 11 years, which does in fact mean that Nigeria got less for her exports in real terms. Technology developed by the multi-nationals was seldom used to its potential in the former colonies, and what little was used ommanded prices again above the market norm. Multi-nationals often bought native enterprises, using local capital to finance development or build the infrastructure, further depriving other indigenous industries and resulting in more loans being required. The involvement of these multi-nationals in political decisions, aided and abetted by their governments can result in repressive regimes, the take-over by Pinochet in Chile being a case in point, narrowing the dispersal of wealth, leading to dictators like Somoza in Nicaragua, or Marcos in the Phillipines amassing great wealth, while millions of their peoples suffer. The case studies in 'Africa Undermined', (Lanning with Mueller,1979) show in detail the lengths some companies went to in 'protecting' their investments, often backed by their home nations. Somewhat enlightened regimes in Cuba or Nicaragua, where social policies were to be put in place, denial of aid and export markets or outright force were used to try and change these policies,.often in the guise of stopping the communist threat.

The distribution of aid and loans from bodies such as the World Bank and the I.M.F. or private institutions has caused an enormous outflow of capital from the develop ng nations. Nkrumah (1965) quotes World Bank figures for developing countries debt at $27,000 million in 1962, and interest payments of $5,000 million. By 1985, total debt for the 74 developing countries amounted to $73,500 million (World Bank Development Report, 1987), interest payments and service charges totalled $43,625 million. As stated above, many of the projects granted such aid benefited the large companies or dominant individuals, or often siphoned off by corrupt officials. The interest payments on the loans often required hardship on the part of the ordinary citizen, without any real benefit for him. With the primacy of the free market system being usually essential, conditions were set before aid was granted. These conditions further enmeshed the country in the world capitalist system, along with a reduction in government subsidies on staple foods or transport. Another was the strategic value of the state, economically or militarily, for example if it was in a transport 'choke point'. Vast amounts of military aid was given, fueling the wars caused by border disputes, Western powers could test their weapons by proxy and fight the cold war in relative comfort.

> Total arms sales to Sub-Saharan Africa by the West were worth $1,341 million in the period 1974 to 1978.
>
> (Wickens, 1986)

The use of hard earned foreign currency to repay these loans can take up to 20% of GNP according to the World Bank Development Report, diverting capital from education and developing the countries own industries and agriculture, further delaying the prospects of joining the exclusive club of developed nations.

This essay is focussed on the creation of underdevelopment through economic processes. There is of course a social or human face to be considered. Instead of somewhat crude economic measurements of underdevelopment, the basic needs approach seems a more pragmatic form of assessment. The G.N.P. per capita indicator hides a maldistribution of wealth, for example, Brazil had a GNP in 1972 of $1,000 per capita, but 10% of the population owned 50% of the wealth. The purpose of the basic needs approach (BNA) is, as Spalding (1990) writes, "to provide a level of subsistence to all so that no one starves, and all are capable of being productive members of society." Productive, that is, in social and political terms, and not just economical. As stated above, colonialism built an infrastructure to suit its own requirements, not those of the people living in the region. The effect of this was to unbalance the country, often in favour of a particular class or tribe, who then became dominant and formed a 'petit bourgoeoise', and served the coloniser. This has been termed the dichotomy of capitalism, although Wallerstein argues for a three tiered system, (in this case the colonisers, the 'petit bourgoeoise', and the 'rest',) as this preserves 'stability.' Their reward was often to assume power when the country was granted independence, and they then suppressed any political activity (Amin, 1976). The result of such suppression was often violent revolt, and at times the installation of single party rule. The view in the developed world of these 'communist takeovers' is one of horror, but can those countries in such precarious positions indulge in the 'luxury of pseudo-democratic politics' ? The first priority for many is food and shelter, and once this is satisfied there may be time for politics.

Make no mistake, the developing countries are not in the situation there are in because of the lack of intelligence or will to work, or because of the environment as some of the determinist thinkers of the Victorian era thought. Neither is it because they are not civilised. Civilisations existed in Africa, America and Asia long before the Age of Enlightenment in Europe, most of the advances in science and philosophy originating in the Middle East or Asia. The irrigation systems in present day Iraq, our alphabet and paper all originated in the Middle East, as did gun-powder in China and so on. As de Castro (1952) argues, hunger stops the average Latin American from reaching his full potential, that hunger being the result of situations beyond their control. The root cause is consistent exploitation, and a political will to maintain the economic domination of the undeveloped world, by the developed world, through military force if necessary, but usually through financial largesse or economic blockade. The situation is I think adequately summed up by Lanning and Mueller (1979),

> Africa's subordinate position in a world economy dominated by the advanced industrial nations is maintained by the giant international companies. The obstacles blocking the way are too great, and the forces too powerful, for a poverty stricken African state, however richly endowed with resources to develop its potential as part of the world capitalist system.

The age old device of divide and conquer has served the West well, the Third World is divided as a bloc and often internally, - El Salvador, Mozambique and the Phillipines for example. There is little reason to think that the developed world will change its policies unless forced, perhaps by a unified Third World (possibly through the non-aligned movement) with the threat of non-repayment of debts and interest charges, and the withholding of produce. However, strategic stockpiling, and debt moratoriums to a few, would soon break the fragile unity. The Cold War may have ended for some, but for most of the world, business goes on as usual.

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