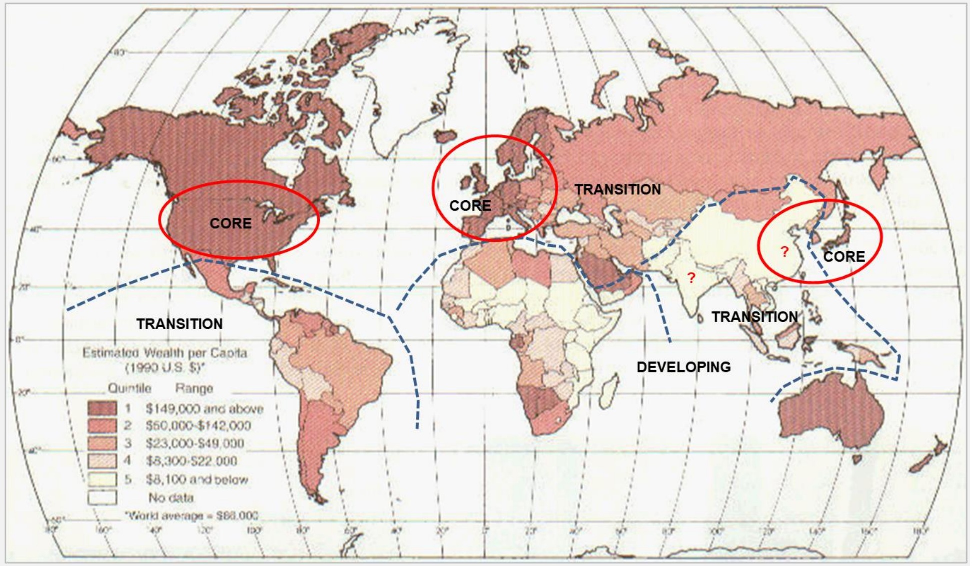
Core and Periphery Issues…

The idea of “core” and “periphery” describes the difference between the highly developed countries and the developing countries. The core consists of the US, Canada, Western Europe (and now some Central European countries), Japan, and South Korea. Developing countries that are at high levels of development include China, India and Brazil. Developing countries that are at mid-range levels of development include Mexico, Brazil, Argentina, Chile, Thailand, Indonesia, Pakistan, Egypt, Turkey, and some Central and Eastern European countries. Most other countries are at a lower level of development or fall into the category of “least developed.”

For example, Nigeria (in Africa) is a developing country, but has struggled to see development really take off – despite being a very wealthy country in terms of natural resources. Nigeria is a major oil producer, but has seen those petrodollars siphoned off by a vey few wealthy individuals, and there has been allegations of bribery, fraud and illegal profiteering. In addition, like many of the least developed countries, Nigeria is primarily reliant on the export of raw materials to the developed countries… crude petroleum, which is refined into higher grade products (gasoline, fuel oil) or used for the production of other products such as agrichemicals or plastics.

→ if you are selling crude petroleum and buying back finished goods like plastic pipes for plumbing, then you are selling/exporting a low value product and buying back/importing higher value products… this creates a trade deficit, and is one reason why many of the least developed countries have extremely high debt.

Circular and Cumulative Causation: this concept reinforces the problem explained above. The most developed countries import raw materials from the least developed countries and turn them into finished goods to sell at home and export – including back to the least developed nations. This means that the profits made by the least developed are low; the profits made by the highly developed countries are high. This allows the highly developed nations to continue to amass the world’s wealth.



That cycle is also highly protected. Trade agreements unfavorable to the developing countries keep resource prices low. Trade barriers such as tariffs prevent finished goods made in other countries from entering into another country at a competitive price. Sometimes, embargoes are used to prevent any goods entering if there is political ill will between countries or if there is some perceived “issue.” This happened to Chile a number of years ago when Alar, an agricultural chemical that is banned in the US, was detected in minute amounts in fruit imported from Chile. The US banned the importation of fruit from Chile for some time after that. Quotas can also be used to limit how much another country can send to another, and these are frequently used to protect domestic industries. There have been quotas on steel imported to the US at various times, arguably to protect the US steel industry which was going bankrupt by the 1970s (and has nearly disappeared today). The problem for the US steel industry was that they did not modernize and newer less expensive methods were being used outside the US, along with places where labor and other business costs were lower. There were, certainly, cases where “dumping” occurred – importing a product like steel at artificially low prices (sometimes subsidized by the government of the exporting country). Also, some industries and technologies are protected. It is illegal to export some things to certain countries. Patents and trademarks keep others from duplicating what someone else created.

In addition, corporate colonialism and neocolonialism can keep developing countries from increasing their wealth. Corporate colonialism occurs when multinational companies from the highly developed nations open plants and facilities in a less developed country that can prevent domestic industries from opening or competing. Neocolonialism is when a less developed country is overly dependent on trade with a former colonial power, especially when former ruling country is mainly extracting resources from its former colony. This is a significant problem in Africa – until the early 1950s, almost all the African countries were colonies of Great Britain, France, Portugal or Spain (and at various times, Germany, Italy and Belgium).

Circular and Cumulative Causation and dependence through either corporate colonialism or neocolonnialism can be summed up as “the rich get richer…”