

Chapter I

Conceptualization of the term “developing countries”

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The concept of developing countries (DC) is the subject of controversy and terminological disputes among scientists dealing with this issue. They result in the introducing into science many terms describing this group of countries. However, none of these terms, despite various methodological premises and various criteria used in their selection and formulation, was deemed fully satisfactory, for none of them avoided serious substantive flaws. The objections concerned not only semantic issues, but – above all – the impact of adopting a given term on choosing a specific research and – in the period of the bipolar system of international relations – also ideological perspective. Each of these concepts is also burdened with the perception of the world through the prism of Eurocentrism, which makes it difficult to find appropriate solutions to the problems that these countries have been struggling with for years. Many authors adopt a priori a specific concept, ignoring its scientific interpretation altogether, or even worse, use the terms interchangeably, without due concern for terminological precision or the theoretical content behind these concepts.

1.1. The criteria for classifying developing countries¹

Initially, to define the community of these countries, their characteristics related to the achieved level of economic development were taken into account in the first place. Thus, adopting the economic criterion, they were called underdeveloped, delayed in economic development, backward, low developed, less advanced, low-income countries, economically undeveloped or underdeveloped countries, peripheral countries. In all of the above-mentioned concepts, the reference to the economy of Western countries was considered the most important, treating the historical development of Europe as an example to follow on other continents.

Scientists and politicians representing the countries of Africa, Latin America and Asia pointed out that in terms of demography and territory countries called underdeveloped constitute the vast majority of our planet. In this situation, they believed that the level of economic development achieved by them should be treated as typical for most countries of the world, and not in terms of backwardness. However, if one takes such a point of view, the economic situation of these countries would not require extraordinary measures and special regulations. And yet it is not so. Without external aid, not limited to development aid, the vast majority of these countries have no chance of breaking the “vicious cycle of poverty” or the process will last indefinitely.

The economic criterion is highly helpful in dividing DC within the framework of a heterogeneous and increasingly differentiating group. This grouping simplifies donors’ granting of development aid, and facilitates trade exchange, creating the possibility of granting additional economic preferences mainly to those countries which found themselves in a very difficult economic situation, often through no fault of their own.

Referring to the geographical criterion, this group of countries was called the poor South, tropical countries or countries of Africa, Latin America and Asia. By adopting these terms, it was suggested that their difficult economic situation was a result of their geographic location, unfavorable climatic conditions, and the presence of rich natural resources, which gave these countries an unfavorable place in the international

¹ Further on the criteria for classification of DC see Deszczyński (2001c, 13–30).

division of labor. While the geographic factor did play a very important role in international relations in the past, in the era of dynamic development of economic and technological progress it can at best condition economic development, without, however, prejudging its final result.

The use of the geographical criterion raises also reservations of a formal nature. To the south of the equator lie such highly industrialized countries as Australia and New Zealand, and in Asia – Japan belonging to the G7 and China which is ambiguous to classify. Rich resources of raw materials do not always lead to a disadvantageous place in the international division of labor – the case of the oil-rich Arab states. Due to its static nature, the geographical factor also does not make it possible to take into account qualitative changes taking place in the economies of DC. After all, many countries of the South have more GDP per capita than some countries of the North.

The term "South" has become relatively widely popular, among others, thanks to the Report of the Independent Commission on International Development Issues under the Chairmanship of Willy Brandt "North – South: A Program for Survival". Its use seems justified precisely in the context of analyzing the North-South conflict. In this case, the very name "South" should not be strictly associated with the geographical criterion. It has a broader character, serving as a synonym for poverty, just like "North" serves as a synonym for wealth.

This criterion can be helpful in grouping these countries precisely according to their geographic location. This is because countries located in Africa, Latin America or Asia have their specificity. This was also the guiding principle behind the creation of the African Development Bank (AfDB), the Asian Development Bank (AsDB), the Caribbean Development Bank (CDB) and the Inter-American Development Bank. Moreover, apart from the continental criterion, there are also other, no less important, geographical reasons for the creation of further subgroups of countries, such as, for example, countries with or without direct access to the sea, located only on an island or islands, equatorial, covered with tropical forests, desert or semi-desert etc. All of this should be taken into account when deciding on adopting a specific economic strategy and providing these countries with development aid.

In turn, based on the historical criterion, the studied group of countries was called post-colonial or newly liberated countries. The justification for these terms is the colonial legacy, in particular the colonial past or the past of a dependent, semi-colonial country still weighing on the economic, social and political structure.

Without denying the accuracy of most of the above assessments, the term “post-colonial countries” does not meet the formal requirement on the basis of which it was distinguished. In accordance with historical facts, the former British colonies – the United States, Canada, Australia and New Zealand – should also be included among the postcolonial countries. The term “post-colonial countries” but also “newly liberated countries” lacks sufficient precision for another reason as well. In this group of countries there are also countries that have never been colonies – Afghanistan, Ethiopia, Iraq, Iran, Liberia, Nepal, Thailand, Turkey. Therefore, if we accept the claim that the colonial legacy was such an enormous burden on the economic development of the former colonial territories, why are Afghanistan and Ethiopia among the poorest countries in the world? There is also the question of how long these countries can be called postcolonial or newly liberated. Are Latin American countries, some of which gained independence as early as the 19th century, still newly liberated countries? Is the use of the term “post-colonial countries” still legitimate in the 21st century? This term carries the risk of throwing all misfortunes, including mistakes made by already independent states, only on the legacy of colonialism. It can therefore be an obstacle in looking for appropriate solutions to the complex problems of these countries and only strengthen their demanding attitude.

The terms “developing countries” and “the Third World”, most frequently used in the literature, were distinguished on the basis of the political criterion. In 1956, the concept of DC was introduced into the official nomenclature and disseminated by the United Nations Organization – UN. It contains a lot of optimism and has been adopted, *inter alia*, in order to cover the negative connotation of terms previously used by economists.

The concept of developing countries, for obvious substantive and methodological reasons, raised many reservations in the economic

environment. It also turned out to be unacceptable to politicians from former colonies. It was emphasized that the concept of developing countries determined *ex ante* something that could only be stated *ex post*, and above all moved the problem of economic underdevelopment out of sight. In the conditions of the beginning of the struggle for creating a new international economic order in the 1970s, the term became an uncomfortable burden for the economic and political elites of this group of countries and was replaced by the term "the Third World".

This name was formulated in 1952 by a French demographer and sociologist A. Sauva. He referred to the work of priest E.J. Sieyes, published during the Great French Revolution. In it the author asked: "What is the Third Estate? Nothing. What does it desire to be? Everything". In 1956 A. Sauvy, together with G. Balandier, popularized this concept to describe the countries gaining independence in the process of decolonization. In the term "the Third World" a clear analogy was seen between the "Third Estate" struggling for equality during the Great French Revolution and the newly formed states demanding equality within the international community.

1.2. Dualism of the classification criterion of developing countries²

None of the terms presented above, despite the fact that various methodological premises and various criteria were used in their selection and formulation, has so far been considered fully satisfactory, for none of them avoided serious substantive flaws. The doubts concerned not only semantic issues, but above all the consequences of adopting a given term for the selection of a specific research – and in the period of the existence of a bipolar system of international relations, also ideological – perspective. Each of these concepts is also burdened with the perception of the world through the lens of Eurocentrism, which makes it difficult to find appropriate solutions to the problems that these countries have been struggling with for years.

² The classification based on the criteria of duality was presented during the 8th Congress of Polish Economists (Deszczyński, 2009, pp. 346–349).

In this situation, it would be advisable to refer to the UN proposal, the more so as a whole network of concepts based on the term DC has already been created, such as: Development Decades, Development Assistance, Development Assistance Committee, International Development Association, regional development banks and international statistics accompanying these institutions. While the term DC is related to the countries' economic situation, it by no means signifies that they are developing. At best, it can be said that they face the problem of development or that some of them strive for economic development. The concept of developing countries should not be treated literally in its semantic dimension, but as an attribute of an aggregation function that allows, based on an external political and geographical criterion, and above all – on internal ones related to the occurrence of dualisms, to distinguish this group of countries. Scientists from the Poznań School of Development Economics believe that a country should be considered a developing country if it has at least one of the dualisms: political, economic or social. They are closely related, pass into each other and constitute a powerful internal barrier that effectively prevents from overcoming economic underdevelopment. The economic history of the world to date confirms that in the long run only states based on the triad of political, economic and social freedom are able to ensure their own society a long-term and stable economic and social development.

1.2.1. Political dualism

Political dualism is the result of lack of democracy and democratic traditions. Its emergence is related to the commencement of the process of colonization of overseas territories by European countries. Gaining and then maintaining their dependence required the metropolises to create a management system operating directly – with the help of colonial administration – or indirectly – with the use of local state or tribal bodies. In both cases, there was a process of establishing two groups: the political elite associated with the colonial metropolis and the vast majority of society that did not identify with this form of statehood. This duality did not disappear with decolonization, but became even more significant. The

best example of this is the excessive expansion of state administration and the police and military apparatus in most developing countries. This is because the current rulers very often (even if they were democratically elected) do not accept the principle of alternation of power (the case of Robert Mugabe in Zimbabwe) (*Die Millenniums-Entwicklungsziele*, 2006, pp. 122–124). As a result, the effectiveness of the political system is diminishing, and it is necessary to replace democratic procedures with the use of massive violence by the authorities in order to ensure their existence and to stay in power. Political institutions in developing countries are also still more an adaptation of foreign models by the intellectual and political local elite than an authentic product of domestic political development. The inadequacy of Western political systems is manifested by the lack of political stability, generated by contradictions between political institutions and the socio-economic structure and political culture, which is an emanation of cultural and religious traditions. The institutions of Western representative democracy do not work in the conditions of social dualism. Therefore, their success depends to a large extent on the elimination of social dualism which in turn largely depends on the existence of economic dualism. It should also be remembered that democracy in the West was not introduced overnight, but developed gradually over a long period of time by extending the passive and active electoral law to an ever wider group of citizens (e.g. by abolishing property qualification, lowering the age of eligibility for participation in elections, covering women with electoral rights) and introducing fully democratic, i.e. universal, equal, secret and direct elections. We deal with political duality in a state when at least one of the following situations occurs:

1. There are not fully democratic elections.
2. Political freedoms are violated and fundamental human and civil rights are not respected.
3. There is no political and social pluralism.
4. There is no principle of alternation of power.
5. Trade unions and non-governmental organizations cannot function freely.

1.2.2. Economic dualism

The essence of the economic dualism consists in the functioning of the modern and capital-intensive industrial sector (now more and more often the service sector) in the economy, next to the very backward, traditional agricultural sector and small-scale crafts. So far, no precise definition of the dual economy has been formulated. Describing it, P.R. Krugman and M. Obstfeld indicate its characteristic features:

1. Much higher production value (usually several times, in extreme situations even fifteen times) per employee in the modern sector than in other sectors of the economy.
2. Existence of similar disproportions in the income of employees of both sectors and of people who are unemployed or occasionally employed for extremely low wages. Nevertheless, wages in modern sectors lag far behind wages in highly developed countries.
3. The returns on capital invested in the industrial sector may not always be higher than those invested in the traditional sector.
4. The high value of production per employee in the modern sector is largely due to the higher capital intensity. In most developing countries, agricultural workers use primitive tools, while those used in industry often do not deviate from world standards (Krugman, Obstfeld, 1993, pp. 171–172).

The emergence of an industrial sector was closely related to the development of the economies of highly industrialized countries and export-oriented production, and not the result of internal transformations of the economies of developing countries, with all the negative consequences for them, primarily in the form of their disintegration. In this situation, the industrial sector has become a kind of enclave, connected with the world economy and almost completely isolated from the local economy. Therefore, it could not become its driving force, as the flows between the two sectors hardly took place. Thus, the increase in income from export production did not increase the sources of accumulation and investment in the economy of a developing country, because usually profits were transferred abroad or industrial and consumer goods were imported.

Economic dualism can be identified by using traditional quantitative measures in the form of GDP / GNI per capita verified with the purchasing power parity (PPP), by analyzing the share of the services and agriculture sectors in GDP / GNI, or by using the EDI and EVI indexes, as well as others, such as, for example, the export concentration index or the Global Competitiveness Index (GCI) introduced in 2000 by The World Economic Forum, aspiring to be the objectivized measure of the economic potential of a state, which includes over 90 variables related to infrastructure, innovation, institutions, macroeconomic policy, technology, management, health and education.

1.2.3. Social dualism

The essence of social duality lies in the fact that, on the one hand, we have a traditional society representing feudal values, and on the other hand, a type of modern-industrial society. There is also a very large ethnic, income and educational diversity. Studies of political culture in developing countries also show a lack of a sense of nationwide, national solidarity as the basis for trust in the political system. On the other hand, there are very highly developed and extremely persistent family or ancestral, tribal, regional, caste and religious loyalties, mostly highly dysfunctional in relation to the political system as a whole. In a situation of distinct historical development of individual tribes, cultural, religious and linguistic differences, opposing political forces are usually not about finding the optimal solution to the problem, but most of all about ensuring the advantage and benefits of their own tribe.

Therefore, social and political dualism constitutes a significant barrier on the way to building a strong and efficient state organization, capable of implementing an effective strategy of economic development in developing countries. It generates phenomena that G. Myrdal calls "soft state". It is primarily about all kinds of social indiscipline in compliance with the law and enforcing it, the quality of law-making, the disobedience of the population and officials to the orders of central state authorities and the corruption of the state apparatus, willing to make informal agreements with persons and enterprises that it should control, low effectiveness

in introducing reforms, low efficiency of using public funds, nepotism, abuse of political and economic power to implement the particular interests of individuals and small groups (Kurth, Körner, Michalowa, 2002, pp. 59–63). The weakness of state structures also creates favorable conditions for the emergence of military dictatorships. With the exception of a few cases (Chile, Asian tigers), not only do they not solve problems, but on the contrary, even aggravate them (cases of Argentina, Brazil or Uruguay). The average share of military spending in the budgets of developing countries in% is at a higher level than in OECD countries and, what is worse, it increases with the growing scale of total poverty.

Therefore, overcoming the social and political dualism and building strong and efficient state structures, resistant to increasing corruption, is an important premise for the elimination of economic underdevelopment in DC. The “soft state” syndrome means that both the financial resources at its disposal and those from foreign sources were, as the practice so far has shown, usually ineffective or wasted (the case of Mobutu in Zaire, Marcos in the Philippines, Abacha in Nigeria, Suharto in Indonesia) (Nuscheler, 2004, pp. 412–415).

One can speak of the existence of social duality when in the state:

1. Citizens are malnourished and starving, which results in a low life expectancy. It is estimated that about 1 billion people are in this situation with a daily income not exceeding \$ 1.
2. The rights of women and children are violated. There is high mortality among infants and young children.
3. There is long-term unemployment and persistently high unemployment rate.
4. There is a low level of adult literacy, lower than 20%, characteristic of Least Developed Countries (LDC), also known as “the Fifth World”.

The phenomenon of social dualism can be identified using the APQLI and Human Assets Index (HAI) indicators, as well as such indicators as, for example, the Gini coefficient, showing disproportions in the distribution of income among citizens, Human Development Index (HDI),

including, inter alia, Life Expectancy Index and Adult Literacy Index, the Human Poverty Index (HPI), which also takes into account long-term unemployment, HPI-1, which in turn takes into account the percentage of underweight children in a given age group, the gender development index (GDI), modeled on the HDI, but allowing to identify the existing disproportions between men and women, Child Risk Measure (CRM), consisting of several measures, incl. informing about the mortality among 1,000 children under five who were born alive, the percentage of underweight children, the proportion of children attending primary school aged 6 to 11 years (Nawrot, 2008, pp. 46–71).