HISTORICAL COLONIAL ENTRENCHMENT

Economic Exploitation of the Global South

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Introduction

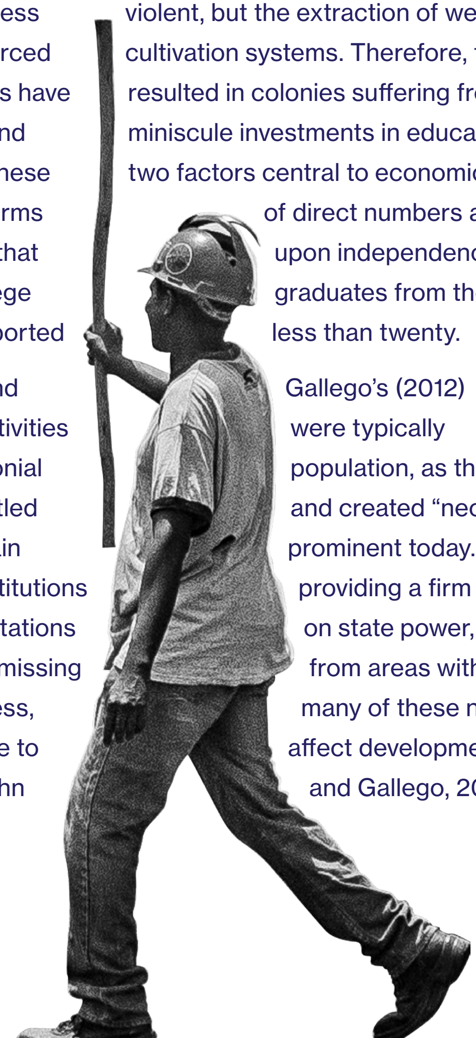
The twentieth century marked the formal end of colonialism, ushering in widespread independence and autonomy for many colonial states. However, the aftermath of colonization has proven to be so long standing and globally dominant that it is frequently recognized to be a major contributing factor in the formation of an economically unequal global system. Developed countries maintain economically dominant positions over underdeveloped nations, with the use of systems and policies that are rooted in hierarchies and dependencies of the colonial period. That said, developed nations continue to exploit underdeveloped nations through modern economic systems which perpetuate a cycle of dependency and inequality that resembles colonial-era power structures. Instrumental mechanisms of this exploitation include the notions of foreign aid and neocolonial frameworks, which continue to uphold the foundation of an imbalanced global order and system. Masked under the pretence of development assistance, these systems institutionalise underdevelopment while benefiting developed economies. To exemplify this, the paper will provide contextual information on the historical roots of colonialism, drawing connections and examples as to how residual effects of colonial institutions persist today in the form of neocolonialism, and evaluating foreign aid as both a means of support and control. Data and case studies from Africa and the Pacific Islands, will be drawn upon in order to underscore the argument. Furthermore, these entrenched mechanisms of control cannot be fully understood without an examination of colonial history. The current economic world order is a continuation of economically exploitative systems set in place by European powers.

Colonial Foundations of Economic Inequality: The Good, The Bad, and The Ugly.

Colonialism has led to an international system which continues to be rooted in extraction and exploitation. European powers brought upon extractive regimes and institutions within their colonies, often turning to Indigenous populations as sources of labour in order to foster their own economic and industrial growth (Bruhn & Gallego, 2012). As outlined by Kaniyathu (2008) in the form of a counterfactual analysis, the economic and developmental trajectories of present-day underdeveloped nations would have had a stronger likelihood of being positive had they not been colonized and if they were allowed to embark on their own independent paths. Furthermore, Kainyathu's (2008) analysis of empirical data presented the idea that perhaps colonialism did not completely hinder economic potential but instead acted as a barrier towards long-term autonomous growth due to the establishment of various structures, such as export oriented economies, and weak domestic institutions.

Colonial powers were economically motivated to gain sustained control over various nations in an attempt to access the market of raw materials (Eneasato, 2020). An analysis by Bruhn and Gallego (2012) put forth three differing types of economic activities undertaken by colonizers, all which resulted in different trajectories of growth. They outlined that activities reliant on labour exploitation (mining, sugar production, etc) are referred to as 'bad', whilst 'good' activities are those which occurred in areas with low pre-colonial populations (crop cultivation, manufacturing), and 'ugly' activities encompass any act which exploited native populations. This colonial system of varying activities continues to correlate with present economic development. Therefore, their research indicated that regions that had undergone 'bad' activities reported 27.7% lower Gross Domestic Product (GDP) per capita and a 13% higher poverty rate compared to regions that were used for 'good' activities.

A comparative study conducted by Frankema and Buelens (2013) delved into the interconnectedness of colonial policies, present-day underinvestment, and extractive economic systems in the Belgian Congo and the Netherlands Indies. This study highlighted how rubber extraction in the Congo under Leopold II's rule resulted in various widespread atrocities which obstructed any surrounding local economies. Furthermore, their research located that Dutch colonization of Indonesia had been seemingly less violent, but the extraction of wealth was still present with the use of forced cultivation systems. Therefore, these extractive and exploitative systems have resulted in colonies suffering from deficient industrial development and miniscule investments in education, or human capital in general, with these two factors central to economic advancement and prosperity. In terms of direct numbers and data, their research underscored that upon independence Indonesia had a few hundred college graduates from the entire population, while Congo reported less than twenty.



This exemplifies Bruhn and Gallego's (2012) argument that areas with good activities were typically those with lower levels of pre-colonial population, as this is where colonizers eventually settled and created "neo-European" institutions which remain prominent today. As great importance was given to institutions providing a firm priority on property rights and limitations on state power, these are the elements they indicate as missing from areas with ugly and bad activities. Nevertheless, many of these norms remain in place today and continue to affect development in the form of neocolonialism (Bruhn and Gallego, 2012; Eneasato, 2020).

The Evolution of Colonialism into Neocolonialism

Neocolonialism is a term widely attributed to political scientist Kwame Nkrumah in his book published in 1965, Neo-Colonialism, the Last Stage of Imperialism. Defined as the practice of leveraging capitalism, globalisation, and cultural forces to exert control over a nation as a substitute for direct military and political control, Nkrumah asserts that the paradigm is mostly economically motivated (Eneasato, 2020; Nkrumah, 1965). Industrialized and developed countries impose certain neocolonial tools upon underdeveloped states to achieve favourable outcomes for themselves, leaving others vulnerable to the dependency principle (Eneasato, 2020). Post-colonial underdeveloped nations continue to seek external support to uphold their own domestic interests and systems, perpetuating the system of "debt and dependency syndrome" established during colonial times (Eneasato, 2020, pg 102). With such an exploitative and continuous cycle in place, neocolonialism can be viewed as a mere excuse for continued economic domination as developed countries rely on colonial ideals to maintain their dominance (Eneasato, 2020).

Despite colonial rule having officially ended years ago, it set up a system of global powers which continue to persist through several neocolonial structures. According to Nkrumah (1965), the final stage of imperialism is neocolonialism which leverages economic tools over political domination. The basis of modern colonialism is primarily regarded to be the transmission of Western capitalist ideals, the regulation of national policies through multilateral institutions and the paradigm of foreign aid (Eneasato, 2020). By shaping developmental policies, budget allocations, and national governance, these mechanisms promote dependency and tend to favour developed nations.

Rao (2000) in his critical analysis on postcolonial theory's neglect of political economy, posits that the overarching notion of "global integration" can often be a veiled form of neocolonial dependency. Although generally seen to be a mutually beneficial process, Rao asserts that neocolonialism has sustained imbalanced global power structures originating in colonial rule. Within this framework, developing nations are encouraged, if not pressured, to conform to Western economic and political models maintaining skewed power structures which includes the setup of foreign aid as a prominent application.

Foreign Aid or Modern Exploitation?

One of the most visible neocolonial instruments is foreign aid as it perpetuates economic control and global inequality. It forces us to question: how is something which has been put in place to seemingly eradicate inequality, in turn, contributing to it further? Although foreign aid is presented to global onlookers in the form of generosity or reparative justice, specific parameters are frequently imposed on recipient countries which minimises their sovereignty over domestic policy. With these conditionalities, foreign aid has rather evolved into a method of "capital emasculation" serving as a means to push deregulation, privatisation, and trade liberalization – often touted as pillars of Western neoliberal ideologies (Eneasato, 2020). That said, these ideals tend to prioritize global markets over domestic needs. Drawing from real world situations, the case of the Pacific Islands provides a clear example of how current structures of foreign aid deepen the global economic divide. Dornan and Pryke (2017) describe the Pacific Islands to be one of the world's most donor-dependent regions, as it has some of the highest global amounts of Official Development Assistance (ODA) per capita. In terms of gross national income (GNI), they report how the ODA accounts for approximately 20% of the GNI in ten Pacific Island nations. On one hand, this research indicates that these contributions have led to some infrastructure being developed in the Pacific Islands, while on the other, aid volatility and donor-driven priorities have given way to unstable investments and institutional inefficacy. Thus, this highlights how the presence of aid volatility is seen in other regions apart from the Pacific Islands and is a strong factor in creating a dependency which inhibits long term planning, amplifying the withstanding power imbalance between donor and recipient states[8].

A widely recognized branch of conditional aid is the World Bank and IMF imposed Structural Adjustment Programs (SAPs). Heidhues and Obare (2011) examined the adverse effects of conditional aid, particularly the SAPs' role in weakening the economies of various African nations. They indicate that these nations were forced to reduce government spending, eliminate subsidies, and privatize public services to be eligible for the SAP funding. Their research demonstrates how the imposition of these conditions led to diminished agricultural sectors, increased unemployment, and destabilized state institutions. For example, Ghana and Zambia have witnessed increased rates of poverty and food insecurity since adoption of the SAPs, despite seeing temporary enhanced macroeconomic performance. Western-focused conditionalities were set in place as a way to improve the regularity of debt repayments, proving that Western benefits hold prominence. This serves as a further indication that foreign aid, specifically conditional aid driven by donor-benefitting motivations, often fails to yield the desirable long-term effects for recipient economies. At best their work demonstrates that a short-lived macroeconomic boom can emerge, but true mitigation of poverty and lasting progress in addressing power disparities require more substantial and structural shifts. As previously mentioned, Ghana provides a critical insight into the notion of foreign aid as a power tool and adjustment failures. Multiple SAPs were adopted by the nation during the 1980s and 1990s, leaving the country crippled with inflation, unemployment, and declining wages. Variant support systems were not put in place when agricultural subsidies were removed, as conditioned by the SAPs, leaving rural Ghanaian communities even more economically insecure. A similar fate was seen in Zambia, in which a copper-dependent economic reform led to significant jobs losses and increased inequality. It is worth noting that Robert et.al (2025) highlight how the copper dependency of Zambia has been established since its British colonization. Their research articulates how British colonizers recognized Zambia's abundance in copper, a promising raw material, and enforced extraction of the mineral, rendering Zambia to be a commodity-reliant economy in present times. This reinforces the argument that colonial systems are still deeply rooted and have led previous colonies to succumb to the dependent cycle of foreign assistance.

Statistically, Heidhues and Obare (2011) specify that Africa's GDP per capita saw an annual increase of a marginal 0.5% during the SAP era, while pre-SAP growth was stated to be over 2.5% annually. Importantly, their research indicates that GDP per capita was not the only metric declining during the period of SAPs as infant mortality, literacy rates, and food security also declined during this time.

William Easterly's chapter in the 2003 edition of Managing Currency Crises in Emerging Markets and the aforementioned case studies support the argument that foreign aid is an exploitation mechanism. Easterly (2003) emphasizes that the core of SAPs revolves around fiscal discipline rather than human development, facilitating structural inequalities while undermining the state's role in public service delivery. Such conditionalities further entrench pre-established political dependencies by reinforcing the idea that development needs to follow a Western-oriented and controlled path (Eneasato, 2020). Though often criticized as exploitative and neocolonial, some opposing views contend that foreign aid can, in fact, be beneficial for public sector reforms.

Counterarguments and Rebuttals

While a significant portion of current literature focuses on the criticisms for neocolonial methods of equal development, certain scholars put forth a differing perspective. Sumner and Glennie (2015) note that when foreign aid is targeted towards reforming public sector systems such as education, health, and infrastructure, both a reduction in poverty and increase in economic development can become apparent. However, they also emphasize that efficacy of foreign aid is highly contingent on three interconnected factors; the strength of domestic institutions, political stability, and the strategic alignment of donor objectives with domestic development goals.

A considerable example of these factors can be demonstrated by the sub-Saharan African country of Botswana. Calleja and Prizzon (2016) recount that following independence in 1965, after almost 80 years as a British protectorate, large diamond deposits were discovered which ushered in a period of great economic growth for Botswana. Prior to this discovery, they explain how Botswana was labelled as a "donor darling," another low-income country dependent on financial aid from countries, with about 2.5% of the country's GNI from 1966 to 1969 coming from ODA. In current times, Botswana is on track to become a high-income country by 2036 and is one of few middle-income countries in the Sub-Saharan region. However, financial aid and donor support are not to be credited for Botswana's upward economic trajectory as the way aid was used, and the presence of robust national institutions is a differentiating factor between Botswana and the other countries receiving aid. With their effective aid management model, Botswana was able to ensure that the country remained independent of financial aid by turning down any funding which did not align with its economic growth plans. This controlled acceptance of aid was able to mitigate any negative repercussions, such as those observed in Ghana. Furthermore, and perhaps the most substantial point, Botswana heavily invested in its infrastructure and society with most of the investments coming from the country's diamond revenues. Such investments were able to strengthen the country's health and education systems, as well as promote considerably low rates of corruption. Thus, Botswana's significant growth is to be attributed to the lower levels of corruption and strong societal investments that allowed for the additional revenue received, in the form of financial aid, to be channelled towards economically prosperous avenues. It is also important to note that Botswana was never a direct colony but a British protectorate where colonialism was unable to fully disrupt or exploit the country, indicating that colonialism does indeed set a country up for modern exploitation. Furthermore, when a country lacks the institutions and aid management systems observed in Botswana, and accepts all and any financial assistance, it can lead to detrimental consequences.

When the amount of assistance received exceeds the recipient's implementation capacity, it can prove to be counterproductive by driving macroeconomic imbalances instead of growth (Sumner and Glennie, 2015). A sudden influx of monetary aid can give way to a ripple effect known as "Dutch disease," resulting in currency appreciation, thereby making exports less competitive and ultimately negatively impacting domestic industries (International Monetary Fund, 2017). Current critical constraints coupled with foreign aid also act as a rebuttal to foreign aid being beneficial. As discussed, Sumner and Glennie (2015) showcase that there are fluctuations in the amount of aid received each year (aid volatility) due to shifting donor interest or political conditions, and this leaves recipient governments susceptible to unsustainable infrastructure projects and funding programs. Their research further articulates how the Solomon Islands have been subject to disruptions in local initiatives as their per capita aid received dropped by approximately 30% between 2014 and 2015, thus exposing the true fragility of aid-dependent systems.

Although foreign aid can be potentially beneficial within a comprehensive development framework, is not a direct substitute for true structural change or public sector development (Sumner & Glennie, 2015). Foreign aid needs to be directly paired with strong initiatives towards dismantling the economic hierarchies inherited from colonialism and promote national public reform in order to be sustainable and result in significant growth. The current objective of foreign aid to serve and maintain a neocolonial power system also needs to be transformed to assist in response to the recipient's needs rather than purely providing profits for the donor nations. Hence, Sumner and Glennie's original counter arguments on the benefits of foreign aid can be refuted, as the existing framework of aid programs has proven to be inconsequential in promoting consistent economic growth, as seen by the previous discussions pertaining to aid volatility, Dutch disease and the case of Botswana.

Conclusion

Colonialism did not end with offering nations independence, instead, it evolved. Currently, neocolonial frameworks such as foreign aid and conditionality continue to uphold systems of dependency and economic subordination. Exploitative systems and structures established during the colonial era have set the stage for present day inequality, masking power imbalances in the name of developmental aid and assistance. Through the interrogation and analysis on the legacies of colonial institutions, prevalence of neocolonial paradigms, and the true function of foreign aid, this paper has demonstrated that robust structural amendments in the global political sphere are needed to ensure progress towards genuine developmental equality.

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