Dependency Theory: Why Some Countries Remain Economically Dependent

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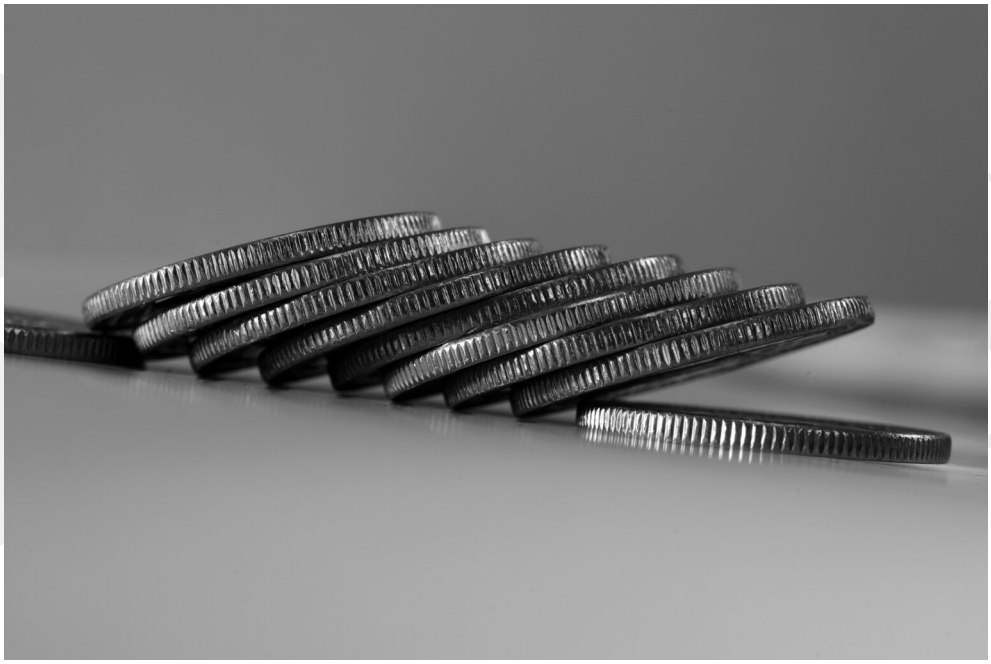


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Does South America really benefit from foreign investment? As global demand for lithium, copper, and other commodities grows, foreign companies have become increasingly involved in some of the region's key industries. While many governments welcome these investments as a source of growth, others question whether they can also create economic dependence.

Dependency Theory emerged in Latin America during the 1950s and 1960s to explain why some countries remained underdeveloped despite participating in the global economy. Dependency theorists challenged the idea that all countries would follow the same path towards development. Instead, they argued that the benefits of international economic integration were distributed unevenly. Questions raised by dependency theorists continue to appear in debates about foreign investment, global supply chains,

and strategic resources. This article examines the theory's main ideas and its explanation of underdevelopment.

The Core Idea of Dependency Theory

Dependency Theory developed from observations that many developing countries continued to face economic difficulties despite participating in international trade. For dependency theorists, these difficulties were not temporary. Instead, they reflected deeper inequalities within the global economy. To explain this, they distinguished between a dominant "core" and a dependent "periphery".

The core generally refers to industrialised economies with greater economic and political influence, while the periphery is often associated with countries that rely heavily on exporting raw materials and importing manufactured goods and technology. In this relationship, economic benefits tend to remain concentrated in the core. As a result, countries in the periphery may become integrated into the global economy without achieving the same level of autonomous development.

How Economic Dependence Develops

According to dependency theorists, economic dependence often develops through a country's relationships with external actors. Developing economies may rely on foreign investment, imported technology, multinational corporations, or access to international markets. Although these connections can generate economic growth, they can also increase vulnerability to decisions made outside the country.

Many developing countries depend heavily on exporting commodities such as minerals, agricultural products, or energy resources. While these exports can generate revenue, they may also make economies more vulnerable to fluctuations in global demand and commodity prices. Reliance on foreign capital and technology can limit domestic industrial development.

For dependency theorists, economic growth and economic development are not necessarily the same thing. A country may attract investment and expand exports while remaining dependent on external actors for capital, technology, and access to markets.

Contemporary Relevance

Ideas associated with Dependency Theory continue to influence debates today. In South America, discussions about foreign investment in mining, energy, and infrastructure often raise questions about economic autonomy and unequal power relations. These discussions reflect concerns raised by dependency theorists decades ago.

Conclusion

Dependency Theory remains one of Latin America's most influential contributions to the study of international political economy. By drawing attention to unequal economic relationships, it encourages discussion about power, development, and economic autonomy. Whether one agrees with its arguments or not, the theory continues to shape debates about the global economy.

Further Reading

Prebisch, R. (1950). *The Economic Development of Latin America and Its Principal Problems.* United Nations Economic Commission for Latin America. Available at: https://archivo.cepal.org/pdfs/cdPrebisch/002.pdf

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