The development gap essay sample

Economics, Trade

The Development Gap refers to the widening difference in levels of development between the world's richest and poorest countries. This development gap can also occur within countries, for example between regions or between urban and rural areas. There is a variety of global organisations to help norrow the development gap, TNCs, World Trade Organisation, World Bank and IMF. I will be evaluating each whether they successfully norrow the DG or make it expand. The role of the World Trade Organisation is to promote free trade and economic cooperation between countries. As WTO offer Freer trade this cuts the cost of living, food and clothes are now cheaper than they have ever been before, this is because with the lowered trade barriers through negotiations and applies there becomes a principle of non-discrimination. The result is reduced costs of production (because imports used in production are cheaper) and reduced prices of finished goods and services, and ultimately a lower cost of living.

' According to one calculation, consumers and governments in rich countries pay $350 billion per year supporting agriculture' This can be seen as norrowing the gap, as developed and developing countries are able to create relationships which therefore encourages trade dependency and improves competitiveness globally. The WTO is a ' Top Down' approach, which means it's government led, local needs are rarely considered. The WTO has been successful in narrowing the development gap in Uganda, as they are now able to earn money through exporting commodities, there economic growth grew by 5. 6% and with this free trade it's coffee export in 2007 was worth $350 million, However it has also been successful in widening the gap as the WTO has been accused for just helping the developed countries, made by

MEDCs for MEDCs. For Uganda and other developing countries they have became a lot more dependent on the more powerful core nations for loans, trade and technology as they have all turned to cash crops which does attract demand but it also damages their land in the long term. TNCs are the driving force behind economic globalisation.

The role they play is foreign investment and to create supply chains which is able to spread across the world. TNCs use the ‘ Top Down’ approach. TNCs have been successful in narrowing the gap by providing employment to much need devloping countries, which allows the countries population to get better pay, therefore allows them to get a higher standard of living and also increases the countries GDP, for example China has had major investment from TNCs and their GDP is doubling every year. When a TNC invests into a country it improves many things, infastructure for one and also transport. In developing countries the population is always growing, especially in urban area, so these two things are so crucial to make the country work efficiently. And finally TNCs offer inproved technology and better education, these help to inprove the employees skills which helps many people within that country able to find jobs. Tesco invested into Asia to gather cheap raw materials but also to break into the Asian markets, it created 1000 new stores and also 450000 jobs. We can see that TNCs are really benefically as they can get a huge number of people into work.

However TNCs have also been successful in expanding the gap too. When they invest into developing countries it allows them to exploit the labour force for cheap pay compared to what they would pay an employee in a developed country. Many have their HQ in MEDCs, the money they generate from developing countries they send to their HQ which shows that they have little commitment and no concern to the country they are in, they avoid paying tax, and they create dependency in that area, so if they just decide to leave it will negativly affect all the workers and put them into umemployment. The United Nations have also contributed to try and narrow the gap by the World Bank and International Monetary Fund (IMF) providing investment and also monitoring development programmes.

This is again a ‘ Top Down’ approach, compared to the also we have looked at these have even less regard to the local needs and make the decisions from the top of the heirachy. When a country needs funds to improve standards they noramlly contact these organisations as they can provide it, IMF offered SAPs in Uganda with very little interest on the loans which helped them to restructure their debt. These SAPs put more of a emphasis on the secondary sector, which in turn gave more employment, added more value to products so the country can get bigger amounts of profits (which happen as their economic growth increased by 5. 6%) and also gave Uganda less fluctuations when selling, as normally if they exporting they couldn’t increase their prices as the people purchasing it would reject to buy it and look somewhere cheaper. And also the people living in poverty in Uganda dropped.

However this also brought costs, with cuts in government spending hit education and health care, which the poorest Ugandans couldn’t afford, just as HIV and AIDS hit. With all these successes it is also widening the gap, as they promote dependency on loans, which doesn’t help the country receiving the loan able to make their own money on the independently, therefore they will always be trapped in debt. From looking at all these plauers the one that successfully narrows the gap is the World Trade Organisation, they actually are helping the developing countries and not exploiting the labour force like TNCs do and also not promoting loan dependency like IMF and the World Bank does. They are able to reduce trade barriers which allows nearly every country able to get more funds by trading and helps form long lasting relationships which will help future generations to never return to the development gap their parents were in.