

Economic boost of under-developed states

Business



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Under-developed states are characterized by a dual economy in which a small quota of the society enjoys a consumer lifestyle among a vast majority of the society who wallow in the cancer that is poverty. Be that as it may, the dual economies of under-developed states harbor low productivity, the lack of human services, and insufficient capital. As much as developing states put internal effort towards mitigating these deficiencies, they will one way or another require external interventions.

These range from trade, private investment, technical assistance, and aid. Aid is defined as “ the flow of resources from developed countries to developing countries.” The resources may be in cash-financial help, kinds of goods and/or technical services. Such aid can be provided by one government to the other (bilateral) or by an international body (multilateral) such as European Community, Development Banks or other United Nations’ agencies. Other players in provision of aid are the private voluntary agencies usually known as non-government organizations (Cho, 1995, p.

59) Moreover, trade is another pillar that can drive the economic machinery of the under-developed states. The globalization efforts have opened a corridor for the under-developed states to exchange of goods and services at the international arena. However, this quantum leap to trade liberalization was faced with many hiccups. The lack of infrastructure to create up-to-market standard goods was one of the constraints. Other setbacks were “ trade-related adjustment costs and social impact (that ran) high on the political agenda, not only in the (under-developed states) but also in the (developed states). Domestic issues, such as competition policy, public subsidies, or labor laws were increasingly mixing with international issues.

" Consequently, these constraints resulted into the idea of ' aid for trade' (AfT). AfT is aimed at lowering the cost of an array of transactions and mitigating the social cost of liberalizing trade. In addition, AfT enables under-developed states to develop the infrastructure and the capacity to supply so that they can implement and accruing benefits from the World Trade Organization (Suwa-Eisenmann and Verdier, 2007). Aid for trade is crucial since it is able " to lay the foundations for strong business environments that will attract private investment" (European Commission, 2008). As aforementioned, private investment, another external economic pillar, contributes to the creation of employment opportunities for the locals in UDS. A key player in private investment is the transnational corporations (TNCs) which cash in huge profits is comparable to the gross national incomes of a state.

Most of these TNCs are based in industrialized nations with stable economies like the United States, Canada, and Japan. Due to their contribution to the economy, they exercise some veto in policy-making that impacts the economy of UDS. Moreover, private investments bring in foreign exchange to the UDS as they operate besides forming linkages between the low-income and the developed states. However, private investors prefer to incorporate their own personnel with managerial and other skills for the development. This implies that UDS will thus require expatriates to provide the needed technical assistance. Technical assistance has the duty of compensating the lack of local skills and resources by outsourcing experts from developed states.

Most of the planning and decision making is done by these expatriates who often do not include the locals. This curtails capacity building and, subsequently, when the experts leave a gaping hole in skilled labor remains. However, the technical assistance provided addresses the deficiency in human service provision existing in the UDS. China, a Superpower? In discussing “ what constitutes a superpower”, Yao (2007) mentions that a superpower is characterized by its military might, size of the economy, international influence, science and technology, and per capita gross domestic product. One of the reasons he gives for the rise of China to a super power status is its capability in science, technology, and innovation.

In this regard, China has made robust investments in foreign technologies by making direct purchases or relying on it indirectly via the FDI in improving productivity. Moreover, China has made heavy investments in boosting of local creation of knowledge and its capability in technological innovations. In addition, China has adopted development strategies in synchrony with the current globalization trend. China’s malleability is evidenced by a paradigm shift from closed door economy to an open economy (Yao, 2007). In the same breath, Bardhan (2005) says that, “ China is in the midst of a strong growth and investment phase that is directly tied to this era of globalization. In fact, it would have been impossible for China to have grown so quickly in the last 15 years without the presence of globalization.

“ Culture Change Cultural changes originating internally or externally can really shape the cultural status quo in existence. The external changes can result into voluntary or involuntary cultural changes. In delineating these two external changes, innovations in various societies will prove as leverage. In <https://assignbuster.com/economic-boost-of-under-developed-states/>

the past, for instance, ideological differences in the models of leadership, namely communism and capitalism, made it tough for the communistic governments to adopt a capitalistic model of governance. Despite efforts by the capitalists to impose a shift from communism to capitalism, it never bore fruit for some decades.

However, the needed changes happened after initiations of trade agreements between the concerned states. A case in point is the United States and China which have integrated despite their divergent ideologies. There seems to be a compromise between the duo with the United States adopting some socialistic tendencies and China embracing a capitalistic model of governance. It is notable that these cultural changes were voluntarily adopted due to economical needs as opposed to political dogma.