Global economy

Business

The definition of developing countries along with their characteristics forms two ways of determining whether a country is under developed or a developing nation. A developing country is that whose level of material wellbeing is lower than the standard, fixed by the World Bank. Developing countries have low income per capita, low Gross Domestic Product (GDP), high level of illiteracy, high birth rates, and low life expectancy and low. The Human Development Index (HDI) score of citizens in developing countries is inconsistent and varies with considerable gaps between classes. These countries have a high degree of economic vulnerability that occurs because of a slight change in price of their economic boosters.

The UN’s HDI gauges these statistics and classifies a country under developed or developing country. The low life expectancy in developed country is because of the inadequate health facilities present in the countries that increases their death rates. Illiteracy level arises from ignorance and lack of funds to support one through a system of education. Both illiteracy and lack of funds lead to limited levels of industrialization in these countries. The citizens of developing countries leave a medium or low level of living standard. Common behaviors of developing countries are their reliance on exportation of agricultural products and raw materials such as crude oil because of the unavailability of industries to process their materials.

However, the developing countries fall under two classes of less developed countries (LDC’s) and least economically developed countries (LEDC’s). LDC’s are those countries that have an average living standard, while LEDC’s are those, whose citizens have a below average leaving standard. Developing countries are in Africa, Latin America, Asia, Soviet Union, and the

Middle East. Examples of LEDC’s include Somalia, Afghanistan, Samoa, and Haiti. Importance of trade in developing nations Trade has several impacts on the economy of the developing countries. The first positive effect is an increase in resources.

Developing countries benefit by having a variety and increased amount of resources such as labor, capital, and land. This is achievable after sighing of free trade agreements with multiple countries, which have no trade borders and increase sales in the countries. The second effect is an improvement in the quality of life of its citizn because of the variety of imports that the citizens access. Some of the imports are not available within their borders. Other positive effects created are positive foreign relations and increased efficiency in production due to competition created from other counties.

In Africa, trading of raw materials and agricultural products is the main source of foreign exchange for these countries that contributes positively to their economy. Examples of countries, which have benefited from trade, are Saudi Arabia and Mexico. Ways through which trade help nations overcome their obstacle Trade can enable developing countries improve their leaving standards, increase their economy and finally become developed countries. Saudi Arabia is an example of countries that used trade to overcome poverty and lack of industries. The country extracted crude oil and exported the crude form to most countries in Europe and Asia in the early part of the twentieth century. It used funds accumulated from trade to establish refineries that enabled it to export refined forms of petrol to its customers.

This improved its economy drastically, thus shifting out of the list of less developed countries. Saudi Arabia is currently 56th in the global list of Human Development Index. Ways in which trade can be encouraged in developing nations Trade should be encouraged in the developed nations through bilateral agreements. Since most of the developed nations want to take advantage of the smaller ones, so there should be international laws to protect them. Those laws should be enforced to show the developed nations that they do not want to take advantage of them. There should be more laws like the fair trade agreement to help these developing nations, so that they can see that not only do they want to trade with them but also help them improve their economy.

This will also help convince the farmers to trade with the developed nations. The problem is not to put these laws in place but to enforce the laws. An example is Colombia that has these laws that protect their coffee growers and their gem miners, but they are not enforced because this etching still happens in Colombia. I think that these laws should be more favored than any other, because these laws not only protect a country but also protect innocent people. It also helps the protection of developing nations against monopoly. Policies, which should be favored more than others should Free trade agreements have policies that need considerations in terms of affects they have on developing countries.

These agreements ought to have equal terms of service that favor the developing countries. An example is the NAFTA agreement between the U. S, Mexico, and Canada. Investors from Mexico who wish to invest in the U. S find tougher terms than those who wish to invest in Mexico.

This encourages U. S investors but discourages Mexican investors from investing in U. S. When Mexico, Canada, and U. S.

entered the free trade agreement, the U. S. got a pass to export 50% of its products to Mexico, while the Mexicans got a 70% pass. The gap in these percentages ought to be wider in favor of the Mexicans (Krauss, 1997). Policies that need avoidanceSome policies need avoidance because of their negative impacts on the economy of developing countries. Although trade between developed and less developed countries has a positive influence the economy of the less developed countries, strict measures need enforcement to protect developing countries.

An example is export of raw materials to developed countries. Measures should be put in place to reduce the level of exportation of raw materials to international companies. Exportation of such materials leads to the developed countries retaining most of the output funds, generated by the materials. This deprives the less developed countries an opportunity to increase their economy through profits and industrial job. Therefore, measures should be put to ensure that investors set their processing industries in developed countries and process the materials within such countries.

This prevents cash flows to developed countries (Krauss, 1997). Intellectual rights should also be minimized in developing countries. An example is the pharmaceutical rights that prevent production of generic drugs in developing countries, thus, preserving the rights for the country of origin. Such policies ensure that developing countries remain uncompetitive in the

pharmaceutical field, thus, derailing its development. Measures should be put to ensure that trade agreements do not favor only the wealthy in developing countries. Such measures should counter corruption and ensure equal opportunity, thus, increasing the rate of economic growth (Krauss, 1997).