

Discuss the extent to which international trade assignment

Business



Development is probably best described by Michael Toward as when the following three conditions are met: an increase in the availability and distribution of basic life sustaining goods; an increase in the standard of living (both material and non-material) and an expansion of the economic and social choices available to people. Development can be measured by H. D. I (human development indicator) which measures development combining indicators of life expectancy, years spent in education and income.

ASS heavily rely on trade to grow and develop as internally they don't have the capital to produce goods that will be international competitive. Although ASS do have large amounts of commodities which they are now learning make use of as they are now expanding trade to major emerging markets. International trade for ASS is currently increasing as countries such as china are demanding a lot more commodities from Africa.

Exports from ASS helps boost the economy as exports are a component of aggregate demand and following an increase in trade through exports aggregate demand will shift right and real GAP will increase showing an increase in growth. This helps development as following the growth more jobs will be created within ASS to extract the exports, this therefore will mean that people who were originally unemployed will now have a higher income and will therefore be able to access more basic life sustaining goods that they and their families possibly previously couldn't access.

Furthermore due to the fact that the economy of ASS is looking quite strong as they have had a high and stable level of growth even during the recession, there fiscal balance has been improving and they are so rich in

raw goods that it will attract multi-national corporations to ASS. When these firms move to ASS they will have many positive effects on their economy as when these firms enter Africa with them they will bring aid and medicine to help the people of villages and towns who require the help.

Furthermore these firms will require workers which will mean that they will train and employ people who currently weren't employed. This will also boost LARS as the productive capacity of the economy will have been increased to people having an increased skill set. This will help development of ASS as people will now have access to material goods which they previously would not have purchased. Furthermore the H. D. I measure will improve as average income per capita will increase as real GAP is increasing.

Development it also contains some negative effects.

Firstly one of the major ones is an increase in inequality that can arise. We know this as on average gross national income had been rising in natural resource exporting countries however there was no significantly higher development scores measured by H. D. I. This shows us that there is growth and not development and that the money is going to the rich genuineness of ASS. This in the long run has a negative effect as the fact money isn't evenly distributed means there will be less consumption as poorer people would spend their money straight away, this therefore means there is no multiplier effect.

This makes a dualistic economic structure where people are either very rich or very poor. Furthermore all the rich people in ASS spend their money abroad on imports because African goods aren't of a high quality so the

goods are demanded from elsewhere. This means that following that increase in imports AD will be pressured to move left which would mean less growth. This would then mean due to the lack of growth there is no chance development as there will be less money within the economy.

Therefore fewer businesses within a country will receive money and therefore less money will be distributed to workers who would actually require it as they would be able to make more social and economic choices. In relation to 'What extent that international trade is good for development' you have to look at how much international trade would be necessary for different countries to develop as not all countries are in the same stage of development, they all also possess different types and quantities of commodities which means that some countries need more trade than others to develop by the same amount.

For example some countries don't possess commodities which are in high demand so they are therefore cheaper than more highly demanded commodities so the first country that has the cheaper commodities may have to sell twice the amount of commodities as the one that possesses the more expensive commodities just for their exports to increase by the same amount. This therefore means that if a poorly developed country possesses less demanded goods then it is unlikely that this country will see high levels of development.

Through this low level of exports less money will enter the circular flow of income of that particular country and therefore less money will be distributed to the people of that country. Therefore the standards of the people's life in these countries won't increase significantly. Finally, because

these countries are so dependent on exports they may become too reliant on international trade as a means of growth which may mean that those countries will see a significant impact if any of their partners demand less exports.

This will therefore mean that GAP will fall by around 10-20% in commodity exporting countries which would highly affect countries in ASS which have fairly low real Gaps. This would affect development as again less money would be circulating in the economy and less African workers would be required to help extract and sell on the goods. They therefore wouldn't have as much income and their material standards of living would fall meaning a less enjoyable life for them. Terms of exploitation of ASS and inequality increasing within ASS, international trade mainly has positive impacts and the fact exports are such a large part of real GAP. Furthermore since these countries require growth from an external source as growth and development can't be achieved internally they heavily rely on international trade as it acts as an injection into their economy and creates many jobs in the process meaning that people have a higher standard of life and that with that injection ASS can find a way to develop as a sustainable economy who is reliant without any aid or support.