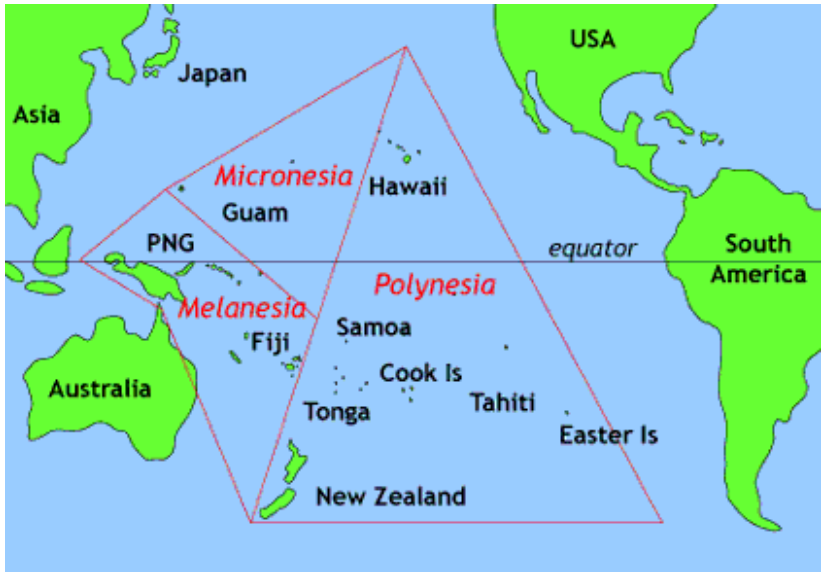
The South Pacific

- The South Pacific has a relatively high HDI but is much less central to the global economy because of its small number of inhabitants and peripheral location.
- The HDIs of Australia and New Zealand are comparable to those of other MDCs. The area's remaining people are scattered among sparsely inhabited islands that generally are less developed.
- Australia and New Zealand share many cultural characteristics with the United Kingdom.
- Australia and New Zealand are net exporters of food and other resources, especially to the United Kingdom.
- Increasingly, their economies are tied to Japan and other Asian countries.



Less Developed Regions - Latin America

- Six regions are classified as less developed. The level of development varies widely among the six regions.
- Most Latin Americans speak one of two Romance languages—Spanish or Portuguese—and adhere to Roman Catholicism. In reality the region is culturally diverse.
- A large percentage of the population is descendants of inhabitants living in the region prior to the European conquest, while others trace their ancestors to African slaves.
- Latin Americans are more likely to live in urban areas than people in other developing regions.
- The region's population is highly concentrated along the Atlantic Coast.
- Large areas of interior rain forest are being destroyed to sell the timber or to clear the land for settled agriculture.

Latin America

- The level of development is relatively high along the South Atlantic Coast from Curitiba, Brazil, to Buenos Aires, Argentina. Mexico's development has been aided by proximity to the United States.
- Development is lower in Central America, several Caribbean islands, and the interior of South America.
- Overall development in Latin America is hindered by inequitable income distribution.
- Latin American governments encourage redistribution of land to peasants but do not wish to alienate the large property owners, who generate much of the national wealth.

China

- China, the largest country in East Asia, ranks among the world's poorest.
- Within a few years China is projected to exceed the United States as the world's largest economy, although the U.S. economy would still be much larger on a per capita basis.
- Traditionally, most Chinese farmers were forced to pay high rents and turn over a percentage of their crops to a property owner.
- Exploitation of the country's resources by Europe and Japan further retarded China's development.
- China's watershed year was 1949, when the Communist party won a civil war and created the People's Republic of China.

China as a Power

- To ensure the production and distribution of enough food, the Communist government took control of most agricultural land.
- In recent years such strict control has been loosened.
- Individuals again are able to own land and control their own production. Agricultural land must be worked intensively to produce enough food for China's large population.
- The Chinese government controls the daily lives of the citizenry more than in other countries, and the people have difficulty obtaining some goods.
- Because of government controls, China has a much lower natural increase rate than other LDCs.

Southeast Asia

- Southeast Asia's most populous country, Indonesia, includes 13,667 islands.
- Nearly two-thirds of the population lives on the island of Java. Other than Indonesia, Southeast Asia's most populous countries are Vietnam, Thailand, and the Philippines.
- The region has suffered from a half century of nearly continuous warfare.
- Japan, the Netherlands, France, and the United Kingdom were all forced to withdraw from colonies.
- The region's tropical climate limits intensive cultivation of most grains.
- Economic development is also limited in Southeast Asia by several mountain ranges, active volcanoes, and frequent typhoons.
- This inhospitable environment traditionally kept population growth low.
- But the injection of Western medicine and technology resulted in one of the most rapid rates of increase.
- Rice. . . is exported in large quantities from some countries, such as Thailand and Vietnam, but. . . imported to other countries. . . such as Malaysia and the Philippines.

Asian Tigers

- Because of distinctive vegetation and climate, farmers in Southeast Asia concentrate on harvesting products that are used in manufacturing.
- Southeast Asia also contains a large percentage of the world's tin as well as some petroleum reserves.
- Development has been rapid in. . . Thailand, Singapore, Malaysia, and the Philippines.
- The region (is) a major manufacturer of textiles.
- Thailand (is) the region's center for. . . automobiles and.. . consumer goods.
- Economic growth in the region slowed during the past decade.
- Funds for development were sometimes invested unwisely or stolen by corrupt officials.
- To restore economic confidence among international investors, Southeast Asian countries have been forced to undertake painful reforms that reduce the people's standard of living.

The Middle East

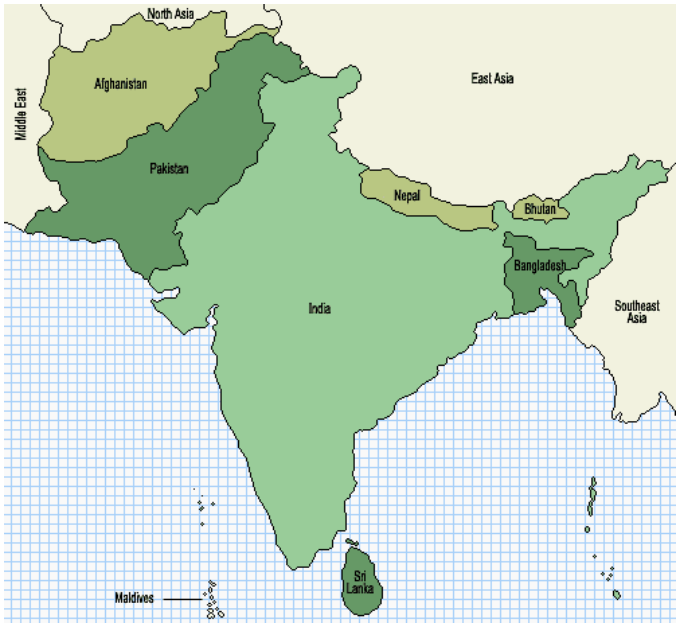
- Much of the Middle East is desert that can sustain only sparse concentrations of plant and animal life.
- Most products must be imported. Because of petroleum exports, the Middle East is the only one of the nine major world regions that enjoys a trade surplus.
- Government officials in Middle Eastern states, such as Saudi Arabia and the United Arab Emirates, have used the billions of dollars generated from petroleum sales to finance economic development.
- Many governments in the region have access to more money than they can use to finance development.
- However, not every country in the region has abundant petroleum reserves.
- Development possibilities are limited in countries that lack significant petroleum.
- The large gap in per capita income between the petroleum-rich countries and those that lack resources causes great tension in the Middle East. People in poorer states held little sympathy for wealthy Kuwait when Iraq invaded it in 1990.
- The challenge for many Middle Eastern states is to promote development without abandoning the traditional cultural values of Islam.
- Many Middle Eastern countries . . . prevent diffusion of financial practices that are considered incompatible with Islamic principles.

Middle East Continued

- The low level of literacy among women is the main reason the United Nations considers the development among these petroleum-rich states to be lower than the region's wealth would indicate.
- To shed more light on the Middle East's lagging development record, the United Nations uses a team of Arab social scientists to construct an Alternative Human Development Index (AHDI).
- The AHDI points to three causes in the region's relatively low HDI: lack of political freedom, low education and literacy rates, and lack of opportunities for women.
- The region also suffers from serious internal cultural disputes, as discussed in Chapters 6 through 8.
- Most Middle Eastern states have refused to recognize the existence of Israel.
- Money that could be used to promote development is diverted to military funding and rebuilding war-damaged structures.
- The Middle East has also struggled with terrorism.

South Asia

- South Asia includes India, Pakistan, Bangladesh, Sri Lanka, and the small Himalayan states of Nepal and Bhutan.
- The region has the world's second-highest population and second-lowest per capita income.
- India.. is the world's leading producer of jute,.. . peanuts, sugarcane, and tea.
- India has (multiple) mineral reserves.
- However, the overall ratio of population to resources is unfavorable.
- India is one of the world's leading rice and wheat producers. The region was a principal beneficiary of the Green Revolution.
- Agricultural productivity in South Asia also depends on climate.
- Agricultural output declines sharply if the monsoon rains fail to arrive.



Minerals in Africa

Fig. 9-9: Although several African countries have important minerals, the world prices of many of these have lagged the prices of industrial products, services, and energy.

Sub-Saharan Africa

- Despite these assets, sub-Saharan Africa has the least favorable prospect for development.
- And economic conditions in sub-Saharan Africa have deteriorated in recent years.
- Some of the region's economic problems are a legacy of the colonial era.
- Mining companies and other businesses were established to supply European industries with needed raw materials rather than to promote overall economic development.
- Political problems have also plagued sub-Saharan Africa.
- European colonies were converted to states without regard for the distribution of ethnicities.
- The fundamental problem in many countries of sub-Saharan Africa is a dramatic imbalance between the number of inhabitants and the capacity of the land to feed the population.

Key Issue 3: Development and Gender

- Gender-related development index
  - Economic indicator of gender differences
  - Social indicators of gender differences
  - Demographic indicator of gender differences
- Gender empowerment
  - Economic indicators of empowerment
  - Political indicators of empowerment

Gender-Related Development Index (GDI)

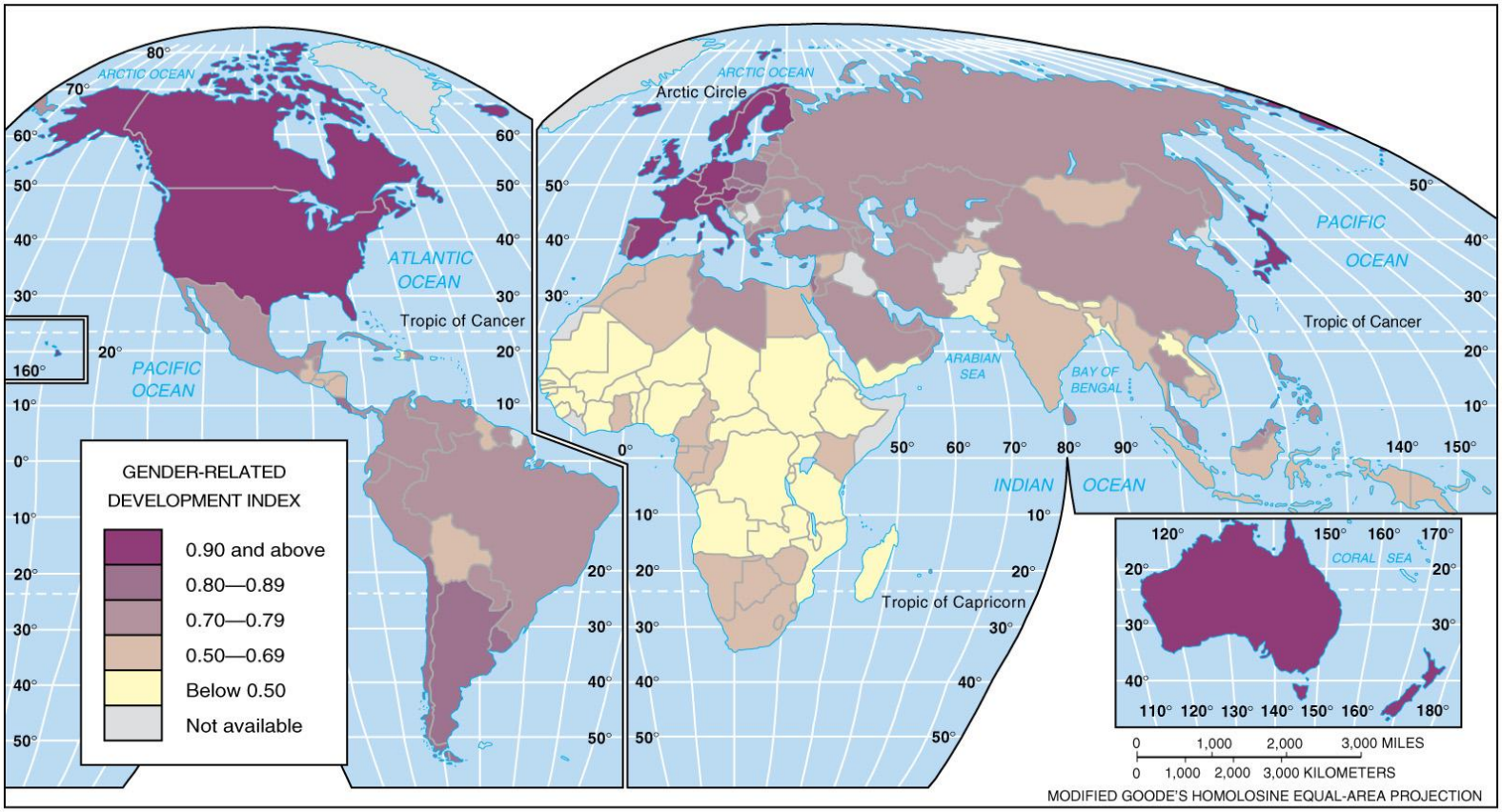


Fig. 9-10: The GDI combines four measures of development, reduced by the degree of disparity between males and females.

Economic Indicator of Gender Differences

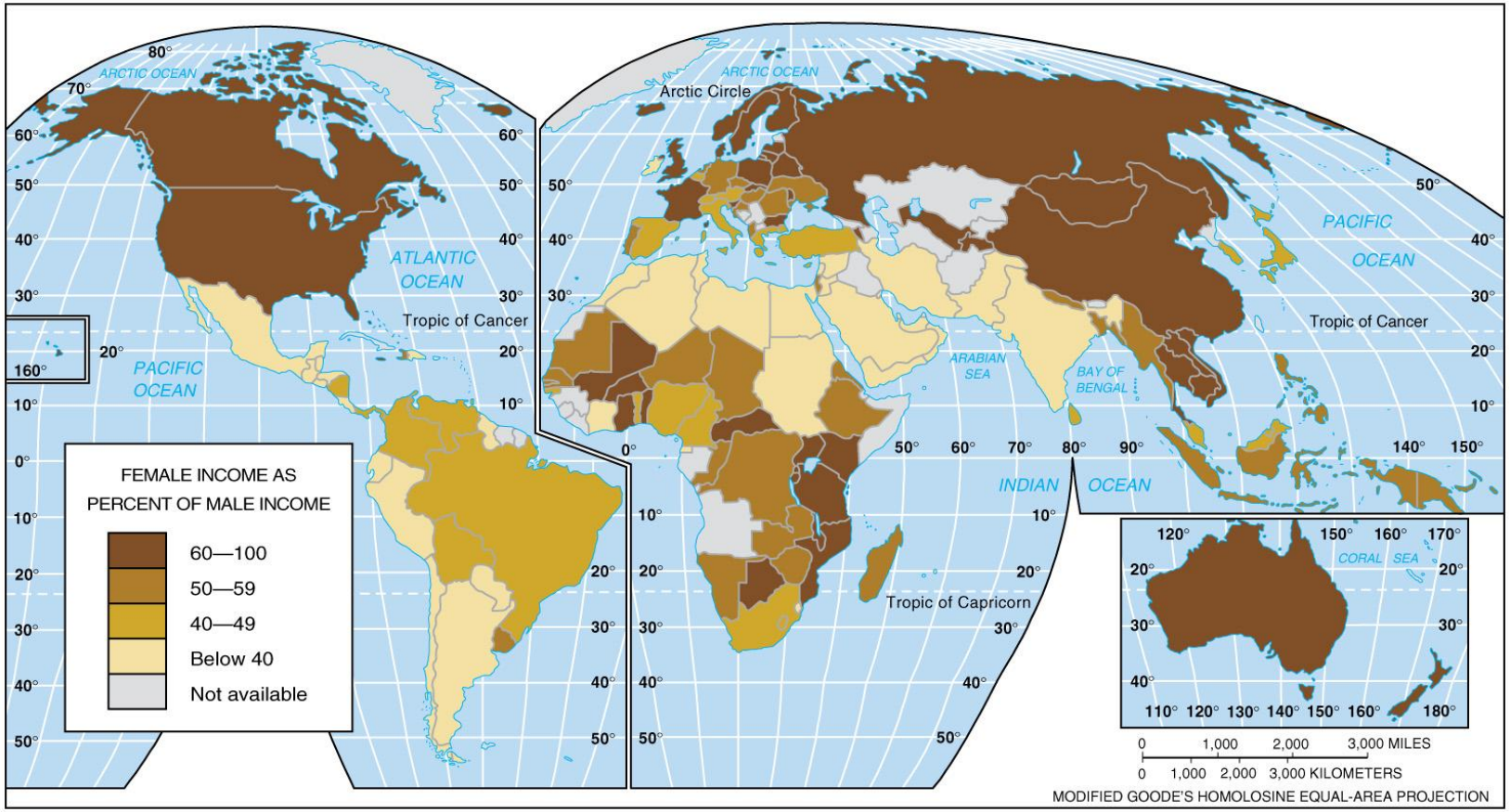


Fig. 9-11: Women's income is lower than men's in all countries, but the gender gap is especially high in parts of the Middle East, South Asia, and Latin America.

Gender Differences in School Enrollment

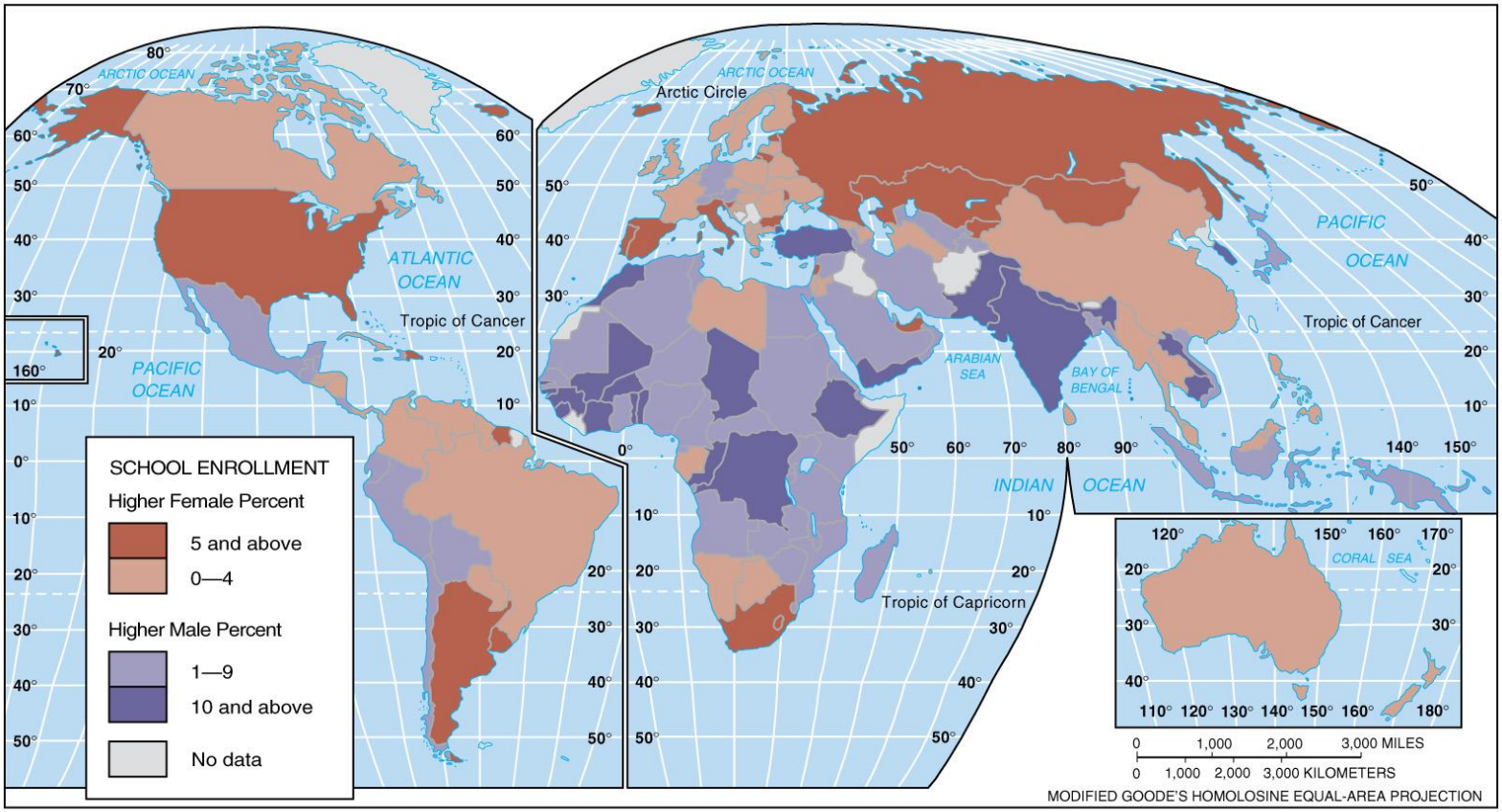


Fig. 9-12: As many or more girls than boys are enrolled in school in more developed countries, but fewer girls than boys are enrolled in many LDCs.

Male Literacy Rates

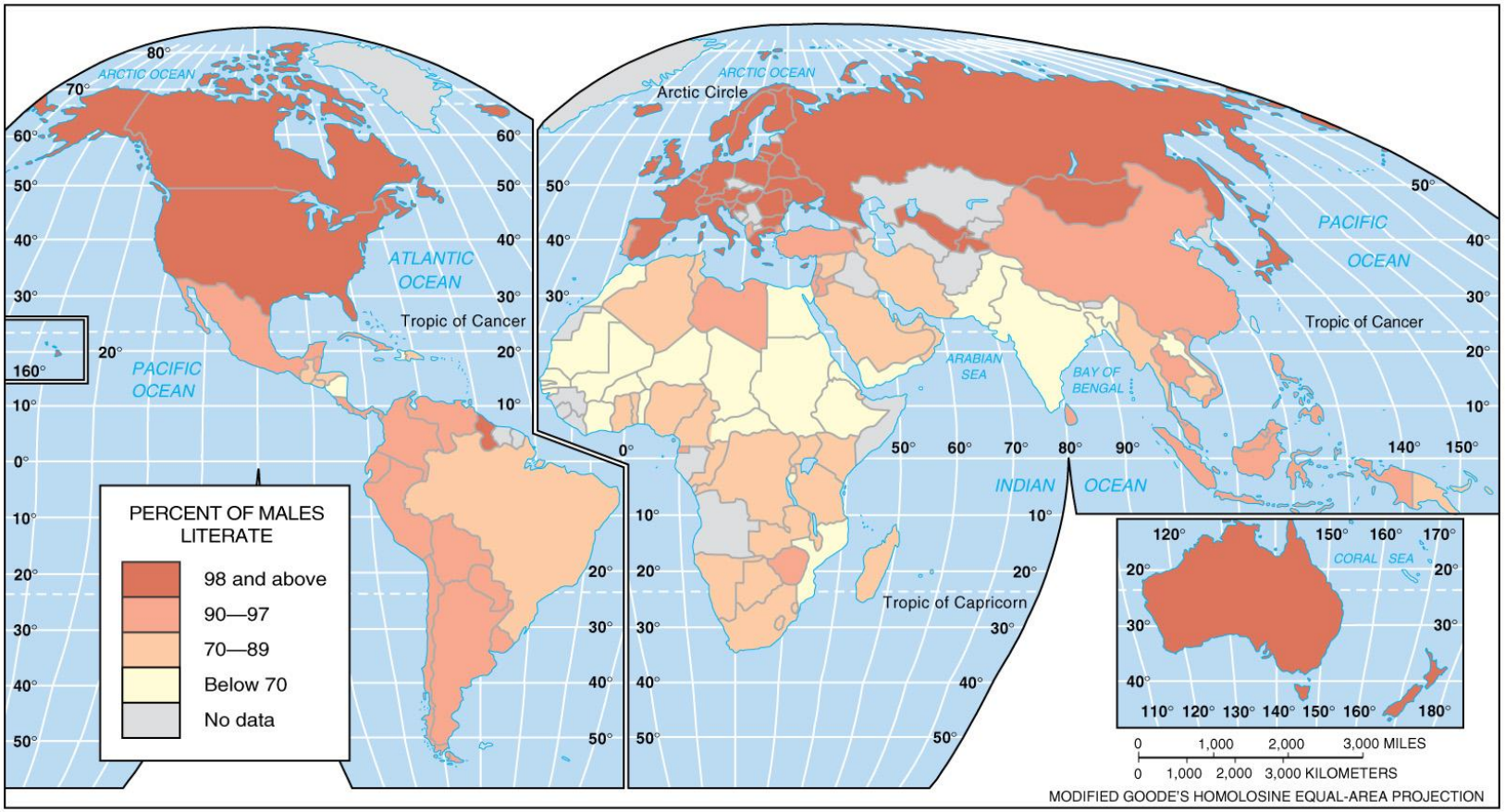


Fig. 9-13b: There is a gap in literacy rates between MDCs and LDCs as well as between men and women in many LDCs.

Female Literacy Rates

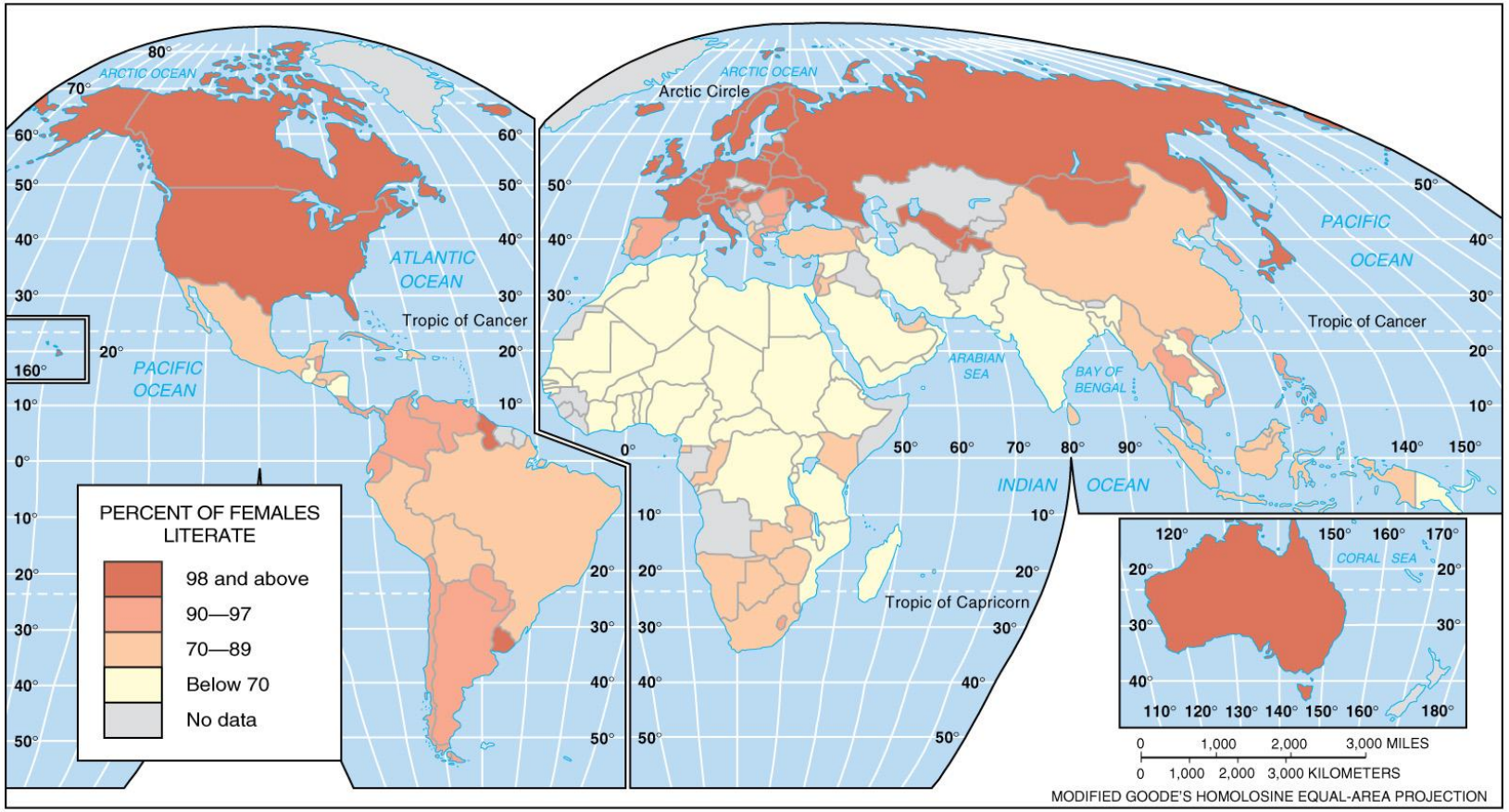


Fig. 9-13a: Female literacy is lower than male literacy (Fig. 9-13b) in many LDCs, with significant gender gaps in parts of the Middle East, Africa, and South Asia.

Life Expectancy and Gender

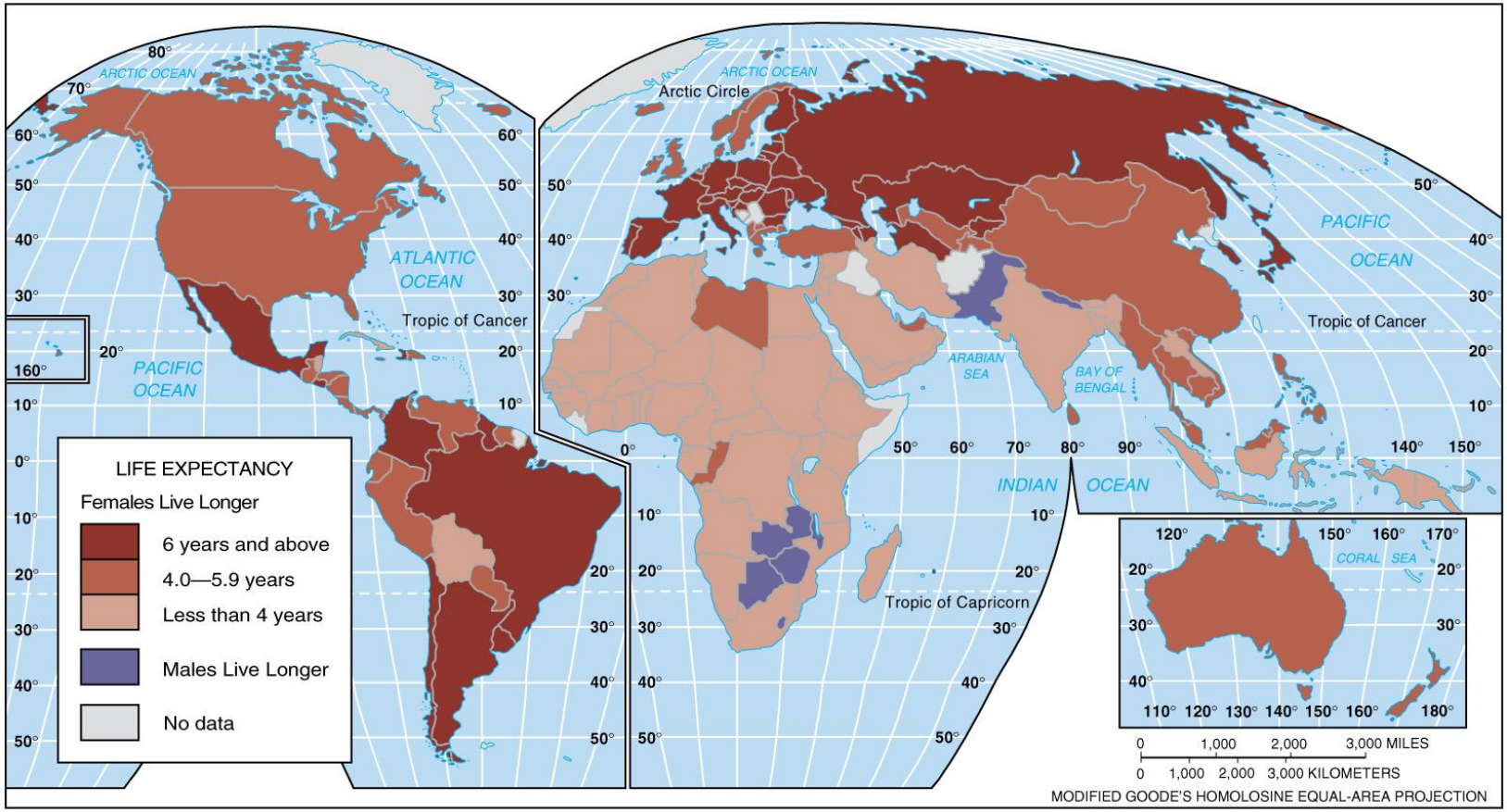


Fig. 9-14: Women's life expectancy is several years longer than men's in MDCs, but only slightly longer in many LDCs.

Gender Empowerment Measure (GEM)

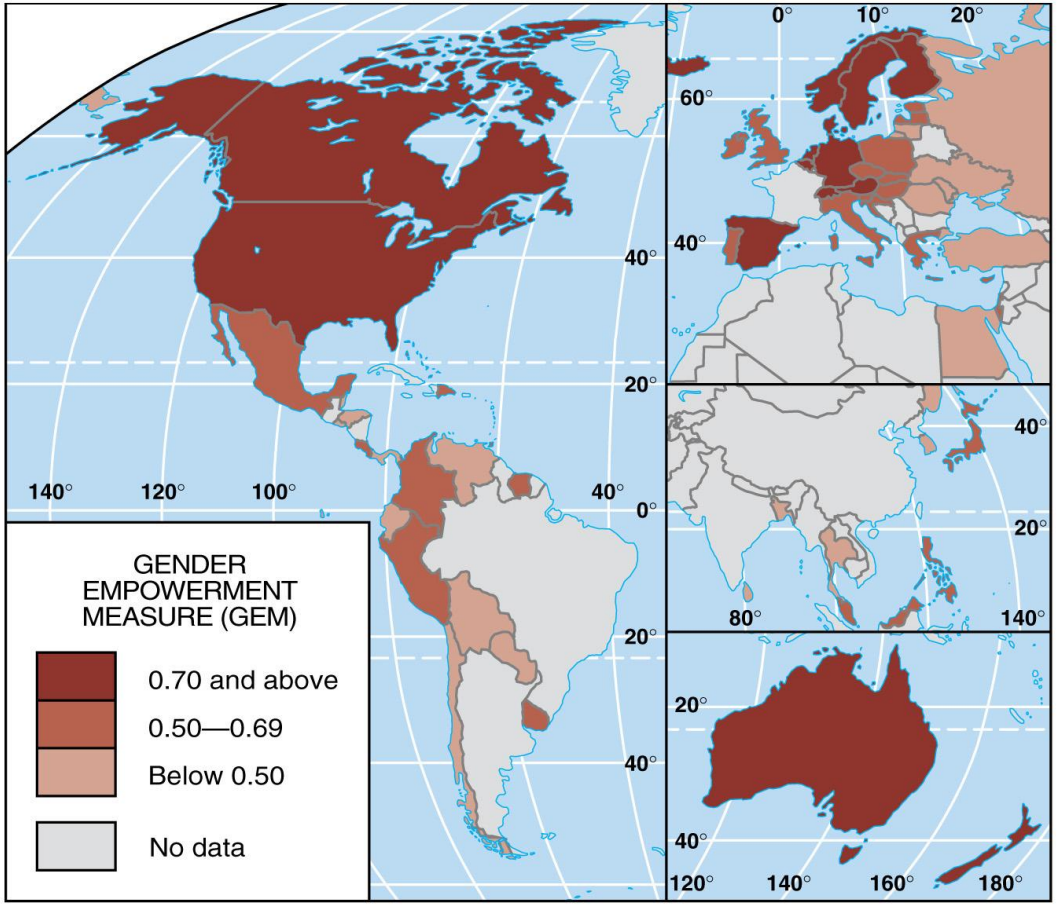


Fig. 9-15: The GEM combines two measures of economic power and two of political power by women. (Little data are available for LDCs.)

Women Professional and Technical Workers

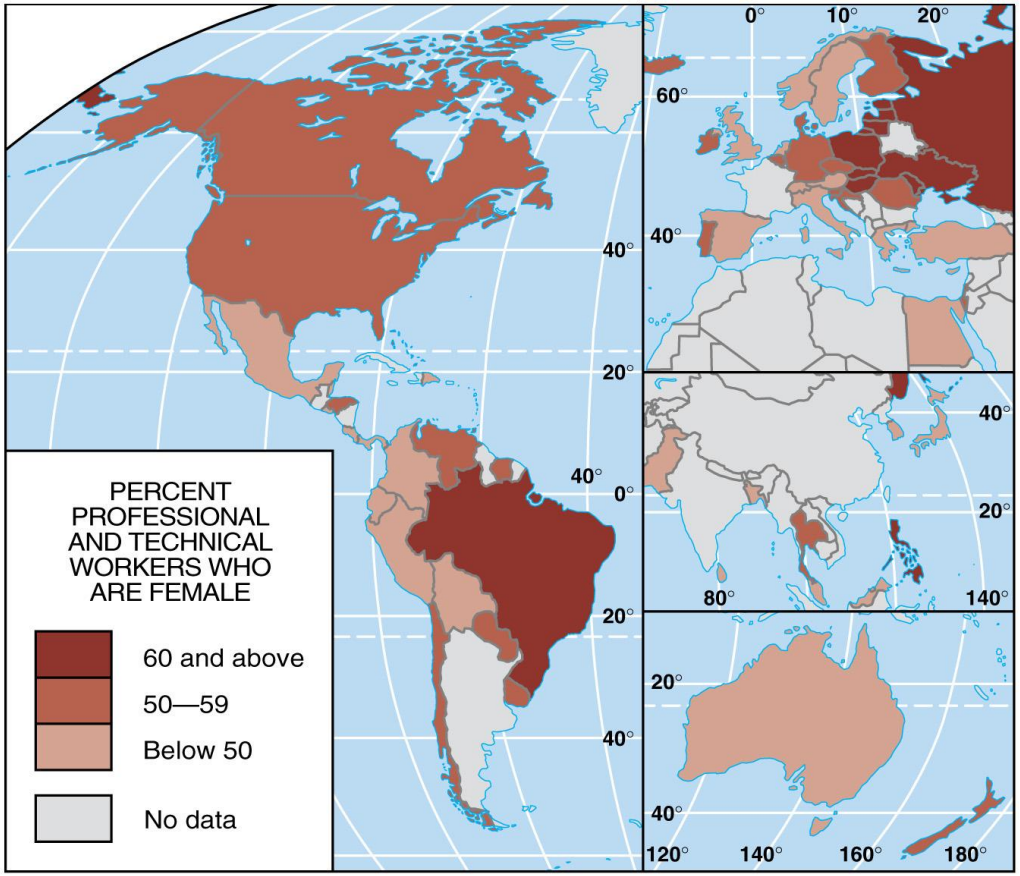


Fig 9-16: Half or more of professional and technical workers are women in most MDCs and some LDCs, such as Brazil, but only a small proportion are women in most LDCs.

Women Administrators and Managers

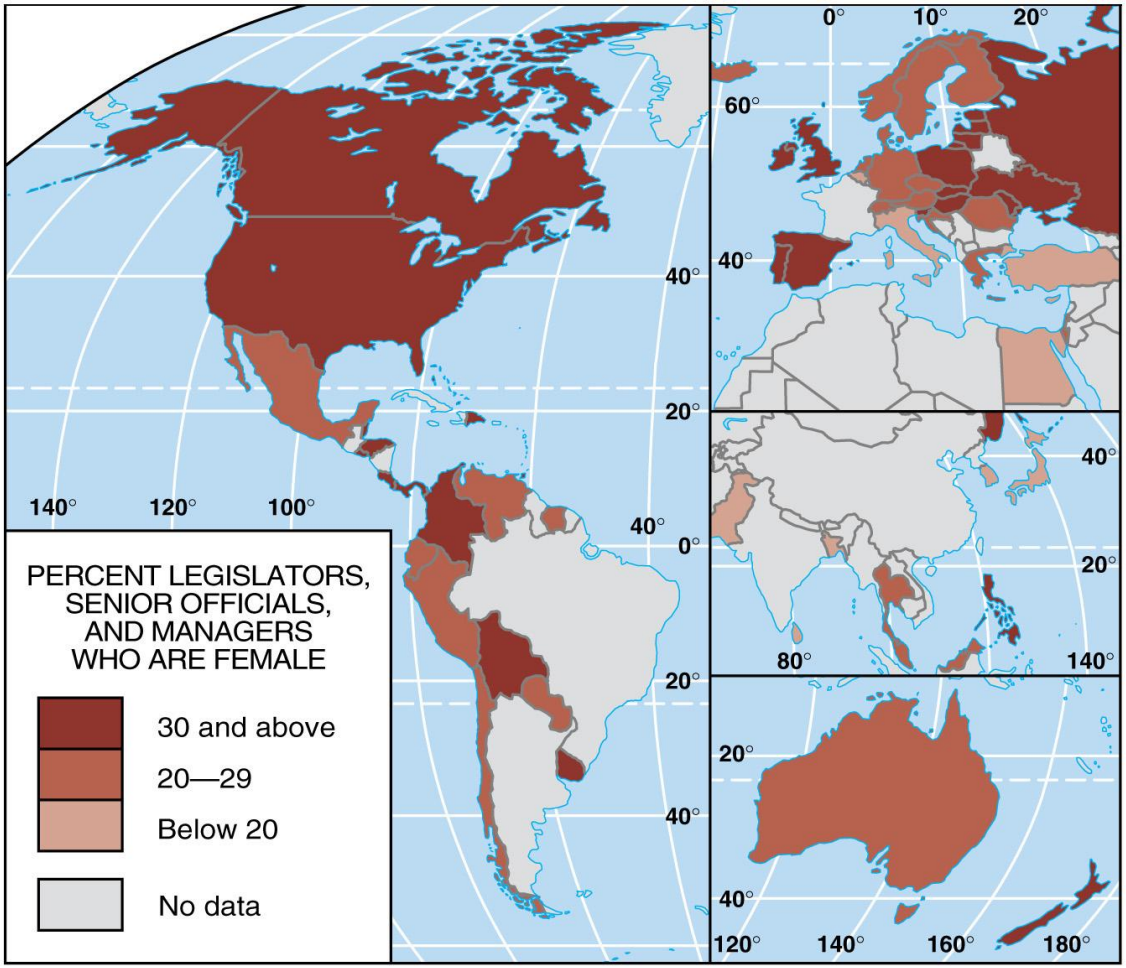


Fig. 9-17: More than one-third of top administrators are women in North America and some other MDCs and LDCs, but 20% or fewer top administrators are women in many other countries.

Women as Legislators

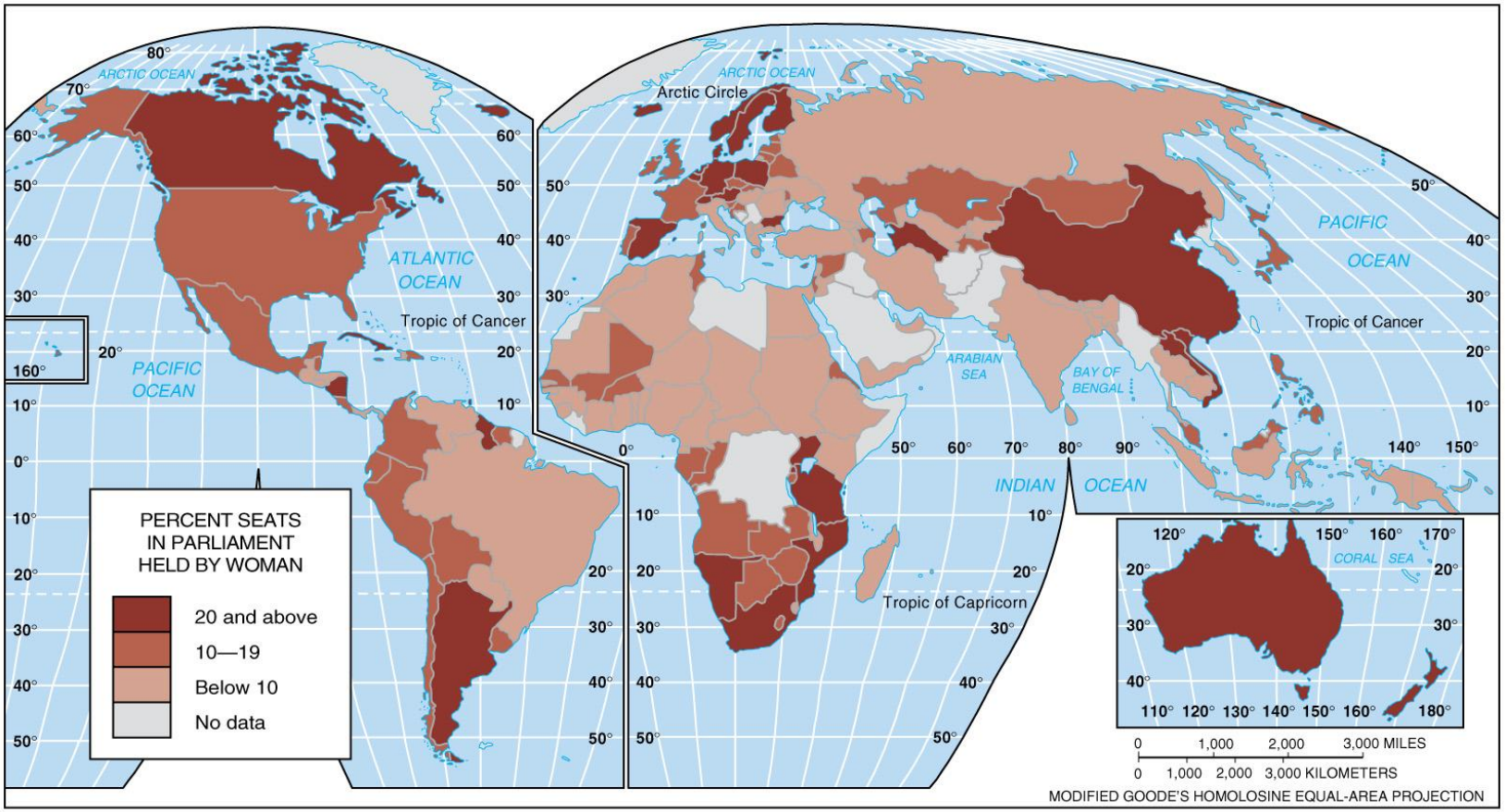


Fig 9-18: Over 20% of legislative seats are held by women in China, some European nations, and several LDCs. In many other LDCs, under 10% are held by women.

Key Issue 4: Development Strategies

- Development through self-sufficiency
  - Elements of self-sufficiency approach
  - Problems with self-sufficiency
- Development through international trade
  - Rostow's development model
  - Examples of international trade approach
  - Problems with international trade
- Financing development

Income and Demographic Change, **1980–2004**

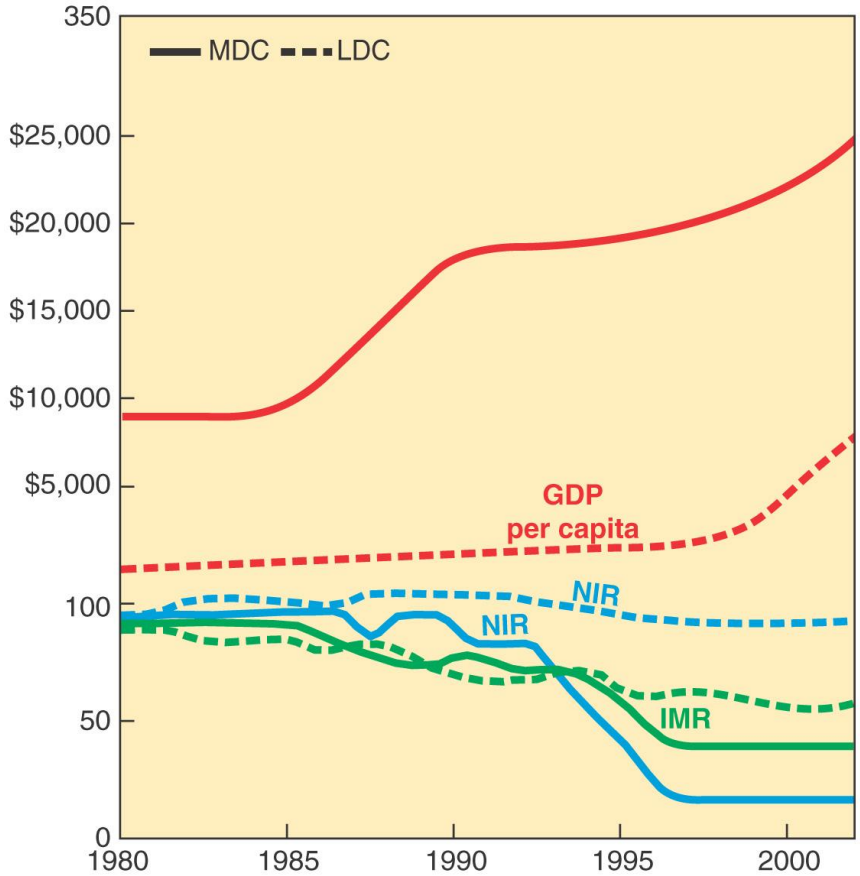
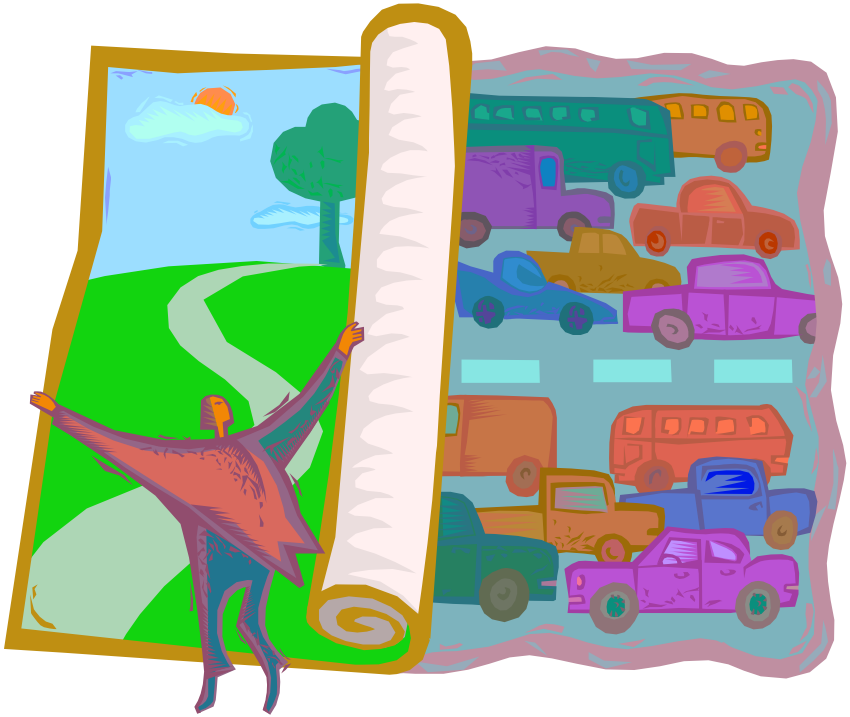


Fig. 9-19: Per capita GDP has increased more in MDCs than in LDCs during this period, while population growth and infant mortality have declined more rapidly in MDCs than in LDCs.

Development through Self-Sufficiency

- For most of the twentieth century, self-sufficiency, or balanced growth, was the more popular of the development alternatives.
- The world's two most populous countries, China and India, adopted this strategy, as did most African and Eastern European countries.



Elements of Self-Sufficiency Approach

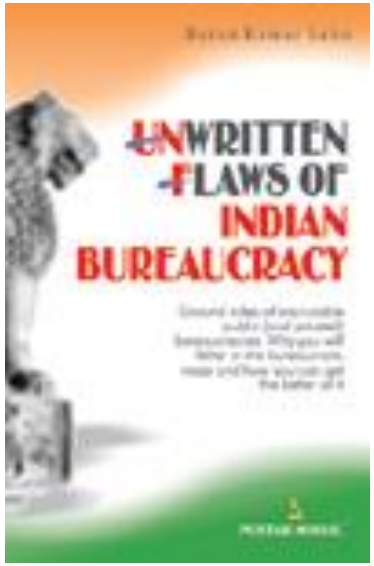
- According to the balanced growth approach, a country should spread investment as equally as possible across all sectors of its economy, and in all regions.
- Reducing poverty takes precedence over encouraging a few people to become wealthy consumers.
- The approach nurses fledgling businesses by isolating them from competition of large international corporations.
- Countries promote self-sufficiency by setting barriers that limit the import of goods from other places.
- The approach also restricts local businesses from exporting to other countries.

India: Example of the Self-Sufficiency Approach.

- For many years India made effective use of many barriers to trade.
- Businesses were supposed to produce goods for consumption inside India.
- If private companies were unable to make a profit selling goods only inside India, the government provided subsidies, such as cheap electricity, or wiped out debts.
- The government owned not just communications, transportation, and power companies, a common feature around the world, but also businesses such as insurance companies and automakers, left to the private sector in most countries.

Problems with the Self-Sufficiency Alternative

- The experience of India and other LDCs revealed two major problems with self-sufficiency:
  - Inefficiency: self-sufficiency protects inefficient industries. Companies protected from international competition do not feel pressure to keep abreast of rapid technological changes.
  - Large bureaucracy: the second problem was the large bureaucracy needed to administer the controls. A complex administrative system encouraged abuse and corruption.



Development through International Trade

- The international trade model of development calls for a country to identify its distinctive or unique economic assets.
- According to the international trade approach, a country can develop economically by concentrating scarce resources on expansion of its distinctive local industries.

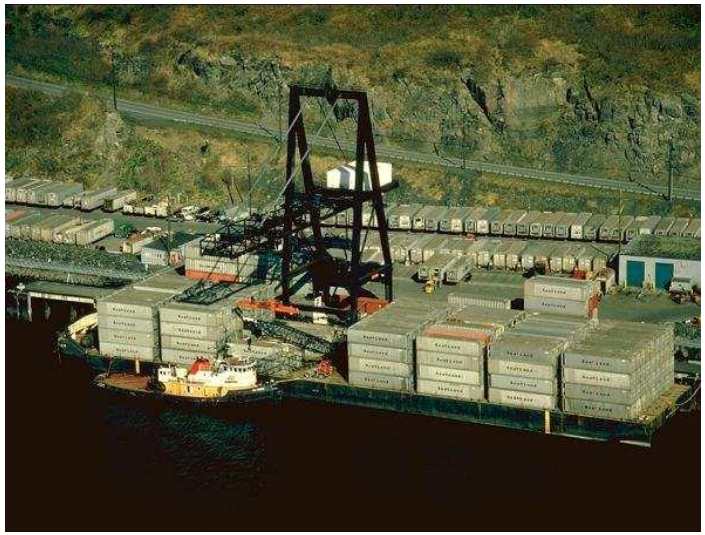
NO, YOU CAN'T PAY IN CAMELS — BUT WE DO ACCEPT GOLDFISH!

Rostow's Development Model

- A pioneering advocate of this approach was W. W. Rostow, who in the 1950s proposed a five-stage model of development.
- Several countries adopted this approach during the 1960s, although most continued to follow the self-sufficiency approach.
- According to the international trade model, each country is in one of these five stages of development.
  1. The traditional society.
  2. The preconditions for takeoff.
  3. The takeoff.
  4. The drive to maturity.
  5. The age of mass consumption.
- The model assumes that less developed countries will achieve development by moving along from an earlier to a later stage.
- A country that concentrates on international trade benefits from exposure to consumers in other countries. Concern for international competitiveness in the exporting takeoff industries will filter through less advanced economic sectors.

Examples of International Trade Approach

- Two groups of countries chose the international trade approach during the mid-twentieth century.
  - One such group was along the Arabian Peninsula near the Persian Gulf;
  - The others were in East and Southeast Asia.

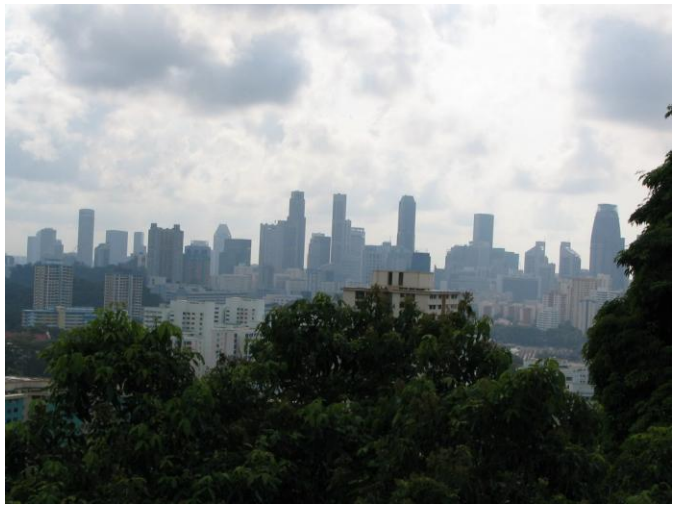


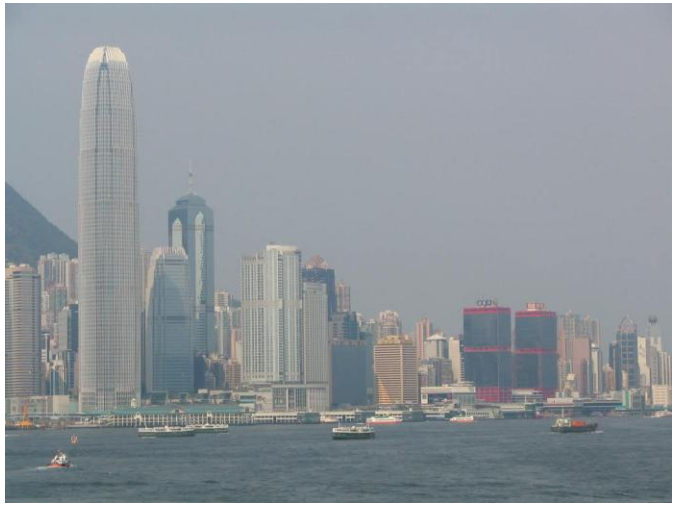
Petroleum-Rich Persian Gulf States

- This region was one of the world's least developed until the 1970s, when escalation of petroleum prices transformed these countries overnight into some of the wealthiest per capita.
- Persian Gulf countries have used petroleum revenues to finance large-scale projects.
- The landscape has been further changed by the diffusion of consumer goods.
- Some Islamic religious principles, which dominate the culture of the Middle East, conflict with business practices in more developed countries.
- Women are excluded from holding most jobs and visiting public places.

The Four Asian Dragons

- Also among the first countries to adopt the international trade alternative were South Korea, Singapore, Taiwan, and Hong Kong.
- Singapore and Hong Kong, British colonies until 1965 and 1997, respectively, have virtually no natural resources.
- Both comprise large cities surrounded by very small amounts of rural land.
- South Korea and Taiwan have traditionally taken their lead from Japan.
- Lacking natural resources, the four dragons promoted development by concentrating on producing a handful of manufactured goods.

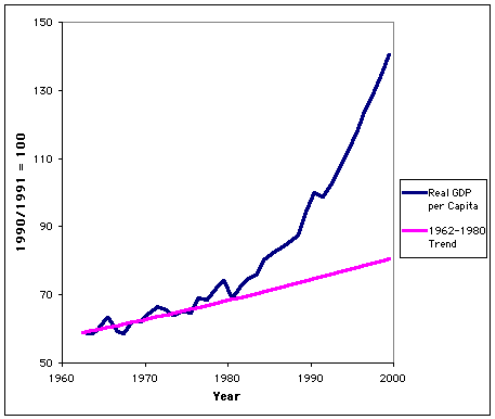


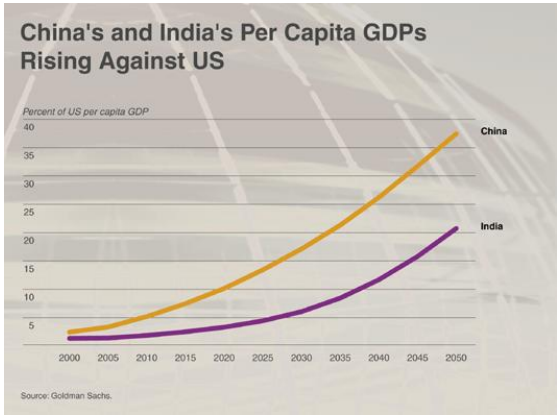


Problems with the International Trade Alternative

- Three problems have hindered countries outside the Persian Gulf and the four Asian dragons from developing through the international trade approach:
  1. Uneven resource distribution
  2. Market stagnation
  3. Increased dependence on MDCs

Recent Triumph of the International Trade Approach





- Despite problems with the international trade approach, it has been embraced by most countries as the preferred alternative for stimulating development.
- During the past quarter century, world wealth (as measured by GDP) has doubled, whereas world trade has tripled, a measure of the growing importance of the international trade approach.
- India, for example, dismantled its formidable collection of barriers to international trade during the 1990s.
- Countries converted from self-sufficiency to international trade during the 1990s for one simple reason: overwhelming evidence that international trade better promoted development.
- In the case of India, under self-sufficiency between 1960 and 1990, GDP grew by 4 percent per year, much lower than in Asian countries that had embraced international trade.
- After adopting the international trade alternative in the early 1990s, India's GDP grew 7 percent per year during the 1990s.

World Trade Organization

- To promote the international trade development model, countries representing 97 percent of world trade established the World Trade Organization (WTO) in 1995.
- The WTO works to reduce barriers to international trade in two principal ways.
- First, through the WTO, countries negotiate reduction or elimination of international trade restrictions on manufactured goods and restrictions on the international movement of money by banks, corporations, and wealthy individuals.
- Second, the WTO promotes international trade by enforcing agreements.

WTO Opponents

- The WTO has been sharply attacked by liberal and conservative critics.
- Liberal critics charge that the WTO is antidemocratic, because decisions made behind closed doors promote the interest of large corporations rather than the poor.
- Conservatives charge that the WTO compromises the power and sovereignty of individual countries because it can order changes in taxes and laws that it considers unfair trading practices.
- Protesters routinely gather in the streets outside high-level meetings of the WTO.

Financing Development

- Regardless of whether self-sufficiency or international trade is preferred, less developed countries lack the money needed to finance development.
- LDCs borrow money to build new infrastructure.
- The two major lenders are international lending organizations controlled by the MDC governments—the World Bank and the International Monetary Fund.
- Money is also lent by commercial banks in more developed countries.
- The theory behind borrowing money to build infrastructure is that new or expanded businesses attracted to an area will contribute additional taxes that the LDC uses in part to repay the loans and in part to improve its citizens' living conditions.

Debt as Percent of Income

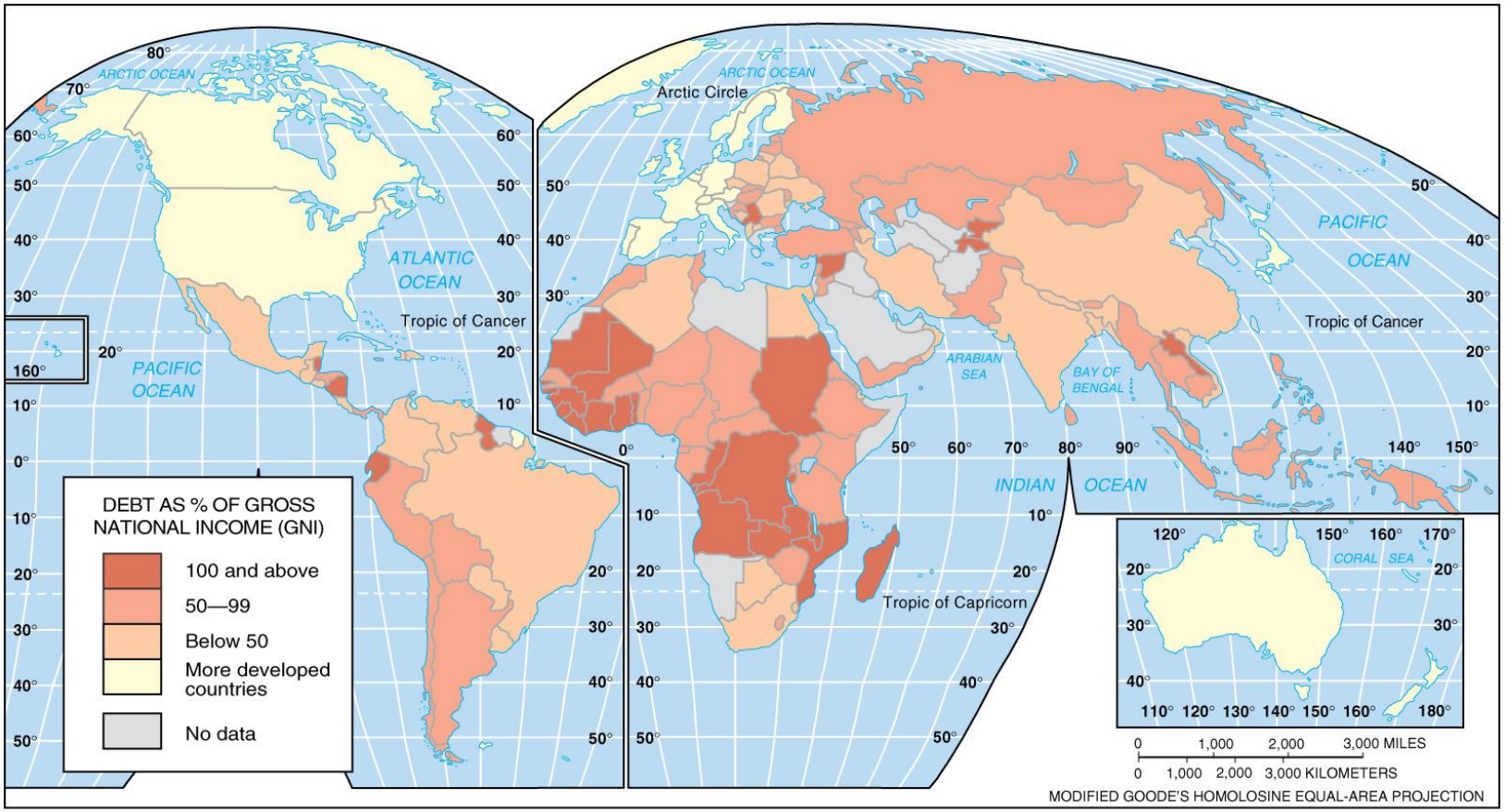


Fig. 9-20: Many developing countries have accumulated large debts relative to their GDPs. Much of their budgets now must be used to finance their debt.

Problems with Loans

- Often financial institutions in more developed countries refuse to make further loans, so construction of needed infrastructure stops.
- The inability of many LDCs to repay loans also damages the financial stability of banks in the more developed countries.
- MDCs have become more cautious in granting loans.
- International lending agencies require LDCs to adopt structural adjustment programs, which are economic policies that create conditions encouraging international trade.
- These programs can be unpopular with the voters and can encourage political unrest.
- For their part, LDCs demand an increased role in loan-making decisions made by international agencies.

Transnational Corporations

- A transnational corporation operates in countries other than the one in which its headquarters are located.
- The net flow of investment from MDCs to LDCs made by private corporations grew nearly tenfold during the 1990s.
- About one-half of the investment involved transfers within transnational corporations.

Foreign Investment Flows

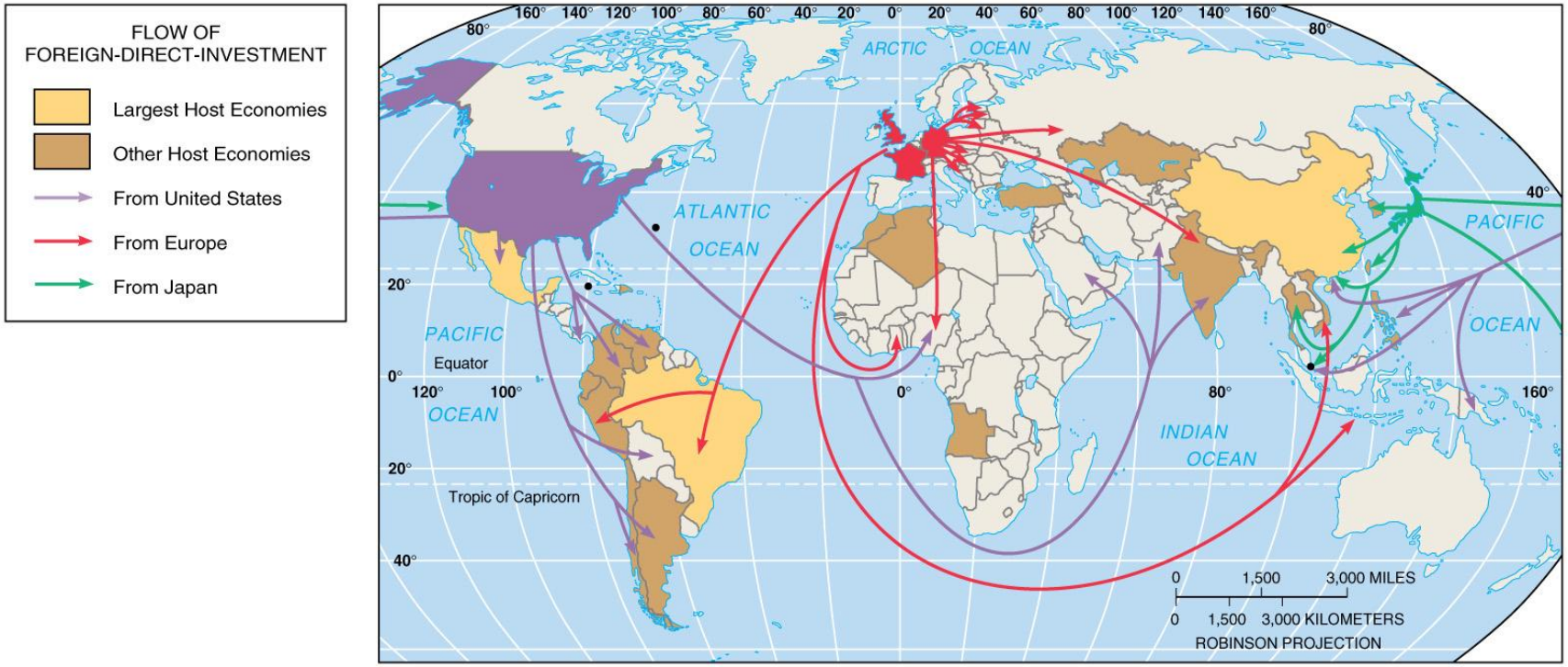


Fig. 9-21: Three-quarters of foreign investment flows from one MDC to another. Only one-quarter goes from an MDC to an LDC.

Core and Periphery in World Economy

Fig. 9-22: This north polar projection of the world shows that most of the MDCs are in a core area north of 30° N latitude. The LDCs are mostly on the periphery of this map.

Chapter 9

Development

The End