Development Through International Trade

The international trade model of development calls for a country to identify its distinctive or unique economic assets. What animal, vegetable, or mineral resources does the country have in abundance that other countries are willing to buy? What product can the country manufacture and distribute at a higher quality and a lower cost than other countries? According to the international trade approach, a country can develop economically by concentrating scarce resources on expansion of its distinctive local industries. The sale of these products in the world market brings funds into the country that can be used to finance other development.

Japan as an example (before Brandt's line)

Japan's development is especially remarkable because it has an extremely unfavorable ratio of population to resources. Japan became an industrial power by taking advantage of the country's one asset, an abundant supply of people willing to work hard for low wages. The Japanese government encouraged manufacturers to sell their products in other countries at prices lower than domestic competitors. Having gained a foothold in the global economy by selling low-cost products, Japan then specialized in high-quality, high-value products, such as electronics, motor vehicles, and cameras.

Japan's eminence was achieved in part by concentrating resources in rigorous educational systems and training programs to create a skilled labor force.

Throughout the better part of the twentieth century, Japan was the only global economic power in East Asia, and its regional dominance seemed beyond doubt. Other nodes of manufacturing existed, but these were no threat, and certainly no match, for Japan's industrial might. The picture began to change with the rise of the so-called Four Tigers of East and Southeast Asia: South Korea, Taiwan, Hong Kong, and Singapore

THE FOUR ASIAN DRAGONS. Among the first countries to adopt the international trade alternative were South Korea, Singapore, Taiwan, and the then-British colony of Hong Kong. These four areas were given several nicknames, including the "four dragons,"

South Korea and Taiwan have traditionally taken their lead from Japan, which occupied both countries until after World War II. Their adoption of the international trade approach was strongly influenced by Japan's success. Lacking many natural resources, the four dragons promoted development by concentrating on producing a handful of manufactured goods, especially clothing and ~~electronics~~ * . Low labor costs enabled these countries to sell products inexpensively in MDCs. South Korea later developed significant manufacturing districts exporting products ranging from automobiles and grand pianos to calculators and computers. they transitioned to these more exp. products

after transitioning from low-cost products

Taiwan's economic planners promoted high-technology industries, including personal computers, telecommunications equipment, precision electronic instruments, and other high-tech products. [redacted]

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.

* low cost electronics (alarm clocks, toys, etc.)

Hong Kong exploded onto the world economic scene during the 1950s with textiles and light manufactures. "low-cost products" The success of these industries, based on plentiful, cheap labor, was followed by growing production of electrical equipment, appliances, and other household products. Hong Kong's situational advantages contributed enormously to its economic fortunes. The colony became mainland China's gateway to the world, a bustling port, financial center, and **break-of-bulk point**, where goods are transferred from one mode of transport to another. In 1997 China took over the government of Hong Kong from the British, and a showplace of capitalism came under Chinese communist control.

The industrial growth of Singapore also was influenced by its geographical setting Strategically located at the tip of the Malay Peninsula, Singapore is a small island inhabited by a little over 4 million people, mostly ethnic Chinese but with Malay and Indian minorities. Fifty years ago, Singapore was mainly an entrepôt (transshipment point) for such products as rubber, timber, and oil; today, the bulk of its foreign revenues come from exports of manufactured goods and, increasingly, high-technology products. Singapore is also a center for quaternary industries, selling services and expertise to a global market.

PETROLEUM-RICH ARABIAN PENINSULA STATES. The Arabian Peninsula includes Saudi Arabia, the region's largest and most populous country, plus Kuwait, Bahrain, Oman, and the United Arab Emirates. Once among the world's least developed countries, they were transformed overnight into some of the wealthiest thanks to escalating petroleum prices

Arabian Peninsula countries have used petroleum revenues to finance large-scale projects, such as housing, highways, airports, universities, and telecommunications networks. Their steel, aluminum, and petrochemical factories compete on world markets with the help of government subsidies. The landscape has been further changed by the diffusion of consumer goods. Large motor vehicles, color TVs, audio equipment, and motorcycles are readily available and affordable. Supermarkets are stocked with food imported from Europe and North America.

This is how they used their oil wealth to become "very highly developed"

Fall of Communism

Russia and Eastern Europe

Under communism, the Soviet Union and Eastern Europe had a centrally planned economy.

Five-year plans prescribed production goals for the entire country by economic sector and region. They specified the type and quantity of minerals, manufactured goods, and agricultural commodities to be produced and the factories, railways, roads, canals, and houses to be built in each part of the country.

After the dissolution of the Soviet Union in 1991, Russia and Eastern Europe rapidly converted to a market economy.

The transition proved painful. Unemployment soared as inefficient Communist-era businesses were either streamlined or closed. A handful of Russians—some of them gangsters—became very rich, but most Russians and Eastern Europeans saw their standard of living decline sharply.

Reflecting the deteriorating standard of living in Russia, the HDI declined from more than 0.9 in the 1980s under communism to below 0.9 in the 1990s and below 0.8 after 2000. In the first years of the twenty-first century, Russia experienced economic growth, fueled in large measure by escalating production of oil. The severe worldwide recession caused a sharp drop in demand, however, and with it the possibility of a renewed decline in the HDI.

understand the painful transition from a communist command economy to a market-based economy