

Developing countries must be able to reap the benefits of international trade.

Outlines

i. Introduction

Thesis Statement:

It is undeniable that developing countries can take benefits from international trade. However, there are multiple challenges in the way of benefits for developing countries. There is need to address these hurdles faced by developing countries in getting the benefits of international trade.

ii. Understanding the concept of 'developing' and 'developed' countries.

(a) Definitions

(b) General concept

iii. Are developing countries benefitting from the international trade at

~~present~~ the moment

(a) Facts and figures

(b) An analysis

iv. Some needed steps to enable the developing countries to benefit from the international trade

- (a) Enhancement in productivity
- (b) Eradication of energy deficiency
- (c) Focus on quality
- (d) Value addition of products
- (e) Promoting the art of storing,
- (f) grading, and packing the products
- (g) Benefiting through imports
- (h) Exporting the idle labour
- (i) Identifying and addressing the issues leading to export ban

v. Possible hurdles in the way of enabling the developing countries

- (a) Lack of interest of the politicians
- (b) Illiteracy and unawareness
- (c) Maladministration and bad governance
- (d) Deficiency of needed financial resources
- (e) Absence of peace and security

vi. Recommendations for overcoming the possible impediments

- (a) Devising of framework and plans having short, medium and long term goals

(b) Aligning the educational institutions with global market needs

(c) Focus on science and technology

(d) Promotion of the knowledge economy

(e) Getting assistance from the UN for financial aid

Conclusion

Trade has always been an important requirement of human life. Though its forms and types were different at different ages, its significance has always remained unchallenged in human history. In the field of trade, the biggest revolution was globalization, due to which the whole world became a single economy. Although there are no two opinions about the overall utility and productivity of global trade, many economists are sceptical about its fruitfulness for developing countries. The way it is fruitful for the developed world. This scepticism

Is well founded to a great extent, as a meticulous analysis of the economic statistics testifies that the scale of benefits of international trade is tilted in the favour of developed countries, and if developing countries genuinely want to benefit from it, they will have to take measures to enable themselves for the purpose. Focus on human resource development, eradication of energy crisis, spread of knowledge and awareness and special emphasis on learning the techniques of storing and packing can be some of the many measures that can be ^{helpful in} enabling developing countries to benefit from global trade. Quite understandably, the overall restructuring the economic and social structure will not be an easy task in developing countries, and there will be a myriad of impediments to it. Some scrupulous devised and passionately implemented measures can, however, be helpful in handling these obstacles successfully.

As per the dictionary definition, international trade is the exchange of capital, goods and services across international borders and territories. The concept of international trade became more prevalent with the growth and development of internet based technology, which made it possible for people to get connected with each other beyond their state borders. Internet bodies like World Trade Organization have been established to facilitate trade between countries. At the moment, all developed and developing countries are engaged in international trade in accordance with their needs and capacities. Though China tops the list of exporting countries of the world in monetary terms, these are the developed countries that mostly export their goods to the rest of the world and benefit from international trade. Developing countries are gradually increasing their share of the benefits of international trade, but quite

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understandably, they have to work
a lot for it.

To be able to reap the
maximum benefits of international
trade, developing countries will have
to take a number of steps.

First of all, they will have
to enhance the productivity of
their industrial and agricultural
sectors, as there is a lot of
room for improvement. The per acre
yield of wheat, for instance, in
developed countries is more than
60 maunds, whereas the same in
developing countries is less than
35 maunds. The same is the
case in industrial sector as
well. Less productivity simply means
more cost of production, which renders
the product expensive in international
market and decreases the probability
of its getting sold. Technological
interventions, the imparting of skills
and better management can be helpful
in enhancing the overall productivity
level in the agriculture and industrial
sectors.

Similarly, developing countries need to resolve the issue of energy shortages as early as possible. As energy is utilized in agricultural fields and manufacturing units, its unimpeded supply at economical rates is highly important for making the products competitive in international markets. High prices of energy and its efficiency result in a decrease in production and increase in cost, and both factors make it difficult for a product to attract customers. Developing countries will have to move away from fossil fuels that are not only expensive but also climate-unfriendly. Solar panels, wind turbines, and hydel projects should be focused on to ensure a sustainable supply of cheaper and more environmentally friendly energy to the agricultural and manufacturing sectors.

In the same way, developing countries need to focus on the quality of their products so that they can easily market and

and sell them to international buyers. Although quality is a subjective concept, there are still a number of standards that are universally acknowledged and adhered to. For instance, it is a general requirement that cotton should be free from trash, sugar grains should be good in size, fruits should be well ripe and without excessive seeds, garments should have stable colours, mechanical products should be durable and decorative products should have a unique design. In developing countries, there should be research cells working on the needs and requirements of all the countries in the world. These cells should guide the production sectors of their countries to adjust their product quality in accordance with the demands of the market. Developing countries should ensure that their brands are recognized in international ~~markets~~ markets for their quality and high standards and that none of their buyers

feel deceived or cheated after buying the products. For this purpose, developing countries should install some foolproof systems of pre-shipment inspection. An intentional and inadvertent mistake committed by one supplier can defame the whole country, and developing countries cannot afford it as beginners in the field of trading.


Just like other measures, developing countries will have to focus on the value addition of their products if they want to enhance their benefits from international trade. Presently, most of the developing countries export raw materials or semi-finished goods to, and import finished goods from, the developed countries. This thing neither lets nor will ever let the balance of payments shift in their favor. Just for the sake of understanding, raw material worth one dollar can earn six to twelve dollars if it is processed and converted into finished products. This

is the area on which developing countries should focus in order to facilitate their industrialists. Exports of garments instead of cotton, juices instead of fruits, and jackets instead of leather can multiply the benefits for developing countries. The process of value addition will not only fetch foreign currency and foreign investment but will also generate employment opportunities for skilled and unskilled workers. This shift, ultimately, will mark a new era of progress and growth for developing countries.

Another area in which developing countries will have to excel to benefit from international trade is grading and ~~packaging~~ packaging. International markets operate in a different way, as the buyers and sellers are not physically present at a particular place and the products are not available for physical inspection. The sellers, therefore, have to grade the goods according to their quality based on their visible and

invisible features. Size, taste, colour and weight are some general parameters for grading the products. Developing countries should ensure that they grade their products in accordance with the demands of their foreign customers and make supplies in accordance with the supply orders. Likewise, developing countries should be aware of the international packaging standards and should adhere to them strictly for the safe delivery of the products. Usually, the producers based in developing countries are not well aware of the global requirements of grading and packaging; the commerce and trade ministries of the developing countries should facilitate their exporters by sensitizing them to the global demands and practices. Developing countries can benefit from international trade through imports as well, and for this purpose they will have producing the things in which they have comparative disadvantage. Quite understandably.

understandably, no country has a comparative advantage in all types of products. Most of the developing countries however, do not realize this reality and keep on producing a number of such good and products that can be imported at substantially cheaper prices. The governments of developing countries create tariff and non-tariff import barriers to support their producers in the name of protecting the local industry. This approach however, proves detrimental to the economy. In the long run, as by remaining engaged in the production of goods in which they have comparative disadvantage, these countries do not attention to producing such thing in which they have comparative advantage, and thus the opportunity of earning foreign exchange through exports gets lost. All the economists are in agreement on the importance of having an open economy and the developing countries will have to shift to it by gradually minimizing trade restrictions.

One more dimension that can be helpful for developing countries in augmenting their benefits from global trade is the supply of services. As most of the developing countries have an abundant idle labour force, they have enormous potential for earning foreign exchange by exporting workers or their services to the developed countries, where the young population is becoming scarce at a rapid pace. For this purpose, developing countries should impart the necessary skills to their people in accordance with the demands in the international market. China, India and the  Philippines are those developing countries that are already doing well in this aspect, the other countries should also follow suit and try to utilize their human resources to change their fate.

Finally, developing countries need to be more cautious about issues like child labour, gender disparities and environmental degradation, as many countries do not allow imports from countries with such issues. For

example, the football exports of Pakistan experienced a sharp decline when importing countries started to ban Pakistani products, accusing the Pakistani industry of engaging children as labourers. The wage gap between male and female workers and ^{the} use of machinery that produces greenhouse gases in bulk quantities are also reasons for the rejection of many products in international market. The earlier the developing countries realize that they have to align themselves to the demands of the buyers in all ways, the earlier they will start moving towards the maximization of the benefits from international trade.

Having discussed the different measures that developing countries will have to take to maximize their gains from international trade, it is pertinent to point out that it will not be an easy task, and a number of obstacles will have to be crossed. First of all, the absence of political will is going to be the biggest hurdle. Rent seekers, getting

affected by the decision, will try to pressurize the government and use other such facts to keep on enjoying the protection in the form of subsidies, import duties and import quotas, yet the governments will have ~~to~~ to be formidable in their favour for an open-door economy. Secondly, illiteracy and poverty of the masses will be a big challenge for the developing countries in their economic restructuring. Illiterate people are either reluctant to change or incapable of adapting themselves to the changed circumstances, even if they want to. Though developing countries are already aware of the importance of education and are trying to their best to eradicate illiteracy, the issue still dominates their economic and social sectors. Weak administrative structure and bad governance will also prove to be a big hurdle for developing countries in the implementation of their devised strategies. Policies, however effective they might be, can't generate

the requisite outcomes until they are implemented in letter and spirit. Incumbent governments in developing countries will face challenging situations repeatedly in their way towards change.

The absence of necessary financial resources will also affect developing countries in a myriad of ways. Strategies and policies require a hefty amount of money for their implementation, and many governments in developing countries won't be able to take corrective measures simply owing to lack of financial resources.

Finally, the absence of stability and a peaceful environment will also be a hurdle for many countries. In the absence of an enabling environment, it is never possible for government to focus on economic restructuring and implement the devised strategies. The adverse situation of law and order in the developing countries will shackle them and won't let them benefit from international trade the way they should.

After delineating the possible hurdles that developing countries might be facing in their flight towards an open economy, it is significant to have a brief overview of the measures that can be helpful in handling the difficulties. First of all, the governments of the developing countries should engage their best economists in devising short medium and long term plans for gradually opening the economy by decreasing restrictions and enhancing domestic capabilities. These plans, before moving towards their implementation, should be shared with all the political parties to deliberate and consider. Developing a national consensus on such plans/policies is more significant than anything else if the requisite change is to be brought about in real sense.

Secondly, developing countries should align their education sector with the global market. Educational institutions should enable the youth to produce goods and render services in accordance with international demand. The ministry of overseas employment

in such countries should develop effective working coordination with skills development institution and the higher education sector to develop human resources in a purposeful way.

Thirdly, developing countries should divert their focus towards science and technology without wasting any further time. There should be a specific ministry headed by some notable scientist in every one of the developing countries to consider the technology related requirements of the country and devise and implement the requisite plans. This ministry should have linkages with educational institutions and agriculture and industry departments to ensure that what ever they do is in accordance with the requirements and available potential of the country.

Fourthly, developing countries will have to work on inculcating knowledge and awareness in their producers regarding the methods of enhancing productivity and marketing their products in the global markets. Seminars, workshops, documentaries, training sessions everything will work.

Finally, developing countries should try to engage relevant organizations of the UN as well as developed states to finance the implementation of their devised strategies. Soft loans, aid and investment: every opportunity and possibility should be explored to get specific funding for revamping the economic structure in accordance with the needs of international markets.

Conclusively, it can be said with utmost certainty that developing countries will have to ~~be~~ enable themselves if they want to compete with developed countries in the global markets and get the maximum benefits from international trade. Some structural improvements will have to be ensured for the purpose of economic models and social systems, as competing with the developed countries in international trade is by no means an easy task for the developing countries that lag behind in technology and human skills. Their overall transformation of the prevailing systems and practices in the developing world will not be a

child's play, as there will be a number of limiting factors to be dealt with successfully. These impediments, however, can be tackled through meticulous planning, whole hearted implementation of the devised strategies and unflinching support from the United Nations and the benign developed countries with reference to enabling developing countries to benefit from the international trade, the factor that will play the decisive role is the whole hearted implementation of the devised strategies. Most of the time, plans and policies are devised in the enthusiastic way, yet not attention is given to their implementation and ultimately, the requisite goals are never achieved. Developing countries should realize that a freely trading world is an unavoidable reality, and they will have prepare themselves for reaping the benefits in the best possible. The earlier they realize it, the better it is.