CRITERIA TO EVALUATE COUNTRIES

- Gross domestic product (GDP)
- GDP per capita
- The level of industrialization
- Infrastructure
- Standard of living
- Education level of workforce

CATEGORIES OF COUNTRIES

- Industrialized (developed) countries: US, UK, Japan, Canada, Australia, New Zealand, most of western Europe
- Developing (less developed) countries:

Newly industrialized countries (NICs): Singapore, South Korea, Hong Kong, Taiwan, China, Mexico, Brazil…

Less developed countries (LDCs): most of Africa

CHARACTERISTICS OF NICS

- High growth rate over a sustained period
- Generally pursue free trade policy
- Invest heavily in human capital, education & training
- Overcome poor natural resources
- Invest in technology
- Build modern housing
- Able to attract FDI

CHARACTERISTICS OF NICS CONT.

- Create employment
- Build good domestic and international infrastructure
- Strong political leaders
- Greatly increase in income/capita
- Good at innovation
- Good at moving to high productivity and value added industries

ISSUES FACING NICS

- Sustainable growth in an environment of economic shocks and depressed demand in developed countries.
- Continue to meet citizens’ expectation.
- Maintain competitiveness and deal with MNCs which relocate resources for better returns and cheaper costs.
- Deal with external debt
- Cope with loss of aid
- Rebalance to consumption and service led economy.

CHARACTERISTICS OF LESS DEVELOPED COUNTRIES

- Large portion live in rural areas
- Subsistence agriculture
- High birth rate
- Low life expectancy
- Limited resources (land, capital equipment)
- Lack of/low level education
- Lack of/poor health care

CHARACTERISTICS OF LESS DEVELOPED COUNTRIES

- High unemployment/lack of employment opportunities
- Heavy dependence on narrow range of commodities/susceptible to price fluctuation
- Poor infrastructure
- Lack of safe fresh water and power
- Poor soil/harsh weather condition

ISSUES FACING LDCS

- The underdevelopment trap
- Inability to increase tax
- Expand money supply cause inflation
- Unfavorable terms on loans
- Loans increase indebtedness

MULTINATIONAL CORPORATIONS (MNCS)

Produce products and/or services in more than one country.

Transnational Corporation (TNC)

MNC does not identify itself with one national home.

REASONS TO INVEST ABROAD

- Reduce cost, particularly labor cost.
- May reduce raw material costs.
- Cut transport costs.
- Closer to markets with leading technologies.
- Look for better political environment.
- Low barriers of health and safety issues.
- Extend product life cycle.
- Expand market and gain more consumers.

BENEFITS OF TNC MAY BRING TO HOST COUNTRIES

- Job creation, direct and indirect (multiplier effect)
- Capital accumulation in the form of FDI
- Bring new technologies and methods
- Help domestic industry to grow
- Increase competition in the market
- Contribute to economic growth
- Benefit balance of payment

PROBLEMS OF TNC MAY BRING TO HOST COUNTRIES

- May eliminate local competition
- Resource exploitation
- May use their strength and size to negotiate favorable terms with the local government
- May leave for lower cost locations
- Transfer profits back to home country