

GEO 2500

Global and Regional Economies

Spatial Transformation of the Core Economies

Instructor: Natalia Dambe

Trade and Investment

- Colonialist period, the triangular trade between Europe, Africa, and the Americas kept the global economy alive
- As colonial rule increased, as did investment in infrastructure, specialization of industries and competitive colonialism to become the world leader in economic development
- Africa became more incorporated into the world economy due to this competition and Africa's weak political policies that could prevent this. The continent became a focal point in development and was split between various European nations



Trade and Investment

- The conquest and trade imposed by European **colonialism** exemplified the interconnectedness of economies still present today.
- What is defined as “new colonialism” placed more emphasis on economic improvement rather than territorial control.
- This ignited a transformation of market for manufacturing and an integration of all economies that emphasized the divide between developed and less developed countries.
- **Comparative advantage**, the ability of one geographical area, to carry out one portion of economic activity, lead to the increased practice of monoculture and the role of periphery nations.

Colonial Economics and The Transformation of Global Space

- Periphery nations, referred to as “underdeveloped”, became part of the extraction of materials sector of production and/or plantation crops (monoculture).



Regional Specializations

- Specialization was divided into raw materials, crops, and “**stimulant**” **products** (sugar, tea, coffee, cocoa, tobacco)
 - Stimulants were referred to as such as they initiated energy and lengthened work ability among laborers
- This economic practice became common in developing colonial economies as it organized factors to promote growth.
- The **commodity** in which a nation focused upon was enforced by either domination, demand, or natural advantage. If a country had no natural advantage, they provided the labor, and if a country did, they were home to plantations and monoculture
- The Long Depression (1883-1896) that caused manufacturing profit to greatly decline also intensified the occurrence of specialization as this practice promoted the worldwide trade of various commodities

Transport Routes

- With the development of economy also comes the development of a colonial system by a network of steamship and communication
- By the 1913 the world economy was effectively integrated by a system of regularly scheduled steamship routes
- Railway building was the major mechanism of spatial transformation, as was the tendency for networks to focus on several coastal ports
- These effect created an export to raw materials and the concentration to escalating the growth of “links” to the world economy



Transport Routes

- Orientation of urban networks was towards the exploitation of hinterlands rather than an industry
- Colonial activities often stimulated the growth of secondary cities, as well as the exploitation of minerals and agricultural resources

Cultural Integration

- The Realignment of Trade and Production refers to the shift in global trade patterns and production networks due to various economic, technological, and geopolitical factors.
- Globalization, advancements in transportation and communication, and trade liberalization have facilitated the integration of economies and the emergence of **Global Value Chains (GVCs)**
- Technological advancements, such as automation, robotics, and artificial intelligence, have also influenced the realignment by changing production processes and reducing the importance of low-skilled labor
- Geopolitical factors (trade tensions, regional agreements, and political changes) have further impacted the realignment of trade and production

Cultural Integration

- The period of colonial rule and Western influence beyond Europe was marked by conflict and warfare as Western values were imposed on colonial societies
 - Led to suppression of local practices (witchcraft, infanticide, and bride burning)
- While European values empowered Western-educated natives who became essential to European rule, they also destroyed old customs and values
- Economically, the impact was dual-sided, as removing trade restrictions led to trade expansion and improved techniques but also disrupted traditional skills and devalued local industries

Cultural Integration

- Education brought power and influence, disrupted village life, and emphasized cash-cropping and wage labor
- These changes challenged norms, power dynamics, and traditional patterns of authority and led to a sense of loss of dignity and inferiority among the colonized people.

Influence of Colonial Administration on Interdependence

- European colonizers believed they could bring progress to "backward" people through colonization
- The colonialists aimed for efficient administration without violence, relying on officials, soldiers, and collaborators. They used alliances, economics, and rivalries to maintain control
- **Colonialism** created market, and introduced new judicial methods. It established schools and local administration systems
- Communication, transport, and medical care were prioritized, leading to transportation networks and specialized services
- The legacy of colonialism included the concept of the state as a responsible entity for development and social services, regardless of ethnic or kinship ties.

End of Colonialism and National Strategies of Development

- Economic Shift: End of colonialism led to a focus on industrial development to overcome stagnation and trade disruptions
 - Pursuit of Industrialization: Industrial growth sought for capital growth and personal advantage, driven by multiplier effects and economies of scale
- Challenges:
 - Deteriorating Terms of Trade: Export prices declined compared to import costs
 - Low Demand Elasticity: Limited increase in consumption of goods from less-developed countries.
 - Protective Barriers: High trade barriers hindered competition for primary production goods.
- Growth of Manufactured Exports: LDCs experienced rapid growth in manufactured exports, particularly in regions like East Asia, Latin America, and Eastern Europe

End of Colonialism and National Strategies of Development

- Concentration of Investment and Trade: Foreign direct investment, bank lending, and trade focused on manufacturing production, with concentration in regions such as East Asia, Latin America, and Eastern Europe.
- **New International Division of Labor (NIDL):** Global division of labor shifted, with specific regions specializing in manufacturing production.
- Post-colonial period witnessed a drive for industrial development to overcome economic challenges.
 - Growth in manufactured exports was concentrated in specific regions, contributing to the new international division of labor

Role of Transnational Corporations

- Since the 1970s, the main practice of TNCs (Transnational Corporations) in LDCs (Less Developed Countries) has been global sourcing
- Advantages: cheaper materials and skilled labor for production, tapping into new resources, skills and technology; advancements in technology and reduction in transportation costs have been the driving force for TNCs ability to extend their reach to these LDCs
- Consumer electronics industries have two characteristics that has encouraged the shift to global sourcing on a massive scale
 - Discrete production segments - requires flexible production due to short product cycles
 - Compact products - can be shipped at low costs
- Governments of LDCs facilitate and establish plants by providing EPZs (exporting processing zones), subsidies, and tax advantages to entice TNCs

Changes in Markets for Primary Commodities

- Since WWII, trade conditions in primary commodities have become exceedingly heterogeneous
 - Affecting LDCs; heavily dependent on these markets
 - Different price movements within the four major categories (fuels, minerals, grains, other agricultural products)
- Grain is a commodity with the most noticeable negative movement, which can signify an increase in production worldwide
- The reliance on a primary commodity in LDCs due to global demand can lead to negative effects (corruption, spikes in exchange rate between the country's currency, and providing subsidies that do not stimulate economic growth); **resource curse**
- The "resource curse," also known as the "paradox of plenty," refers to a phenomenon where countries rich in natural resources, particularly non-renewable resources (oil, gas, or minerals) often experience economic and social challenges despite their apparent wealth (Brazil?)

Changes in Markets for Primary Commodities

- Inelasticity of demand in DCs and absence of diversification are some explanations for the decline of commodities, however political agendas and social problems have played important roles in market changes as newly independent countries expended heavy political energy to become less dependent by diversifying import and export markets rather than building larger ones

Disparities Within the Periphery

- **There are three distinguishable groups of NIEs**
- Those that have grown rapidly and are exporters of manufactured goods
 - Ex. South Korea and Taiwan
- Those that have grown, but struggled due to high national debt
 - Ex. Brazil and the Philippines
- Those that remain low income
 - Ex. Afghanistan and sub-Saharan African nations

Effects of The Cold War

- As the United States and the Soviet Union tried to increase their influence throughout the world during the Cold War, LDCs were used as proxies during the conflict
- Most of the conflict during the Cold War was waged in LDCs
- Models of development were introduced from both sides
- **Free enterprise system from the United States**
- **Central Planning system from the Soviet Union**

Globalization of Capital

- The term "globalization of capital" describes how financial resources are becoming more mobile and integrated on a global scale
 - Movement of investments, capital, and financial transactions across international borders due to technological improvements, financial market liberalization, and the removal of trade and investment obstacles
- Significant impact on the economies and financial systems of countries all over the world by enabling multinational firms to expand their operations abroad

Core-Periphery Polarization

- Increased Division
- Changes in the global context for interdependence have deepened the division between the **Least Developed Countries (LDCs)** and the **Developed Countries (DCs)**
 - National income and purchasing power statistics support this interpretation, highlighting the growing gap between these two groups
- LDCs face challenges in terms of limited economic opportunities and lower standards of living compared to the DCs
- Rapid Development in the Periphery
 - Despite the division between LDCs and DCs, the periphery has experienced significant development in certain areas.
 - Data on output, health, and education show notable progress in these regions, indicating improvements in living conditions and human development

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Alternative Models of Development

- Many Less Developed Countries (LDCs) struggle to maintain or increase production and consumption levels, raising doubts about existing development models
- **Emerging Alternative Models:**
- 1) European Model: Combines economic growth with reducing income inequalities and social exclusion. Historical struggles show that achieving both objectives simultaneously is challenging. Involves significant efforts by subordinated groups to secure social rights against resistance from dominant groups
- 2) Chinese Experiment: Combines government-regulated macro-economy with decentralization of power to various stakeholders. Involves domestic capitalists, local governments, and transnational corporations (TNCs). Unique approach to globalization since 1978

Alternative Models of Development

- 3) Islamic Economic Practices: Islamic beliefs have influenced economic practices in certain regions. Prohibition of usury or excessive interest charged on loans is a notable feature. No comprehensive economic system based solely on Islamic principles has been established in any country.
- Overall, existing development models face challenges and limitations in addressing the "development impasse." Emerging alternatives such as the European model, Chinese experiment, and Islamic economic practices offer different approaches. Current trends show adaptations to dominant liberal capitalism rather than full-scale alternatives. Resource-oriented economies exhibit diverse policy choices influenced by political leaders and global demand.