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PROBLEMS AND MAIN BENEFITS OF DEVELOPING COUNTRIES

Nowadays modern world is concerned about the future of developing countries. The fate of developing world raises more questions than answers. Some scientists and researchers are convinced that developing countries do not have successful future, whereas other are completely sure that Third World countries have great potential. But all economists and policymakers put the greater emphasis on the thing that developing countries are the largest and most diverse group of countries in the world economy. They greatly different in gross income, size of economy, geographic location, level of development of a market, degree of external debt and the ability to withstand external shocks. Currently the main aim of world governments and international institutions is providing a foundation for sustainable development in developing countries. But unfortunately, it is impossible now, because in developing countries there are many problems to solve. So, we should get to know more about the main drawbacks and benefits of developing countries.

To begin with, we should figure out what does the developing country mean. Various terms are used for countries not considered a developed country. A developing country, also called a less developed country (LDC) or an underdeveloped country, is a nation with a less developed industrial base and a low Human Development Index (HDI) relative to other countries. However, this isn't a universally agreed-upon definition, nor is there agreement on which countries fit these two categories. The definition "developing" describes a currently observed situation and not a changing dynamic or expected direction of progress. During last few decades developing countries tended to demonstrate higher growth rates than developed countries, despite of all their problems. American economist and political theorist Walt Whitman Rostow suggests that developing countries are in transition from traditional lifestyles to the modern lifestyles which began in the Industrial Revolution in the 18th and 19th centuries.

Committee for Development Policy, CDP allocates several indicators of classification developing countries:

1. Developing countries include in decreasing order of economic growth or size of the capital market:

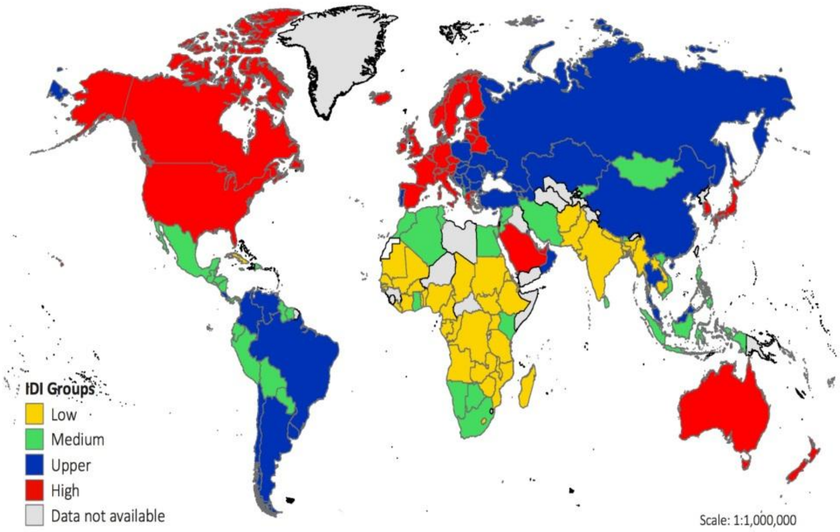
- newly industrialized countries (NIC – countries whose economies have not yet reached a developed country's status but have great economical potential);
- emerging markets (country that has some characteristics of a developed market, but does not matches standards to be a developed market);
- frontier markets (a type of developing country which is more developed than the LDC, but too small to be considered an emerging market);
- least developed countries (LDC –marked by the lowest indicators of socioeconomic development)

2. Developing countries can also be graded by geographic location:

- Small Island Developing States (SIDS) (small countries, including growing populations, limited resources vulnerability to external shocks, excessive dependence on international trade);
- Landlocked developing countries (LLDC).

In 2016 The World Bank classifies countries into four income groups, based on GNI percapita. The four categories in US dollars were [picture 1]:

1) low income countries: $1,025 or less;
2) lower middle income countries: $1,026 to $4,035;
3) upper middle income countries: $4,036 to $12,236;
4) high income countries: $12,237 and above.



Classification of developing countries in 2016 (classified by The World Bank)

On the picture 1 we can see that almost all developing countries are situated in Africa and South Asia. These regions are considered to be the most neglected and need economic and social reconstruction. Let`s find out the main drawbacks of the countries of these regions. The first one reason which is singled out by the UN is very low income. Developing countries get most of their income by selling farming products and raw materials. Average monthly salary in these countries ranges from 10 to 50 dollars per month. As far as we can see almost all people live in poverty because the even do not have enough cash to buy necessary goods.

The next problem is external debts. LDC`s governments borrow money and accumulate enormous debts which they cannot pay back. For example, external debts of African countries during last two decades has grown more than 2 times ( 250 billion dollars in 1990-s – 550 billion dollars in 2000-s). Today, the leaders of the world`s developed countries want to write off all the debts of the underdeveloped countries of Africa because they consider them hopeless.

The third disadvantage is hunger and starvation. In Africa droughts cause food shortages and almost all countries are dependent on food imports.

Another drawback is unemployment. Almost 50% of population of development countries, especially young people, do not have a job, and another part works in farming. There are lack of educational institution, recruitment companies. Market infrastructure cannot develop there because of huge number of unskilled workers. Researchers have found out that more than 200 million children under five years of age in developing countries do not reach their developmental potential.

Very important factor is deficit of infrastructure. Practically all LDC`s countries do not have basic services that their residents needs. For example there are not enough roads for transportation and convenient transport. They do not have enough social service companies.

One more problem is extreme population growth. Many developing countries grow at the rate of up to 3% per year or even more.

Exploding cities is probably the most negotiated problem of the modern world. Most villagers leave their motherlands in search of greener pastures. But they live not in the convenient flats, but in slums, ghettos and shantytowns. As we can see in the news reports and in social nets, big cities in developing countries are owercrowded and do not have enough facilities for new citizens.

The next characteristic is low life expectancy. People in developing countries does not leave as long as people in developed countries. European countries have an average life expectancy of over 80 years, in central Africa people live an average 50 years.

We should also mention sanitation. Many developing countries lack of clean water. Population use dirty water to meet their daily needs.

Corruption is extremely important problem too. Money does not reach the people who really need it. It is rather used in government projects and buying weapons.

Political conflicts probably have become the oldest problem of developing countries. Many LDC`s countries still suffer from the effects of colonialization. Conflicts inside of the countries cause power struggles and unstable governments . In some countries still are facing with civil wars.

But what about the benefits? Modern economists Dani Rodrik, Philippe Mario Aghion and Maurizio Bussolo are convinced that even before one generation changes, the main role in the sphere of world savings and investments will be played by developing countries. By 2030, half of the world's capital, i.e. 158 trillion US dollars will fall on the countries of the developing world, and today their share is less than one-third.

Another acceleration factor is the increase in the number of young people. By 2020, i.e. less than 7 years, the growth of the working-age population will be provided only by developing countries. If we consider that the total population of developing countries will increase by more than 1.4 billion by 2030, then all the benefits of the demographic dividend have yet to be felt, especially in the relatively more "young" regions of sub-Saharan Africa and South Asia.By 2030, more than 60 percent of the total employment will be employed in the services of developing countries, and they will account for more than 50 percent of world trade.

And now let's look at the main provisions by regions. East Asia and the Pacific region will witness a clear decline in the saving rate and an even more significant reduction in the investment rate, although by international standards these indicators will still be high. And in 2040 the region will be characterized by one of the highest in the developing world, the coefficient of demographic burden.

The region of Latin America and the Caribbean, where the level of savings has never been high, could become by 2030 the region with the lowest level of savings. Although demographic changes will play a positive role, due to the expected decline in demographic pressures up to 2025, the development of the financial market and moderate economic growth will play the role of a counterweight.

The Middle East and North Africa - this region has a significant potential for the development of a financial market that is able to provide investment, and - with aging populations - can lead to a reduction in savings.

In Sub-Saharan Africa, the investment rate until 2030 will be stable due to the high rate of labor force growth. Along with this, there is a likelihood of a shift in the financing of infrastructure investments towards increased private sector participation and a significant increase in private capital flows, primarily from other developing.

How we can see the developing countries are very contradictory. On the one hand, they seem to us places completely unadapted for a normal life, and on the other, we see in them a potential future world economy.

Whether it is destined to come true to all forecasts of economists and politicians will be shown only by time, but for now we have what we have. The main task of the modern world is to improve developing countries and their further preparation for entering the world arena.