Global Groupings

The Global Divide
In the past we have used the north-south divide or the Brandt Line in order to illustrate the diving developed and developing countries. Since the 1980s when this was thought up, many countries have developed in regions which were 'developing' and therefore this model is now being questioned regarding it validity.

Economic Groups
Countries can be grouped by their wealth and political groups. These are:

Grouping	Explanation	Examples
LDCS (least developed countries)	These are the world's poorest countries, and in 2010 43 out of 213 countries were classed as this by the UN. 28 of them were in sub-Saharan Africa. They have very basic living standards and often a low quality of life.	Sudan Ethiopia Angola Malawi
NICS (newly industrialised countries)	Middle income countries which have recently industrialised, average earnings have risen sharply from the 1970s.	Hong Kong, Singapore South Korea. These are known as the 'Asian Tigers'
Ex-Soviet States	After the break up of the Soviet union in 1989 there were 15 countries left with low GDP and HDI. Some middle income countries were left.	Croatia Russia Estonia
Organisation of petroleum exporting countries (OPEC)	Since the 1980s the oil producing states have belonged to this group. There are 12 of them, and supplies oil to meet global demand, at high prices. An example is Saudi Arabia which is very wealthy, displaying above average wealth. However this is not evenly distributed within the country.	Saudi Arabia UAE Venezuela
Organisation for Economic Cooperation and Development (OECD)	Made of 34 organisations that have high wealth, however it is evenly distributed. It is a forum of discussion about the economic policy issues and the environment. Some countries within are only just emerging e.g Chile. All members promote free trade and democracy.	Sweden Spain Australia

As you can see as you move down this the wealth is increasing. However who is in charge?

1. *WTO (World Trade Organisation)* - This was set up in 1993 and set laws for trading. It aims to promote free trade by reducing barriers making it easier for poorer countries to trade. Some though believe that they act more for helping wealthy countries.
2. *G8* - A group of 8 nations founded in 1975 which is a forum for governments of the worlds biggest economies. It is made up of UK, USA, Russia, France, Canada, Germany, Italy and Japan. It represents 65% of the worlds trade.
3. *IMF (International Monetary Fund)* – This organisation organises investments within countries that have little money to spend on infrastructure. It forces service to privatise e.g. the post office which are then bought by TNCs from developed countries. They also filter loans from the rickets countries and gives it to developing countries as aid. This can help the country, but also put it huge amounts of debt that it cannot afford to pay back. An example of this is the Asian Crisis of 1997 when countries such as Indonesia and Malaysia were forced by the IMF to increase interest rates tighten fiscal policy to reduce the deficit and strengthen the exchange rates. However this caused a minor shut down and a serious recession with mass unemployment.

Why there are disparities in wealth?

There are many reasons for this, some of the key ones are:

- In the 1970s many African countries took out loans, which they can no longer afford to pay back. This means that they have no money to invest in infrastructure or services.
- Profit margins were hit in developing countries due to the fact that the OPEC increased the price of oil twice. It also kept its profits in banks within more developed countries.
- Generally the banks have lent money to countries which are at a greater level of development.
- Global interest rates doubled in the 1980s which meant that developing countries who had taken out loans in the past struggled even more to pay back the debt. This threw them into a **spiral of deprivation**, with people being unskilled (due to no education), unable to get high paid job resultantly lowering GDP of the country. This ultimately means that debts aren't being paid off.

There are specific countries which have been impacted by one or some of the points above and these are **Tanzania** and **Kenya**.

Tanzania	***Kenya***
They began with a fairly high GDP, in which they have good healthcare and education. Much of the income was due to cotton production, due to rich fertile volcanic soils. However in the 1980s the price of cotton fell significantly, by around half. This impacted farmers greatly, which consequently caused GDP to fall.	In the 1990s Kenya had a rapidly growing population but was plagued in debt. The government devoted land to cash crops, with **45% of flower imported into the EU** from sub-Saharan Africa. This totalled **around €250 million.** The dedication to these cash crops caused a shortage of food and therefore **60% of the population** suffered from a lack of food. Farmers also tried to increase yields quickly by diverting water to flowering fields, this though caused the surrounding ecosystems to suffer.