

ECONOMIC MASS AND WORLD ECONOMIC CRISES AND ITS EFFECT ON NATIONAL ECONOMY IN DEVELOPING COUNTRIES

Ph.D. Emadeldin Mahmoud Ali Eid

E-mail: emadeid1973@hotmail.com

Al Zarka Academy for Administrative Science & Information System, Egypt

Ph.D. Mohamed Saad Khawasek

Al Zarka Academy for Administrative Science & Information System, Egypt

Abstract:

Since the international economy is facing a strong strike considered one of the worst economic crises witnessed worldwide in several decades having several severe negative effects on developing countries, affecting its revenues and growth rates and the developing manifestations which have been achieved in the latest years, where recently world is in great need to have a world economic cooperation.

Where till summer 2008 the spreading point of view was concentrated at "separating world economics from each other and securing it against any financial crises and economic collapses spreading in the developed world, while in the recent time it seems that this way of thinking became just like hope, where developing countries same as developed countries have faced three risks represented in food, energy and financial crisis where several developing countries have entered the risk stage in order to overcome this crisis where growing economies are affected by this kind of collapse through several figures where countries are suffering high balance of payment and a financial deficit are more exposed to the crisis, also several countries are witnessing a sharp decrease in exports affecting investments in the growing markets where investment portfolios has been decreased, as the investors have withdrawn their capitals preferring to keep them in some near places away from danger within this risky circumstances also the direct foreign investment has been decreased despite that earlier cases proves that economy was enabled to refresh its activity and overcome its crises.

On the highlight of the previous statements the research include the development of World Trade Organization agreement and its role and principles and the privileges allowed to developing countries and the less developed countries then showing the expected increase in the world production and its distribution among different states, finally the study include an analysis for

developing the movement of exports in products and services in the chosen developing states among the world and the developed countries where increasing exports is the main element affecting economic development and raising the standard of living.

This study aims at mentioning the importance of economic masses in developing countries facing the economic globalization, thus increasing the economic ability and developing rates in developing countries allowing it to enter world market through merges and free trade and international exchange where trade is considered the production train trying to achieve economic growth in developing countries.

1-Introduction

The huge economic masses and world trade organization agreement, are generally affecting developing countries including low standard of life, where if it compared to the average individual income in the developed countries considered very weak, where most citizens in poor states are worried about getting the minimum limit of their food needs reflected by the great gap in distributing national income in developing states, where working on the level of the regional masses is not just a response to the national demands but also it became a main important condition to be merged with the scientific and technological revolution participating in it trying to achieve development which is directly related to securing the economic development conditions in the context of the recent globalization beating the national capitals wither the state was a liberal or a capitalistic state within the recent wide spreading of the resources markets and different kinds of interests also it is related to securing the political conditions.

The research is discussing the regional masses and how to get out of the world economic gap and restoring dialogues and gathering with other states and getting benefit of the globalization on the national level in the developing states without reconstructing the state and coping with the recent era joining the big economic masses entering the global markets.

1-1 The Research Problem

The research problem is represented in affecting the world trade organization agreement on developing countries and the presence of huge economic masses facing the economic globalization accordingly decreasing natural

resources in developing countries compared to developed countries, thus we have determined the most important problems in this field including the following:

1-increasing importing prices in developing countries including agricultural products and food products

2-the competition between industrial products as most of it is raw materials where industrial states are trying to find some alternatives

3-increasing unemployment in developing states particularly in industrial field

4-the gradual decrease in supporting agricultural production in developed states so increasing prices of importing food products in developing states

5-the gradual decrease in customs causing a deficit in the general budget in developing states

6-the hard international competition between developing states and developed countries in services trade field and foreign trade

7-the difficulty for developing states to cope with developed states in technology and importing the technology sources

1-2 the Research Importance

The importance of this study is related to the important role played by the economic masses in the world economy, the research results will help in the following:

1-how to open the developed states markets for developing states products and its importance in growing developing states economy

2-determining the direction towards the huge economic masses in order to gain the chances allowed by these masses allowing developing states to enter global market

3-the importance of making developing states try to pursue their targets and develop its economic performance in order to find these states on the global economic map

4- Offering a fair competing field for world investments in developing states

1-3 the Research Targets

This research aims at showing in important role of economic masses in developing countries within the world trade organization agreement, thus

supporting these states through increasing the economic ability in developing states thus the research targets will help in the following:

1-supporting developing states in entering world economic masses in coping with global economy

2-showing the importance economic masses and huge economic merges and its effect on small entities in developing states

3-helping developing states to enter global market of the developed states through economic merges and free trade and international exchange

2- Economic Crises

2-1 The effect of economic crises on developing states

The recent economic development has resulted in expecting the upcoming stage after the economic crisis affecting several projects are still under construction in the developing economy due to decreasing investment financing where it's expected that some projects can be frozen and keep it in the non-producing state making more burden on the banks due to the accumulating debts, till finishing these projects and adding them to the growing production energy increasing the contraction risk.

Due to all these factors it's expected that GDP to decrease in developing states to 2.1% in 2012 compared to 7% in the period between 2006 till 2011 in same time where countries are enjoying high income rates are suffering from deep recession this year, decreasing economics in OECD states recording 3%, while in other states of high income it raise to reach 2%.

As we can't explain the sharp collapse in growth rate through watching the trading activities, where it's clear that the local economics of developing states have been affected by the financial crisis and the changes in pumping capitals and collapsing stock markets and securities and the general collapse in financing, pushing the investment growth in developing states to be slow decreasing investments sharply, despite all that, the developing states have entered the financial crisis supported by several advantages which it didn't have in 1980s and 1990s in the last century including the strong economic policies and its strong ruling system and well administration of debts, also including moving towards organizing prices and exchange rates to be more flexible participating in improving the economic ability to absorb strikes through modifying prices of exchange rates.

(Mohamed Khawasek, 2011)

2-2 Economic Masses End Multinational Enterprises

These kind of companies have been emerged with its new view in the late of the nineteenth century where its appearance formed an important transformation in the economic activity particularly after increasing its numbers and sizes, the multinational enterprises are characterized by its huge size, different activities, geographical spreading and depending on world stock, mobilizing the abilities where the earlier monopolies were based on the economic activity inside the states belong to it, based on the national slogans trying to protect national market away from foreign competition without paying attention to the technological developments.

(Saad Taha and others, 2009)

While the multinational companies spreading its activities in different states in the world trying to get benefits everywhere at any state without preferring any state than other, can get its money transfer from any financial institution internally or externally including "Time Warner Company" including several publishing, and media companies and studios at Hollywood and the news network CNN.

The technological development is considered the corner stone for multinational companies, where Germany is spending 8.2% of the GDP on research and technology about 2.37 billion dollars shared by the public money about 37%.

(Saies El Nagar, 2010)

2-3 Change in Real Income

The change in real income for liberating the world trade as a result of the partial and total liberating dividing the states into states achieving losses in its partial liberating and total liberating as Indonesia, Mediterranean states, Africa, and Mexico and other states achieving profit including Asia due to high income rates including China, India, Japan, Russia, USA, Canada, and EU states and some of South America states.

(Development and cooperation organization, 2011)

Table No (2-1)
The change in real income due to liberating world trade

Change in real income	Partial liberation	Total liberation
From 2.6 to 0.8%		Indonesia 2.6%, Mediterranean states 2.4%, Nigeria 18%, Gulf states 1%, Africa 0.9%
From 2.7 to 0.1%	Indonesia 0.7%, Morocco 0.5%, Mediterranean states 0.45%, Africa 0.2%	Mexico 0.4%
From 0 to 0.4%	Mexico 0%, Australia, New Zealand, soviet union, east Europe 0.1%, USA, Canada 0.2%,	Canada 0%, south Africa 0.1%, USA 0.3, Brazil 0.4%
From 0.5 to 0.1%	Gulf, India 0.5% south Africa, south America, Asia of low income 0.6%, Japan 0.9%	Soviet union 0.9%, Australia, New Zealand 1.05%
From 1.1% to 1.5%	EU, free EU zone 1.4%	Rest of south America, Asia of low income 1.3%
from 1.6% to 2.0%	-----	India 1.8%
From 2.1% to 3%	China 2.5%, Asia high income 2.6%	Japan 2.7%, EU, free EU zone 3%
From 1.3% to 4.5%	-----	China 4.5%
More than 4.5%	-----	Asia of high income states 8.2%

Sources: Dr. Mohamed Khawasek, Dr. Emadeldin Eid, 2012

In order to evaluate the results of world trade organization agreement for both developing and developed states through this study, analyzing services and products exports for both developing and developed states in the period between 2005 and 2011 through its exports and reaching the markets in order to liberate the global trade, leading to increasing growth rates and achieving economic development and raising the standard of living.

2- 4 developed states exports in products field

- Increasing the value and share of exports for USA, Canada, Japan including products in the period between 2005 till 2011
- Decreasing the share and value of exports coming from France and Germany.

- Both England and EU have achieved decrease in exports share and increasing the values.

This is what shown by Table No (2-2).

Table No 2-2

Developed states exports from goods

State	Value in Billion Dollars							Export share			Annual change rate in value		
	1990	1995	2000	2005	2009	2010	2011	1990	2010	2011	2009	2010	2011
world	2034	1954	3448	5122	5700	6430	6155	100	100	100	3.8	12.8	-4.3
USA	225.6	218.8	393.6	584.7	692	781.1	730.8	11.09	12.15	11.87	1.6	12.8	-6.4
France	116	101.7	216.6	301.2	324	324.9	321.8	5.7	5.05	50.23	1.1	0.2	-0.9
Germany	192.9	183.9	421.1	523.5	544	551.8	570.7	9.48	8.58	9.27	0	1.5	3.4
Italy	78.1	76.7	170.3	233.8	236	240.5	241.1	3.84	3.74	3.92	-4.2	2.1	0.3
England	110.1	101.3	185.2	237.9	272	284.9	273.1	5.41	4.43	4.44	11.3	16	-6.1
Canada	67.7	90.9	127.6	192.2	268	276.6	259.8	4.33	4.3	4.22	11.3	16	-6.1
Japan	130.4	177.2	287.6	443.1	914	479.3	403.5	6.41	7.45	6.56	8.1	14.3	-15.8
EU	753.8	708.8	1509	2084	2236	2312	2291	37.06	35.96	37.23	0.1	3.4	-0.9
Developed States	1280	1289	2490	5324	3810	4100	3934	62.92	63.92	63.92	2	7.6	-4.0

Source: data of world trade organization 2011

2-5 Exports of Some Developing States in Goods Field

In the field of goods export for some developing states where each of Brazil, Mexico, Turkey, Poland, India, Indonesia, Malaysia, Singapore, Philippine, Thailand, Egypt, Algeria, Tunisia, Libya, Morocco, Jordan, Lebanon, Yemen, Sudan achieving an increase in the growth rate for goods exports and increase in the change rate in the share showed by table 2-3 as follow.

Table No 2-3

Exports of some developing states of goods

State	Value in Billion Dollars							Export share			Annual change rate in value		
	1990	1995	2000	2005	2009	2010	2011	1990	2010	2011	2009	2010	2011
world	2034	1954	3.8	12.8	-4.3	3448	5122	5700	6430	6155	100	100	100
Non-Arab States													
Brazil	20.13	25.64	-6.1	14.7	5.7	31.41	64.51	48.01	55.09	85.22	0.99	0.86	0.95
Argentina	8.02	8.4	-11.8	13	0.9	12.35	20.97	23.33	26.41	26.66	0.39	0.41	0.43
Mexico	18.03	26.76	16.1	22	-4.78	40.71	79.54	136.4	166.4	158.6	0.9	2.59	2.58
Turkey	2.91	7.96	-1.4	4.5	12.3	12.96	21.64	26.59	27.78	31.2	1.14	0.49	0.51
Poland	17.02	11.49	-2.9	15.5	14	14.32	22.9	27.41	31.65	36.09	0.84	0.49	0.59
India	8.59	9.14	6.7	18.8	2.9	17.97	30.63	35.67	42.38	43.61	0.42	0.66	0.71
Indonesia	21.91	18.59	-0.4	27.7	-9.3	25.68	45.42	48.67	26.12	56.32	1.08	0.97	0.92
Malaysia	12.96	15.44	15.2	16.2	-10.4	29.45	73.91	84.46	98.14	87.92	0.64	1.53	1.43
Singapore	19.38	22.81	4.4	20.2	-11.6	52.73	118.3	114.7	137.8	121.8	0.95	2.14	1.98
Philippine	5.74	4.61	24.3	8.8	-219	8.12	17.5	36.58	39.78	32.13	0.28	0.62	0.52
Thailand	19.78	30.7	9.9	21.6	-17.1	67.08	111.6	121.5	147.8	122.5	0.97	2.3	1.99
Arab States													
Egypt	3.05	3.71	13.7	31.8	-0.12	3.48	3.45	3.56	4.96	4.13	0.15	0	0.07
Algeria	13.87	12.84	27.3	75.9	-0.9	12.93	10.24	12.53	22.03	20.05	0.68	0.34	0.33
Tunisia	2.2	1.74	2.3	-0.4	12.9	3.53	5.48	5.87	5.85	6.61	0.11	0.09	0.11
Libya	21.91	12.31	19.3	68.9	-13.2	13.23	9.98	7.95	13.42	11.65	1.08	0.21	0.19
Morocco	2.49	2.17	3	0.8	4.2	4.27	6.88	7.37	7.43	7.12	0.12	0.12	0.12
Syria	2.11	1.64	19.9	33.8	-3.1	4.21	3.56	3.46	4.63	4.49	0.1	0.07	0.07
Jordan	0.57	0.79	1.7	3.5	20.9	1.06	1.77	1.83	1.9	2.29	0.03	0.03	0.04
Lebanon	0.87	0.48	2.3	5.6	21.8	0.49	0.82	0.68	0.72	0.87	0.4	0.01	0.01

Source: Data of world trade organization 2011

2- 6 Comparison between goods exports of developing and developed states

- the share of goods exports for developed states in 2005=68.8%, the share of goods exports for developed states in 2009 =68.8%, the share of goods exports for developed states in 2010 =63.8%, and 2011=63.9%
- the share of goods exports for developing states in 2005=25.2%, the share of goods exports for developing states in 2009=26.8%, the share of goods exports for developing states in 2010= 29.2%, and 2011=28.7%

Table No 2-4
Developed and developing states exports from goods

State	Value in Billion Dollars							Export share			Annual change rate in value		
	1990	1995	2000	2005	2009	2010	2011	1990	2010	2011	2009	2010	2011
world	2034	1954	3448	5122	5700	6430	6155	100	100	100	3.8	12.8	-4.3
Total Developed States	1280	1289	2790	3524	3810	4100	3943	62.92	63.76	63.92	62	9.9	24.4
Total Developing States	590	495	799	1294	1532	1879	1764	29.02	29.23	28.67	29.9	2.0	7.6

Source: Data of world trade organization 2011

We can notice increasing the share of goods exports in developing states, despite all that the change in value was 7% compared to 16.3% for developed states, due to decreasing currency rates compared to currency in developed states

- the rate of annual change in exports value in developed states in 2005 till 2010 is 16.3%
- the rate of annual change in developing states where export value in 2005 till 2010 is 0.7%
- the rate of annual change in exports value in developed states is 9.9% in 2010 compared to 0.2% for developing states, 3.8% in 2009, 2.4% in 2011 compared to 7.6% in developing states 12.8% in 2010 as shown in table No 2-4

Results and Recommendations

First: Results

After discussing all the research content with all its issues, some results were concluded as follow:

1-trying to avoid pressures that imposed by developed states on the growing developing countries so as to offer the developing countries more chance to have economic revenues, guarantee the balance between its rights and liabilities

2-asking developed states to lift burden and determining the important fields in exporting for developing states in order to raise the exporting value in those countries supporting it in developing its economy

3-keeping the allowed facilities to developing states in the services field by not allowing services suppliers by working in developing states markets before reinforcing and developing its local abilities in this field.

4-raising the value of annual growth rate for developed countries exports with a rate is more than double the increase rate of the exporting value in developing states

5-increase in the size and value of exports for some kinds of goods in developed states including the United States, Canada, and Japan, the countries that are expected to achieve benefits from world trade organization agreement till now

6-results show that a big number of developing states have achieved an increase in the value and share of its exports within implementing the world trade organization agreement despite several threats for other developing states

7-increasing the competition in local and international markets leading to the quality of production and decreasing goods prices serving the consumer

8-raising prices of food products allow increasing exports of developing states, it also considered as a chance for expanding in producing grains

Second: Recommendations

After discussing results of the study, where a number of recommendations have been extracted in order to face the global economic masses and globalizing economy in developing states as follow:

1-exclusive procedures must be taken in the goods and services field in case of deteriorating the balance of payment which limit the number of suppliers for these services, also in the value and size of foreign investments

2-we have to work through negotiations in order to determine the working fields and moving towards economic sectors determining the negotiating fields through understanding agreement rules in order to support developing states to enter the global market

3-the importance of achieving continues support for the developing states demands through reinforcing its power and increasing its abilities through using modern technology

4-the continues demand for opening markets in developed states against developing states exports, and transferring workforce as a basic demand for developing states

5-raising shares system lead to having no differences and increasing exports rate in developing states in clothes and textile field

6-the developing states have to work hard to gain best conditions in order to secure it against the global economic masses to cooperate with each other supporting its power as it enjoying the biggest source of raw materials and wide consuming markets

7-the huge economic alliances activities and world trade agreement should be followed and plans should be set in order to keep interests of developing states in these markets

8-the importance of reinforcing the abilities of developing states power in goods and services field and getting benefits from supports and the allowance period provided by world trade organization for developing states and the less developed states.

References:

First: Arabic References

1-**Dr. Saied El Nagar** (2010), *The Global System and Multinational Enterprises*, Cairo, Dar Al Shrouk

2-**Dr. Saad Taha and others** (2009), *The Effect of World Economic Masses on Developing States*, National Planning Institute, Cairo

3-**Dr. Mohamed Saad Khawasek** (2011), *Basics of International Economy*, Al Zarka Academy for Administrative Science and Information System, Al Dar Al Hora Publishing House

Researches and Studies

Development and Cooperation Organization, International Bank for Reconstruction and Development, *Evaluating the quantities effects resulting from implementing world trade organization agreement in 2011.*