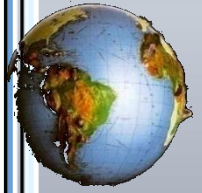
Economies in Transition Part II

The most important single central fact about a free market is that no exchange takes place unless both parties benefit.

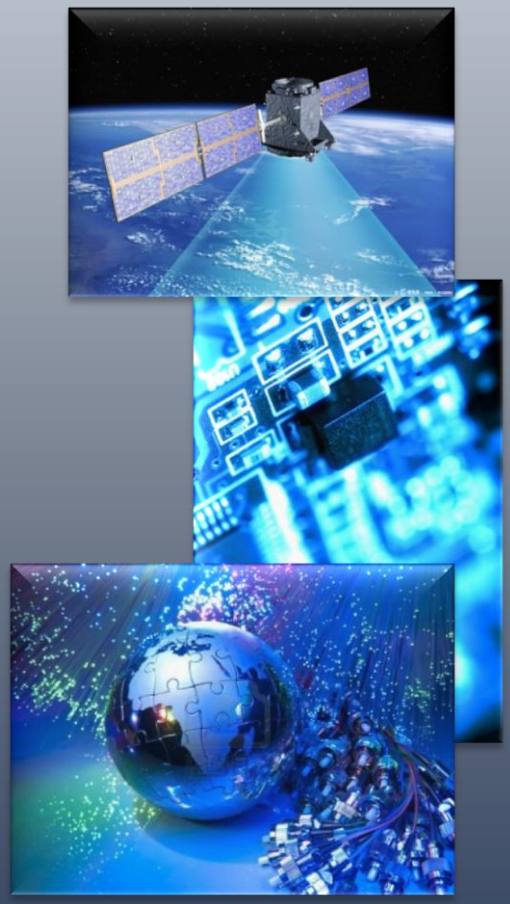
-Milton Friedman



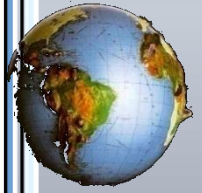
LEVELS OF ECONOMIC ACTIVITY

a state's access to human, natural & capital resources

- Do they have a skilled workforce?
- Do they have natural resources?
- Are their transportation & communication networks modern, outdated or nonexistent?
- Do they have access to new technology?



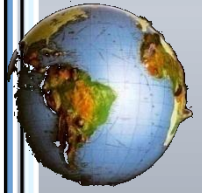
What influences economic activity?



a state's location & ability to exchange goods

- Are they landlocked?
- Are they an island or coastal state?
- How close are they to shipping lanes?
- What is their access to communications?

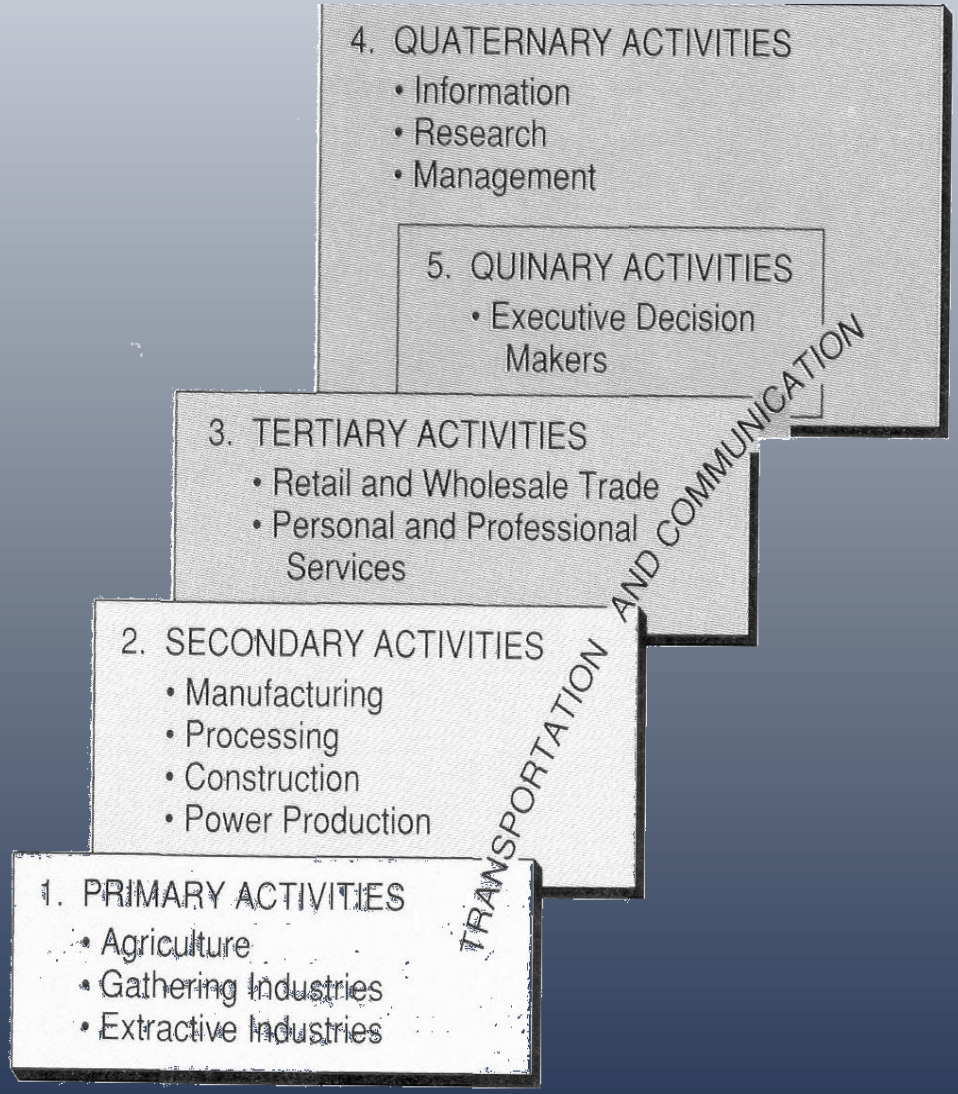
What influences economic activity?



- a state's membership in a political or economic alliance that provides access to markets
- examples are the European Union (EU) & North American Free Trade Agreement(NAFTA)

What influences economic activity?

The main sectors of the economy do not stand alone. They are connected & integrated by transportation & communication services & facilities not assigned to any single sector.



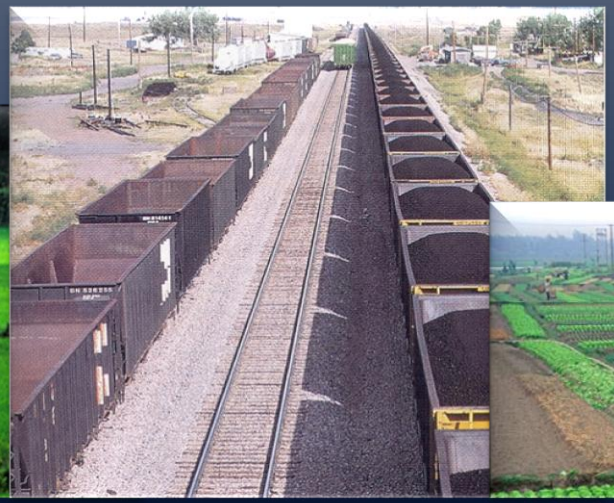
Levels of Economic Activity

Primary Activities

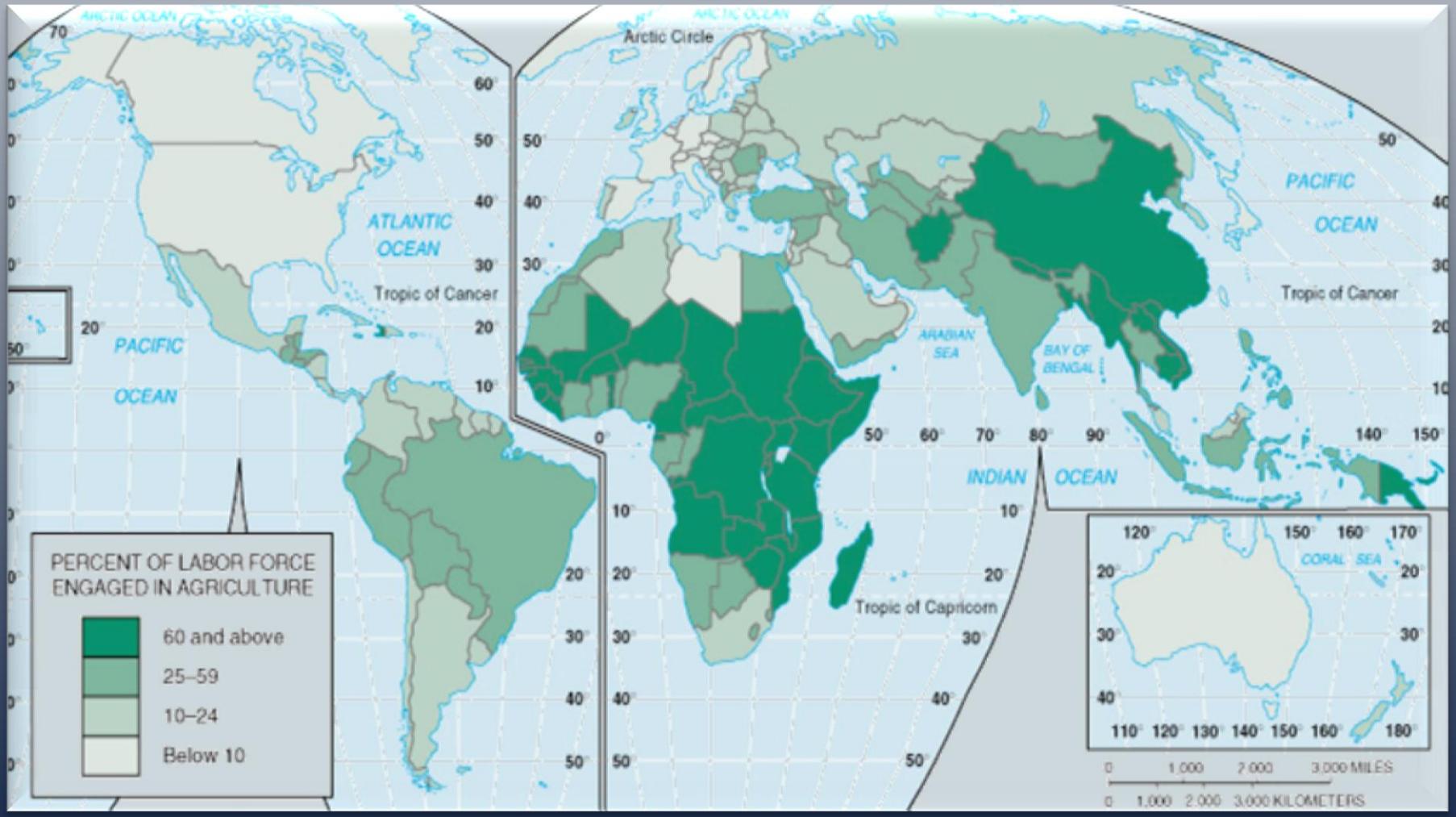
those parts of the economy involved in making natural resources available for use or further processing

activities dealing directly with the removal of natural resources ... for example, fishing, hunting, subsistence agriculture, farming, mining, quarrying, forestry, etc

of most importance to less developed states



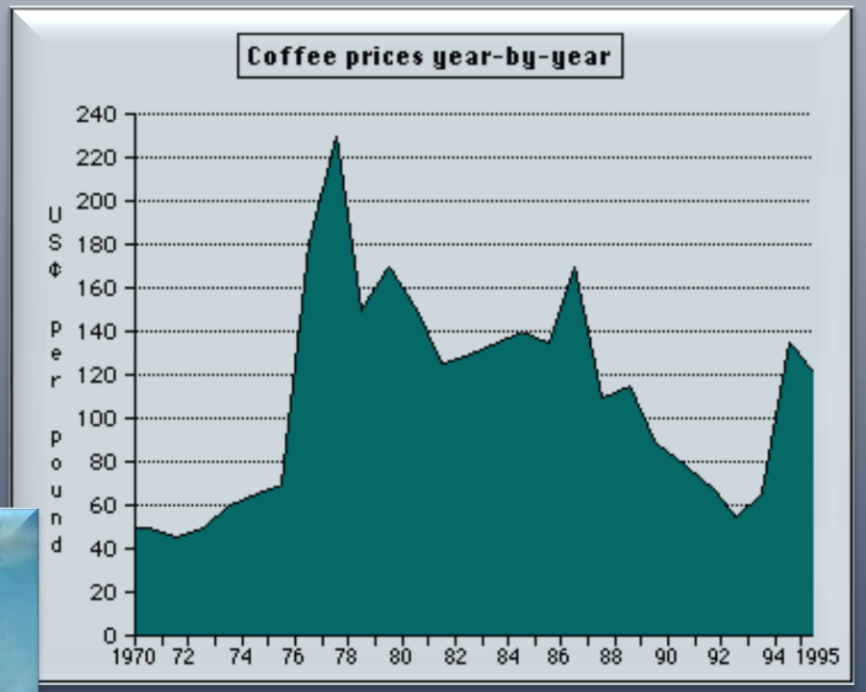
The percent of people working in agriculture exceeds 75% in many LDCs of Africa & Asia.
In Anglo-America & Western Europe the figure is <5%.



Primary Products

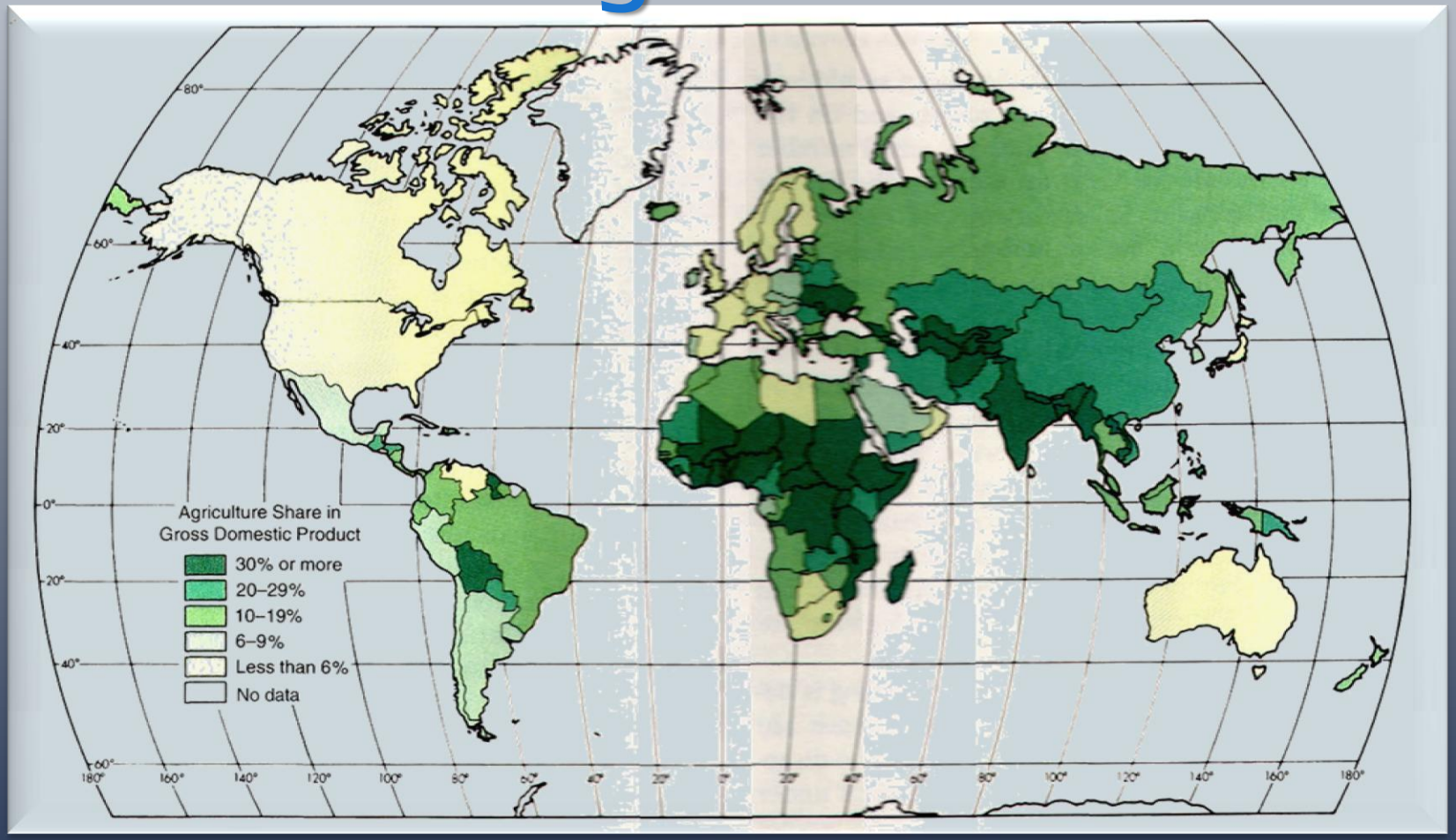
Trade in Primary Products

- important to developing economies
- danger of commodity trade dependence



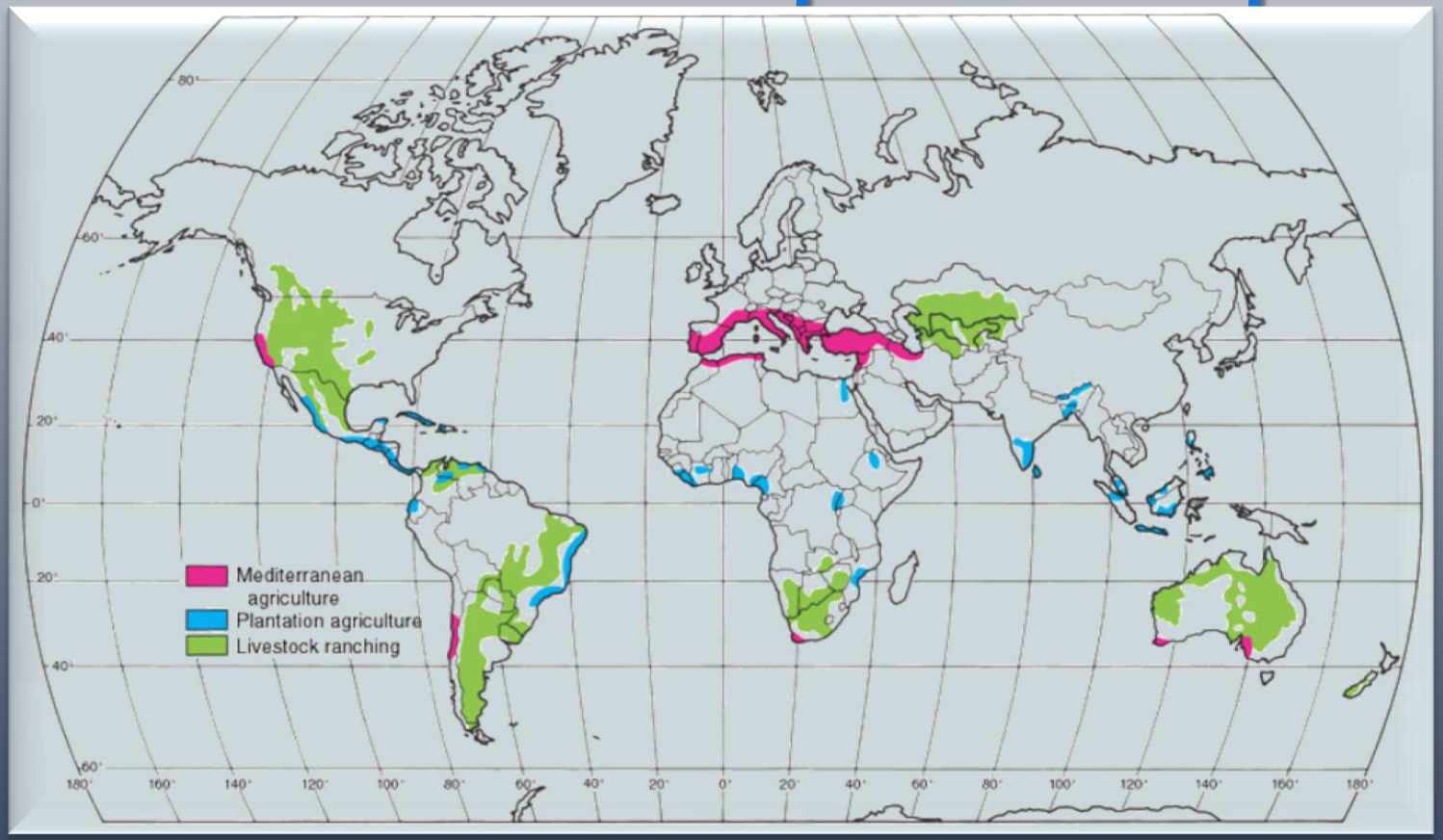
Puerto Rico Coffee Plantation

Share of Agriculture in GDP



Agriculture contributes 30% or more of gross domestic product (the total output of goods and services produced by an economy) of at least 50 states worldwide. Most of them have developing economies and, collectively, those 50 states – comprising some 31% of world population – average less than US $400 in per capita national income.

Livestock & Special Crops

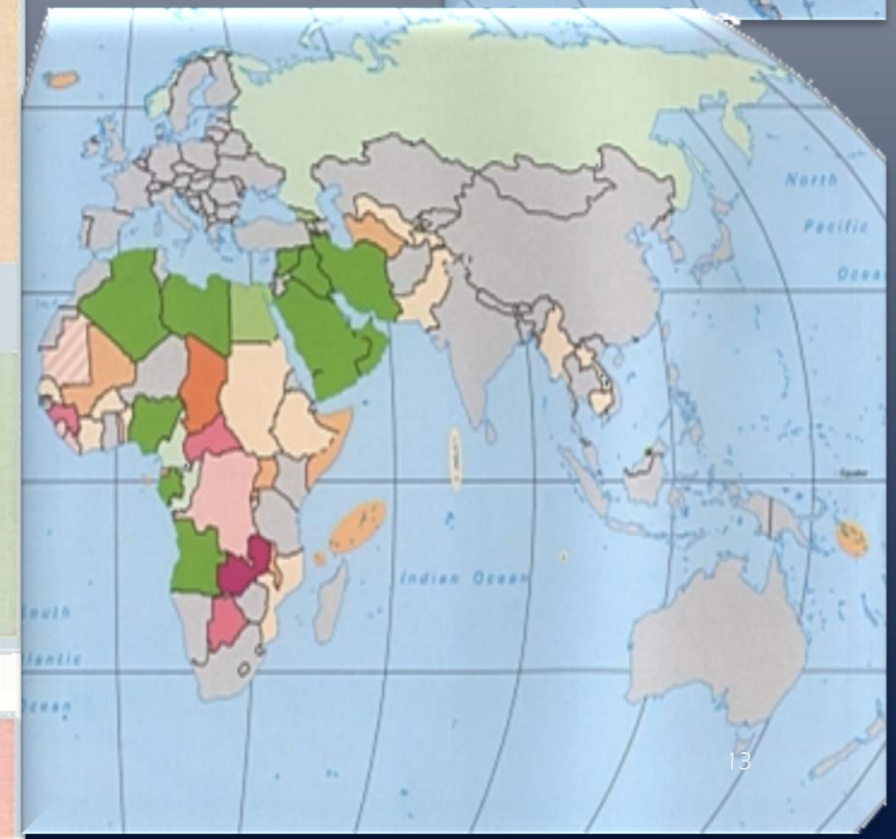


Livestock ranching is primarily a mid latitude enterprise catering to the urban markets of industrialized countries. Mediterranean & plantation agriculture are similarly oriented to the markets provided by the advanced economies of Western Europe & North America. Areas of Mediterranean agriculture specialize in commodities such as grapes, oranges, olives, peaches & vegetable. The specialized crops of plantation agriculture are influenced by both physical geographic conditions & present or former colonial control of the area.

African Products

Products Percentage of Total Export Earnings

more than 80	60 to 80	40 to 59
Agriculture and Fishing		
Chad (cotton)	Comoros (spices) Equatorial Guinea (cocoa, lumber) Iceland (seafood) Malawi (tobacco) Mali (cotton) Martinique (bananas) Rwanda (coffee) Saint Lucia (bananas) Sao Tome and Principe (cocoa) Seychelles (seafood) Solomon Islands (lumber) Somalia (seafood) Tonga (vanilla) Turkmenistan (cotton) Uganda (coffee)	Benin (cotton) Burkina Faso (cotton) Burma (lumber, opium[b]) Burundi (coffee) Cambodia (lumber) Cape Verde (seafood) Cote d'Ivoire (cocoa) Cocos (Keeling) Islands (copra) Dominica (bananas) Ethiopia (coffee) Fiji (sugar) French Guiana (seafood) Guadeloupe (bananas) Guinea-Bissau (seafood) Kiribati (copra, seafood) Laos (lumber) Maldives (seafood) Mauritania (seafood) Mozambique (seafood) Pakistan (cotton) Saint Vincent and the Grenadines (bananas) Senegal (seafood) Sudan (cotton) Tajikistan (cotton) Uzbekistan (cotton)
Crude Oil and Petroleum Products		
Algeria Angola Brunei Gabon Iran Iraq Kuwait Libya Nigeria Oman Qatar Saudi Arabia Syria United Arab Emirates Yemen	Egypt Georgia Venezuela	Cameroon Congo Norway Russia Trinidad and Tobago
Metals and Minerals		
Nauru (phosphates) Zambia (copper)	Botswana (diamonds) Central African Republic (diamonds) Gambia, The (diamonds) Guinea (aluminum) Suriname (aluminum)	Liberia (diamonds) Mauritania (iron ore) Sierra Leone (diamonds) Togo (phosphates) Zaire (diamonds)



Primary activities often lead to resource dependency (banana republic, oil state, etc).

	Primary commodities as % of total export earnings	Principal nonfuel mineral as % of total export earnings
Mauritania	99.9	Iron ore (45.0)
Namibia	95.0	Diamonds (40.0)
Niger	97.9	Uranium (85.0)
Sierra Leone	63.2	Diamonds 32.0)
Togo	83.3	Phosphates (47.0)
Democratic Republic of the Congo	68.7	Copper (58.0)
Zambia	99.7	Copper (98.0)

Resource Dependency

- heavy reliance on one specific resource
  - food
  - precious metal or stone
  - oil or a petroleum-related product
- downturn in market or blight = big financial & social problems

Secondary Activities

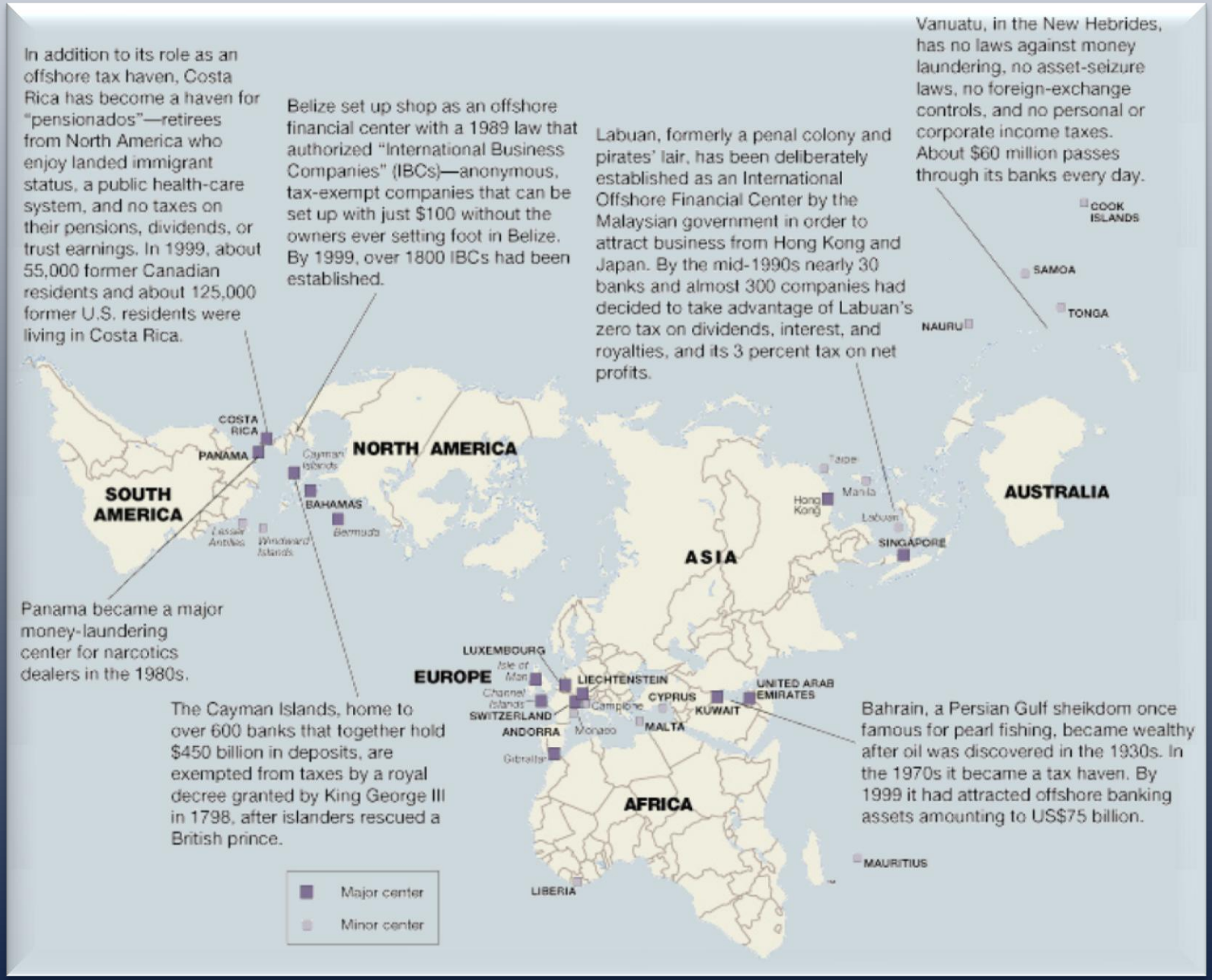
activities involving the manufacturing & processing of natural resources ... for example, steel mills, automobile assembly, sawmills, handicrafts, oil refining, etc

Secondary Activities: Manufacturing

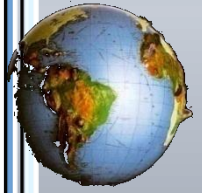
Processing & transforming natural resources: steel, textiles, auto assembly … These used to be most important in MDCs, but increasingly important in the semi-periphery (Korea, Mexico, Brazil, Singapore)

Tertiary Activities

- include wholesale trade, retail trade, transportation, government services, etc
- Fulfill exchange function, provide market availability of commodities & bring together consumers & providers of services
- service industries ... for example, transportation, retail trade, informational, technology services, etc



Off-Shore Financial Centers



- Provision of services in exchange for payment … includes retailing, banking, law, education, government, etc
- Education, research & development, & information technology are becoming most important in the *postindustrial* core regions.
- Less-developed countries often focus on tourism.
- Services historically were clustered into settlements. Increasingly the most important service centers are massive *world cities*.

Tertiary Activities

Less-developed countries often focus on tourism.

Club Med, The Bahamas

Vendors, Bali

Tertiary Activities

Tertiary Activities

Quaternary Activities

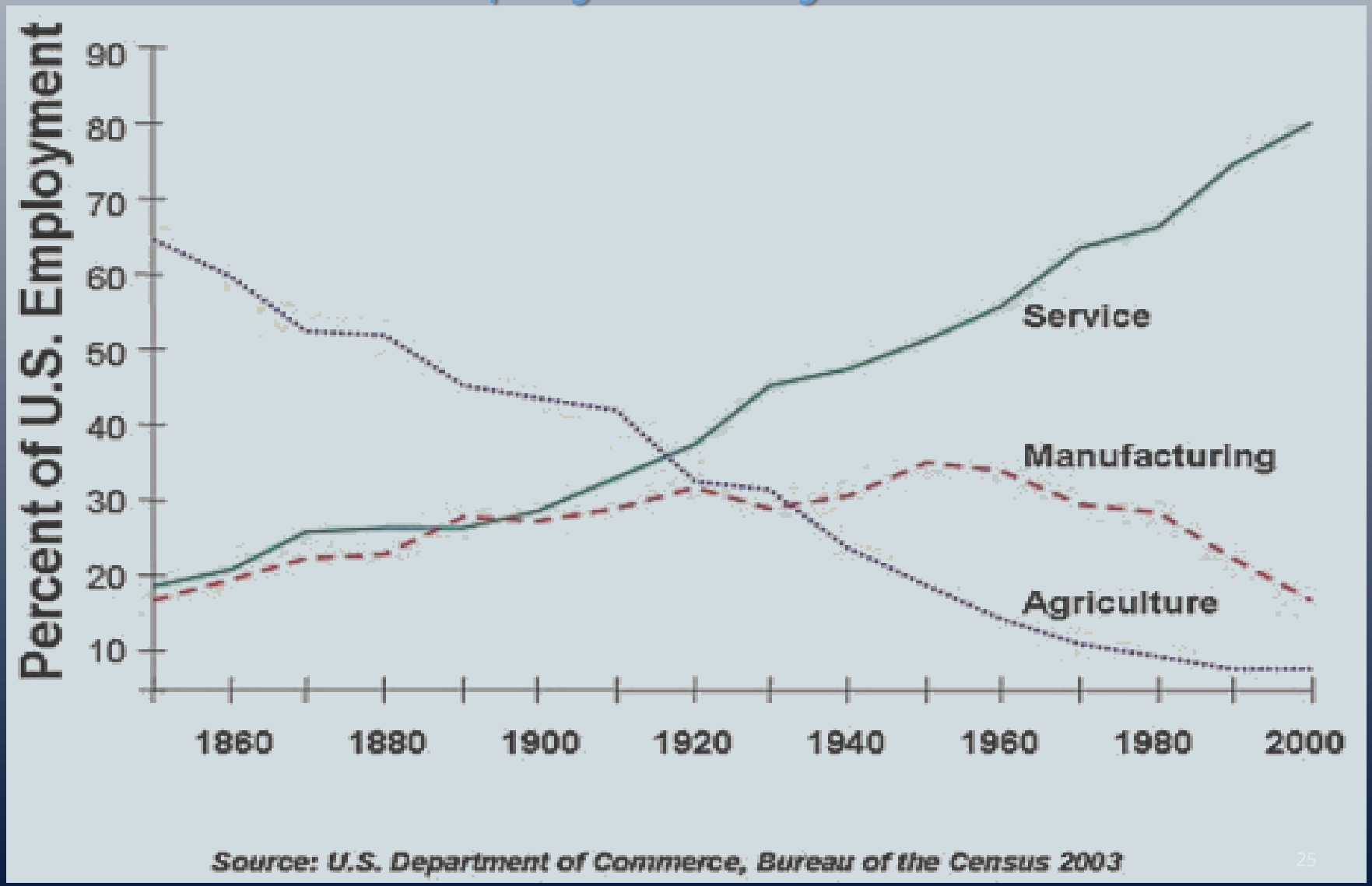
- processing knowledge & information
- includes research, and gathering & disseminating information
- administration of other economic activity levels (often considered a specialized subdivision of tertiary activities)
- those white collar professionals in government agencies, management, information processing jobs, research, education

Quinary Activities

- a sometimes separately recognized subsection of tertiary activity management functions involving the highest-levels of decision making in all types of large organizations
- Also the most advanced form of the quaternary sub-sector

Economic Structure

US Employment by Labor Sector



Source: U.S. Department of Commerce, Bureau of the Census 2003

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