



## Economic causes of uneven development

*The economic causes of uneven or underdevelopment in the Global South are complex and deeply rooted in historical, structural, and institutional factors.*

- 5 **Integration into world trade:** Many developing countries export mainly mineral and agricultural raw materials, but only a few *finished goods*. The focus on exporting *raw materials* rather than processing and adding value domestically limits economic growth and industrial development. Some developing countries receive most of their *export earnings* from the sale of a single product, such as Burundi (coffee) or Libya (oil). This makes these countries vulnerable to *price fluctuations* on the world market and natural disasters or *harvest failures*.
- 10 **Foreign Debt:** Developing countries often suffer from high levels of *foreign debt*, also caused by falling prices of raw materials on the global market. Instead of investing in their own *manufacturing industries*, they invested in their primary sector to increase raw material exports. The resulting growing supply on the global market leads to falling prices – a *vicious cycle*. Other reasons for
- 15 foreign debt are bad governance and *clientelism*, which means that only a small population group benefits from financial resources but not the entire country. Insufficient *taxing* of the upper class or purchasing arms for the military are examples. Also, *debt servicing obligations* and repayment of old loans to industrialized countries drain public resources, reducing *funds* available for
- 20 investment in development projects.
- Dominance of the primary sector:** The primary sector (agriculture, *forestry*, fishing, and mining), and in particular agriculture, remains the largest area of production. However, the *share* of services has increased significantly over time, while the *degree* of industrialization has remained comparatively low.
- 25 **Informal sector:** In many developing countries, the formal sector is unable to create enough jobs to absorb the growing *labor force*. The informal sector fills this *gap* by offering a variety of jobs, from street vending and artisanal crafts to informal construction work and home-based manufacturing. For many individuals, mainly women, and especially those with limited education and
- 30 skills, informal sector jobs are the primary or only *source of income*. For instance, in sub-Saharan Africa, the informal sector contributes to around 50-80% of employment and a substantial portion of *GDP*. This sector helps drive economic activities, especially in *rural* areas where formal economic activities are limited. However, workers in the informal sector typically *lack* job security,
- 35 social protection, and access to *benefits* such as healthcare, pensions, and unemployment insurance. Additionally, the informal sector often *evades* taxation and regulation, leading to *revenue losses* for governments and difficulties in enforcing labor standards and safety regulations.

Fertigwaren

Rohstoffe

Exporteinnahmen

Preisschwankungen

Ernteaussfälle

Auslandsverschuldung

Fertigungsindustrie

Teufelskreis

Klientelismus<sup>1</sup>

Besteuerung

Schuldendienst

Finanzmittel

Forstwirtschaft

Anteil

Grad, Ausmaß

erwerbstätige Bevolk.

Lücke

Einkommensquelle

BIP Bruttoinlandsprodukt

ländlich

etw. nicht haben

Sozialleistungen

vermeiden

Steuerausfälle

<sup>1</sup> an Gruppeninteressen orientierte Politik