Economic growth, international trade and debt: A model to understand developed and non-developed countries

Ariel Bernardo Ibañez Choque

Abstract

This paper has the objective to show the external performance of the relationship between developed and non-developed countries in the international trade. Particularly, it focusses on the effects of external debt and rate of interest payments on the rate of economic growth. Previous papers have not deepened enough on certain net surplus trade balance economies and their trade relationship with net déficit economies. So, our innovation is a new analytical system to explain the rate of economic growth in a hypothetical world economy with two asymmetric countries in their balance of payments and economic structures. This system shows four mechanisms of dependency between developed and non-developed countries in the international trade: “terms of trade”, “trade exchange ratio”, “debt and interest”, and “economic structure”. Usually, these mechanisms favor long-term performance of developed economies, but punish non-developed economies. Then, contrary to what mainstream proposed, trade liberalization is not enough to guarantee the economic development of non-industrialized economies.

JEL Classification: *B59, C22, E12, F43, O11*

Keywords: *Economic growth, international trade, external debt, dependency, industrialization*