

Class: B.Com Part I

Subject : Business Economics
and Environment.

Paper : I

Unit : VI

Topic : Developing countries facing Problems Foreign Trade

Sequence

No : 5

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Developing countries facing problems of Foreign Trade.

1. Primary Exporting:

Most of the developing countries in its initial stage of development are exporting mostly primary products and thus cannot fetch a good price of its product in the foreign market. In the absence of diversification of its export, the developing countries have failed to raise its export earnings.

2. Un-Favourable Terms of Trade:

The terms of trade are always going against it. In the absence of proper infrastructure and the quality enhancement initiative the terms of trade of these countries gradually worsened and ultimately went against the interest of the country in general.

3. Higher Import Intensity:

The higher import intensity in the industries development resulting from import intensity in the industries development resulting from import intensive industrialisation process followed in these countries for meeting the requirements of elitist consumption. Such increasing trends towards elitist consumption has been resulting a huge burden of import in these developing countries, resulting serious balance of payment of crisis.

4. Mounting Developmental and Maintenance Import

The developing countries are facing the problem of a mounting growth of its development imports which include various types of machineries and equipments for the development of various types of industries as well as a huge growth of maintenance imports for collecting intermediate goods and raw materials required for these industries. Such mounting required for these industries volume of imports has been creating a serious problem towards sound management of international trade.

5. BOP Crisis :-

The developing countries are facing the problem of burgeoning imports and sluggish growth in its exports resulting in growing deficits in its balance of payment position. In some countries, this deficit has gone to such an extent at a particular point of time that ultimately it led to a serious crisis in its international trade.

6. Lack of Co-ordination:

The developing countries are not maintaining a good co-ordination among themselves through promotion of integration economies grouping, formation of ^{union}. Thus in the absence of such co-ordination, the developing countries could not realize those benefits of foreign trade which they could have realised as a result of such economic growth.

7. Depleting Foreign Exchange Reserve and Import Cover:

The developing countries are sometimes facing the problems of depleting foreign exchange reserves as a result of growing volume of imports and continuous balance of payment crisis. Such depleting foreign exchange reserve results in shorter import cover for the country.

8. Higher Prices of POL imports:-

The worsening of the current account deficit in balance of payments of the developing countries has been partly on account of higher price of POL imports charged by the oil producing countries especially since the Gulf War.

9. International Liquidity Problem:

These countries are experiencing chronic deficiency of capital and technology resulting heavy dependence on the developed countries for their scarce resources.

10. ~~International Liquidity Problem~~ Steep Depreciation:

Steep depreciation of the currency with dollar and other currencies in respect of developing countries has been resulting in a considerable increase in the value of its imports which ultimately leads to huge deficits in its balance of trade.