**Introduction**

According to Todaro, economies of the globe have grown into a significant connection, via primary and manufactured goods as well as services through portfolio investments and expanded international trade. Likewise, foreign aid has drastically dropped and has been stagnated by the circulation of both personal capital and payment. However, developing countries such as those from Latin America and East Asia have been exporting and importing, even though they have been affected by the foreign aid. This is to say, globalization has had markable effect on developing countries as it bares both troubling concerns as well as opportunity and benefits. Due to these contradicting impacts globalization has on the developing countries, some have gone against it through the use of import substitution strategies. While others have followed after export promotion strategies because of the beneficial impacts it has ( Todaro, 630). This essay is to discuss the differences, causes, effects and outcomes of both import substitution strategies and export promotion strategies, as well as their policies.

International trade has risen questions that the developing countries consider while deciding what way of trade and development they need to follow. These questions include; In the light of past experience and imminent judgment, should an agricultural nation receive an outward-looking approach or an internal looking one, or a mix of both? What are the contentions for and against these other option exchange systems for development?, Can a non-industrial nation by its own activities decide the amount it exchanges or which items and administrations it sells? How exchanges change the dispersion of pay and abundance inside a nation also, among various nations? Is exchange a power for global and homegrown equity or imbalance? All in all, how are the additions and misfortunes circulated, and who benefits?, How does worldwide exchange influence the rate, structure, and character of financial development? This is the customary "exchange as a motor of development" debate, set as far as contemporary advancement yearnings. Lastly, Under what conditions can exchange help a country to accomplish its turn of events targets? How a country answers these questions will then give a way on the kind of strategy they should use in their economic development ( Todaro, 632).

**Import substitution strategy v. Export promotion strategies**

Todaro defines import substitution as A conscious exertion to supplant purchaser imports by advancing the development and extension of homegrown ventures. It uses the inward-looking development policies, that emphasizes on financial confidence on the part of agricultural nations, counting homegrown advancement of innovation, the burden of boundaries to imports, what's more, the debilitation of private unfamiliar venture by. He also defines export promotion as Administrative endeavors to extend the volume of a nation's fares through expanding send out motivations, diminishing disincentives, and different methods in request to create more unfamiliar trade and improve the current record of its equilibrium of installments or accomplish other economic goals. It utilizes the out-looking development policies which stress on exportation through the free development of capital, laborers, undertakings, also, understudies; a greeting to global partnerships; what's more, open interchanges ( Todaro, 632).

Import substitution is advocated for by protectionists who insinuate that a developing country should replace initially import simple consumer good with locally produced goods. Moreover, they stress on substitution via intensive production of local good for a broader range of more sophisticated manufactured goods. These protectionists say that these kinds of domestic production will ensure protection of high quotas and tariffs on the imports. Additionally, local production will lead the balance growth, as well as the increased chance of exporting the initially protected items as low labor cost, economies of scale and conducive externalities of learning by doing because it makes the local prices able to compete with global prices ( Todaro, 637).

Impot substitution ahs various policies that ensure regulated importation of certain goods and to establish industries that can produce these commodities. Import substitution has one of its policies as *Tariffs, Infant Industries, and the Theory of Protection*. This mechanism enables local industries to operate by stiffen of quotas and tariffs of protection. Moreover*, import substitution industrialization* strategy is another principle that has however not been as effective in the import substitution strategy. The following are some of undesirable results that it imposed on the developing countries’ economy. First, costly and inefficient operation of local industries due to tight competition from the foreign industries. Secondly, it is foreign owner of the local industries who are the beneficiaries of the import substitution. Thirdly, governments subsidized commodities imports by local and foreign companies are the ones who are implementing the import substitution strategy. Fourthly, overvaluing of “ official exchange rate” where the central bank buys and sells local currency in terms of foreign currency. This has made exports price to rice and that of imports to fall in terms of domestic currency. Lastly, industrialization has been inhibited by the stimulation of infant industry growth ( Todaro, 639).

Tariff structures and effective protection have had roles that empower the import substitution strategy. These roles include the following as indicated in their components. First, empowering unfamiliar business interests to put resources into neighborhood import-subbing ventures, producing high benefits and along these lines the potential for more prominent sparing and future development. Second role is Import limitations speak to a conspicuous reaction to constant equilibrium of installments and obligation issues. Thirdly, tax assessment to force and considerably simpler to gather government revenue. Lastly, encouraging industrial self-reliance, economies of scale and positive externalities by restricting imports ( Todaro, 637).

Export promotion is advocated for by free traders who insinuate that primary and manufactures items cause the growth benefits and efficiency of completion and free trade with their countries, free traders say how significant it is to replace narrow local markets with wide global market. Additionally, they emphasize that the developing countries have imitated the developed countries, via their economic firms. Here, the developing country mainly focus on very strong export promotion instead of weak exporty promotion. Furthermore, export promotion policy has branched itself into; export expansion on primary goods and manufactured goods export expansion ( Todaro, 632).

Export expansion on primary commodity on the demand side of the economy is influenced by the five factors as follows. First, income elasticities from raw materials and foodstuffs from agriculture are relatively compared to manufacture, minerals and fuels. Secondly, population growth rate is almost at level of replacement hence low expansion expectation. Thirdly, low price elasticity of primary items of demand hence low national revenue. The low-price elasticity has led to the implementation of “*international commodity agreements*” to ensure price stability of these particular commodities. Fourth and fifth factors are, synthetic products act both as direct source of global export market competion and barke against hig commodity prices. Export expansion on primary items on supply side has factors affecting it. First, rigidity of structures of local preproduction system. From overview of these factors, it can therefore be stipulated that unless the rural economic structures are reformed, export expansion of primary items and for the sake of the poor beneficiary cannot occur ( Todaro, 633).

Export expansion on manufacture commodities especially in the Tigers regions has been highly emphasized on. The developing countries cite that optimum economic growth is best attained by enabling free enterprises and market forces, and open economies while reducing government interventions. Prices of the manufacture commodities have fallen due to high protection. Trade barriers has also been intensified by the increased protection from “*Multifiber Arrangement*” that establish nontariff quotas on exports on manufactured synthetic items. Issues also arise from trade deficits which is caused by overlap of import expenditure over export receipts ( Todaro, 634).

**Conclusion**

Generally, developing countries significantly cite on the production of commodities anciently for local markets and for exportation on later considerations. Some defensive arrangements have demonstrated profoundly helpful to the creating scene, many have neglected to achieve their ideal outcomes therefore need proper selection for them to be effective in the developing counties. In as much as trade advancement may at first be troublesome with restricted increases—particularly in examination with the simple increases of first-stage import replacement—over the more extended run, the monetary benefits will in general pick up energy, though import replacement faces quickly consistent losses

Work cited

Todaro, Michael P. *Economic development*. Pearson Education India, 2002. Pages 630-648