

Nalanda Open University

Department of Economics

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- Course – BA Economics (Part – III)
- Paper – VI (International Economics)
- Topic – Free Trade in Developing Countries

Introduction of Free Trade

Adam Smith “A free trade policy refers to a system of commercial policy which draws no distinction between domestic and foreign commodities and thus which neither imposes additional burdens on the latter nor grants any special favour to the former.”

Haberlar “Free trade is the external trade system of liberalism which opposes every interference with the free play of economic forces.’

Arguments in Favour of Free Trade

- Maximisation of total output
- Equalisation of commodity price
- Cheap imports
- Competition increases
- Optimum use of World resources
- Economic development of Under Developed Countries

Arguments in Against of Free Trade

- Government control is absent
- Unfair and unhealthy competitions
- Creating monopoly in world market
- Less developed countries face unfavourable balance of trade
- Gains of trade are not equally distributed
- Free trade may encourage injurious and harmful products