BALANCE OF TRADE AND BALANCE OF PAYMENT:

BALANCE OF TRADE: Balance of trade refers to the total value of goods sold and bought by a country during a given period, usually a year. When **visible exports equal visible imports in monetary term we have balance of trade.** A positive balance of trade means that a country is exporting more in monetary terms than it is importing while a negative or unfavorable balance of trade means that a country is importing more in monetary terms than it is exporting.

BALANCE OF PAYMENTS: Balance of payment can be defined as a statement or record showing the relationship between a country's total payments to other countries and its total receipts from them in year

FAVOURABLE BALANCE OF PAYMENTS: Favorable balance of payment occurs when the receipts from invisible and visible export trade are greater than payments to other countries on invisible and visible imports trade. A credit balance can be used to increase investment abroad or to add to a country's gold reserve.

UNFA**VOURABLE BALANCE OF PAYMENTS:** Unfavorable balance of payments is used for a debit balance in the balance of payments. It means that payments on visible and invisible import are greater than receipts on visible and invisible exports. It can be referred to as **adverse** or **deficit balance.**

REMEDY FOR DEFICIT/ADVERSE BALANCE OF PAYMENTS:

1. Imposition of tariffs will reduce importation of goods by increasing their prices.
2. Devaluation of domestic currency
3. Establishment and promotion of import substitution industries.
4. Borrowing from financial institutions e.g. IMF
5. Increase in domestic production of goods
6. Sales of foreign investment and assets
7. Export promotion by granting tax concession to export based industries
8. Quantitative control like quota system, import license or outright ban can be used to reduce imports
9. Control of foreign exchange transaction.

TARIFFS OR RESTRICTIONS TO TRADE:

TARIFFS: Tariffs are taxes or duties imposed on imports and exports by the government of a country. The idea behind tariffs is to restrict the volume of trade or improve the international terms of trade.

REASONS FOR IMPOSITION **OF TARIFFS OR RESTRICTION OF TRADE**

1. **TO PROTECT INFANT INDUSTRIES:** Tariffs are imposed to protect infant industries from undue competition with foreign firms.
2. **GENERATION OF REVENUE:** Tariffs are also imposed to generate revenue for the country. Many countries derive their revenue from import and export duties.

3. **TO PREVENT DUMPING:** Tariffs are imposed to prevent dumping of goods from foreign countries. This is to prevent foreign goods from being sold at prices lower than the home price.
4. TO IMPROVE BALANCE O**F PAYMENTS DEFICIT: by imposing** tariffs on imported goods, the unfavorable balance of payments can be corrected because importation will be discouraged.
5. **RETALIATORY MEASURES:** This can be used in retaliation against countries which impose taxes on their imports.
6. **TO PREVENT IMPORTATION OF DANGEROUS GOODS:** Dangerous or harmful goods from other countries are prevented from being imported through restriction.
7. **EMPLOYMNET GENERATION:** Countries impose tariffs to encourage the establishment of local industries or enhance the expansion and growth of existing ones so as to provide job opportunities.
8. **POLITICAL MOTIVE:** Tariffs can be introduced as discriminatory measure against unfriendly countries.
9. **TO PROMOTE SELF-**SUFFICIENCY**: Tar**iffs are also imposed on imported goods to enable a country be self sufficient in production of numerous goods.
10. TO **CHECK CONSUMPTION PATTERN:** If all sorts of goods are allowed to come into the country, the citizens will develop uncontrolled appetite for foreign goods.