

# IMPORT/EXPORT, FDI, AND BALANCE OF PAYMENT

Raj Kumar Bhattarai  
Faculty of Management  
Tribhuvan University  
Kathmandu

# LECTURE OBJECTIVES

- Identification of the pattern of foreign trade by country, region, and the World
- Identification of the pattern of FDI by country, region, and the World
- Understand the role of balance of payment for a country

# IMPORTING AND EXPORTING

- Nature of importing/exporting items
  - Strategic significance of importing/exporting items e.g. weapons and immunities, harmful chemical substances, complex technology, etc.
  - Quantity and quality of importing/exporting items (how much to export/import? What quality standards?)
  - Requirements of spare parts and support services for the imported/exported items
- Nature of the importer and exporter
  - Government to government or others
  - Not-for-profit to not-for-profit or others
  - Business to business or others
  - Individual to individual or others

# FOREIGN DIRECT INVESTMENT (FDI)

**Flow of FDI** (mostly from the developed countries to the developing countries)

**Purpose of FDI** (profit, not-for-profit service, mutual benefit, commonweal, philanthropic)

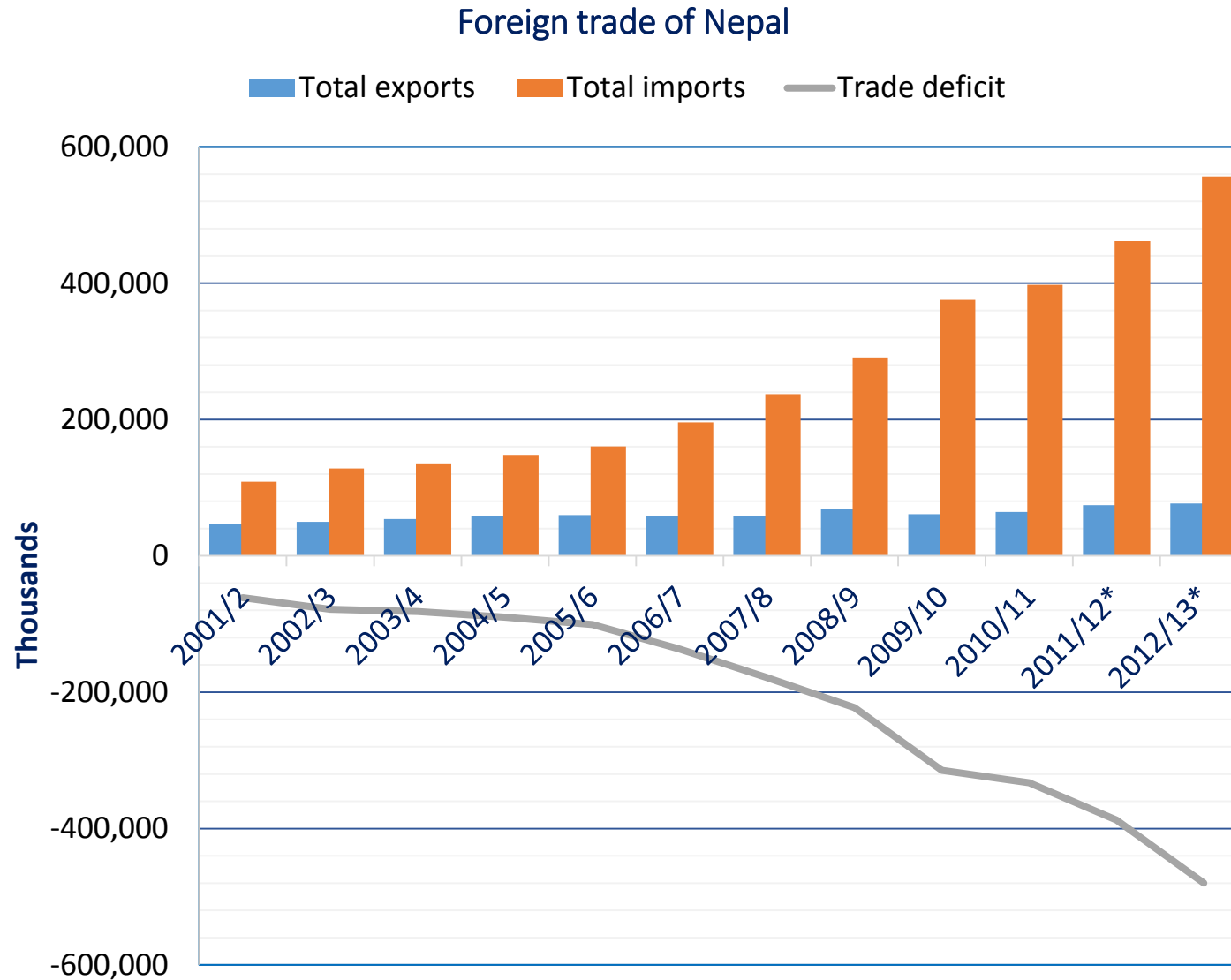
**Form of FDI** (monetary and physical, human and technical)

**Carrier of FDI** (Multinational corporations, INGOs, Government, international institutions like the World Bank Group)

# BALANCE OF PAYMENT

- Balance between international receipt and payment obligations
- Reducing exports or increasing imports are causing balance of payment problem
- Unfavorable balance of payment may lead to massive assets sales or 'capital flight'; reduces financing international transactions, invites a widespread economic disruption.

# IMPORT/EXPORT COMPOSITION OF NEPAL



Source: Nepal Rastra Bank

# BALANCE OF PAYMENT AS A FLOW OF STATEMENT

Transactions dominating the balance of payment:

1. **Real assets:** the exchange of goods (e.g., automobiles, computers, watches, textiles) and services (e.g., banking services, consulting services, travel services) for other goods and services (barter) or for the more common type of payment, money.
2. **Financial assets:** The exchange of financial claims (e.g., stocks, bonds, loans, purchases or sales of companies) in exchange for other financial claims or money.

# ASSIGNMENT AND EXERCISE

- Determine the trend foreign trade by country, region, and the World
- Determine the trend of FDI by country, region, and the World
- Discuss the possible ways of having favorable balance of payment for a country like Nepal

## SELECTED READING

Chapter 4: Czinkota, M. R., Ronkainen, I. A., & Moffett, M. H. (2011).

*International Business*. Hoboken, NJ: John Wiley & Sons.