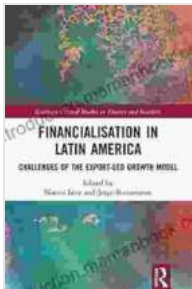


Challenges of the Export-Led Growth Model: A Comprehensive Analysis

The export-led growth model (ELGM) has been widely adopted by developing countries as a strategy to achieve economic growth and development. The model emphasizes the promotion of exports as the primary driver of economic expansion, with the assumption that increased exports will generate foreign exchange earnings, stimulate domestic industries, and create jobs.



Financialisation in Latin America: Challenges of the Export-Led Growth Model (Routledge Critical Studies in Finance and Stability) by Disney Powless

★★★★★ 5 out of 5

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While the ELGM has been successful in some cases, it has also faced significant challenges and limitations. This article provides a comprehensive analysis of the challenges associated with the ELGM, exploring its potential negative consequences and the need for alternative development strategies.

Challenges of the ELGM

1. Dependence on External Factors

One of the major challenges of the ELGM is its dependence on external factors beyond the control of the exporting country. Global economic conditions, trade policies, and exchange rate fluctuations can all have a significant impact on export performance and, consequently, economic growth.

For example, a global economic downturn can lead to a decline in demand for exports, while an appreciation of the domestic currency can make exports more expensive and less competitive in international markets.

2. Vulnerability to External Shocks

Export-led economies are particularly vulnerable to external shocks, such as natural disasters, political instability, or trade disputes. These events can disrupt production, transportation, and distribution networks, leading to a sharp decline in exports and economic growth.

For example, the COVID-19 pandemic has caused widespread disruptions to global supply chains, resulting in significant losses for export-oriented economies.

3. Inequality and Polarization

The ELGM can lead to increased income inequality and economic polarization. Export-oriented industries often require a high level of capital investment and skilled labor, which can lead to a concentration of wealth and income among the owners and workers of these industries.

Meanwhile, other sectors of the economy, such as agriculture and services, may experience slower growth or even decline, leading to a widening gap between the wealthy and the poor.

4. Environmental Degradation

Export-led growth often relies heavily on the exploitation of natural resources and the expansion of agricultural land. This can lead to environmental degradation, such as deforestation, soil erosion, and pollution.

For example, the expansion of palm oil plantations in Southeast Asia has been linked to the destruction of rainforests and the loss of biodiversity.

5. Labor Exploitation

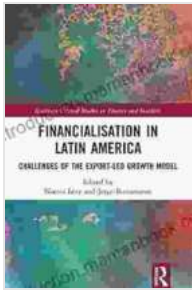
Export-oriented industries can be prone to labor exploitation, as employers may seek to maximize profits by paying low wages and providing poor working conditions to their employees.

This is particularly prevalent in developing countries, where labor laws may be weak or poorly enforced.

The export-led growth model has played a significant role in the economic development of many countries, but it is not without its challenges.

The dependence on external factors, vulnerability to external shocks, inequality and polarization, environmental degradation, and labor exploitation are all serious issues that need to be addressed in order to promote sustainable and equitable economic growth.

Alternative development strategies that focus on domestic demand, diversification, and inclusive growth are needed to overcome these challenges and create more resilient and prosperous economies.



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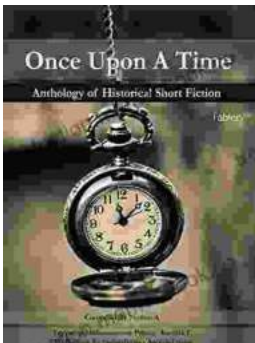
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