

International Transfers	Donor Country	Recipient Country
Primary Effect (holding relative prices constant)	burden due to giving away money (ignoring warm fuzzy feeling doing good)	benefit due to receiving money
Secondary Effect (terms of trade change) If recipient spends <i>less</i> on donor's export good than donor would have, then RD for donor's export good falls and relative price of donor's export good falls	burden (TOT deteriorate)	benefit (TOT improve)
If recipient spends <i>more</i> on donor's export good than donor would have, then RD for donor's export good rises and relative price of donor's export good rises	benefit (TOT improve)	burden (TOT deteriorate)
Total Effect	usually burden	usually benefit

Economic Growth	Growing Country	Trading Partner
Primary Effect (holding relative prices constant)	benefit due to expanded production possibilities permitting expanded consumption	no effect since not growing
Secondary Effect (terms of trade change) If growth biased toward <i>export</i> good, then world RS of export good rises, and relative price of export good falls	burden (TOT deteriorate)	benefit (TOT improve)
If growth biased toward <i>import</i> good, then world RS of export good falls, and relative price of export good rises	benefit (TOT improve)	burden (TOT deteriorate)
Total Effect	usually benefit	what secondary effect is