Bhagwati-Prebisch immiserizing growth

If developing countries exporting raw materials have export biased growth while, at the same time, richer countries replace these raw materials by cheaper synthetic products (a decrease in demand), these developing countries could suffer from “immiserizing growth”.

Here we take into account supply as well as demand effects (higher supply + lower demand).
The deterioration in the terms of trade is so severe that the country reaches a lower IC i.e. a net decrease in welfare.

Manufactured good - import good

Raw material - export good