



GLOBAL MARKETING

Chapter-2

The Dynamic Environment of International Trade

Protectionism

Act of placing trade barriers in any country in order to protect a country's market from the interruption by foreign market.



Protectionism

Protection Logic And illogic

Countless reason to maintain government restrictions on trade are espoused by protectionists, but essentially all arguments can be classified as follows:-

1. Protection of an infant industry.
2. Protection of the home market.
3. Need to keep money at home.
4. Encouragement of capital accumulation.
5. Maintenance of the standard of living and real wages.
6. Conservation of natural resources.

CONT....

7. Industrialization of a low-wage nation.

8. Maintenance of employment and reduction of unemployment.

9. Nation defense

10. Increase of business size

11. Retaliation and bargaining

Logic against protectionism

1

Create economic inefficiency as basic economic advantages of international trade are ignored

2

Detracts from a nation realistic adjustment its world situation.

3

Consumers bears the ultimate cost.

4

Decaling industries are developed rarely.

Trade barriers



Tariffs : A tariff, simply defined is a tax imposed by a government on goods entering at its borders.

Every country are available to the exporter on current basis. In general tariffs

❑ INCREASE

- A. Inflationary pressures
- B. Special interests privileges
- C. Govt. Control and political considerations in economic matters.

Cont....

WEAKEN

1. Balance of payments positions.
2. Supply and demand patterns.
3. International relation.

RESTRICT

1. Manufacturer's supply sources
2. Choices available to consumers
3. competition

QUOTAS AND IMPORT LICENSES

QUOTAS : A quota is a government-imposed trade restriction that limits the number or monetary value of goods that a country can import or export during a particular period. Quotas permit importing until the quotas is filled.

IMPORT LICENSES : An import license is a document issued by a national government authorizing the importation of certain goods into its territory. Import licenses are considered to be non-tariff barriers to trade when used as a way to discriminate against another country's goods in order to protect a domestic industry from foreign competition. Licensing limits quantities on a case by case basis.



A VOLUNTARY EXPORT RESTRAINT

Similar to quotas are the voluntary export restraints (VERs). Common in textiles, clothing, steel, agriculture and automobile, the VER is an agreement between the importing country and the exporting country for a restriction on the volume of exports.

Example , Many years ago Japan had a VER on automobile to the united states, Japan agree to export a fixed number of automobile annually

luntary Export restrain



BOYCOTTS AND EMBARGOES

A government boycott is an absolute restriction against the purchase and importation of certain goods and service from others countries.



MONETARY BARRIERS



MONETARY BARRIERS : A govt. can effectively regulate its international trade position by various forms of exchange-control restrictions.

Two such barriers are blocked currency and govt. approval requirements for securing foreign exchange are :-

Blocked Currency : Is used as a political weapon or as a response to difficult of payment situation.

Govt. Approval : to secure foreign exchange is often used by countries experiencing severe shortage of foreign exchange.

Standard

Nontariff barriers of this category include standard to protect health, safety and product quality. The standard are some time used in an unduly stringent or discriminating way to restrict trade but the sheer volume of regulations in this category is a problem in itself.





Antidumping Penalties



An anti-dumping duty is a protectionist tariff that a domestic government imposes on foreign imports that it believes are priced below fair market value. Dumping is a process where a company exports a product at a price lower than the price it normally charges in its own home market.

Skirting the Spirit of GATT and WTO

GATT : The General Agreement on Tariffs and Trade (GATT) is a legal agreement between many countries, whose overall purpose was to promote international trade by reducing or eliminating trade barriers such as tariffs or quotas. According to its preamble, its purpose was the "substantial reduction of tariffs and other trade barriers and the elimination of preferences, on a reciprocal and mutually advantageous basis.

Skirting the Spirit of GATT and WTO

WTO : The World Trade Organization (WTO) is the only global international organization dealing with the rules of trade between nations. At its heart are the WTO agreements, negotiated and signed by the bulk of the world's trading nations and ratified in their parliaments. The goal is to help producers of goods and services, exporters, and importers conduct their business.

**Motivational &
Inspirational
Movie:-**

Nightcrawler (2014)

Thank You

