

# Tariff and non-tariff barriers essay sample

[Economics](#), [Trade](#)



International Trade is the branch of economics concerned with the exchange of goods and services with foreign countries. In the context of globalization, International trade has become an even more important topic now that so many countries have begun to move from state-run to market-driven economies. Tariff and non-tariff barriers play a large part in this process.

### Tariff Barriers

Tariffs are among the oldest forms of government economic intervention. They are most commonly used as taxes on imports into a country or region. They are put into practice for two clear economic purposes. They provide revenue for the government and they improve economic returns to firms and suppliers to domestic industries that face competition from foreign imports. Tariffs are widely used to protect domestic producers' incomes from foreign competition. This protection comes at a cost to domestic consumers who pay higher prices for imported goods. There are two main ways of implementing a tariff:

\* An ad valorem tariff is a fixed percentage of the value of the good that is being imported. Sometimes these are problematic as when the international price of a good falls, so does the tariff and domestic industries become more vulnerable to competition. Conversely when the price of a good rises on the international market so does the tariff, but a country is often less interested in protection when the price is higher. They also face the problem of transfer pricing where a company declares a value for goods being traded which differs from the market price, aimed at reducing overall taxes due.

\* A specific tariff is a tariff of a specific amount of money that does not vary with the price of the good. These tariffs may be harder to decide the amount at which to set them, and they may need to be updated due to changes in the market or inflation. (Wikipedia. com, 2005A)

### Non-Tariff Barriers

Non-tariff barriers are government laws and restrictions to imports but are not in the usual form of a tariff. They are a means of keeping foreign goods out of the domestic market, while following the multiparty agreements that the country has signed through the World Trade Organization. Two common examples are quotas and counter trade, which even though they are considered non tariff barriers, have the same effect as a tariff, but are only imposed in specific circumstances. Some non-tariff trade barriers are explicitly permitted in very limited circumstances, when they are deemed necessary to protect health, safety, or sanitation, or to protect natural resources.

Non-tariff barriers to trade can be:

- \* State subsidies, procurement, trading, and ownership.
- \* National regulations on health, safety, employment.
- \* Product classification.
- \* Quotas.
- \* Foreign Exchange: controls and multiplicity.

- \* Over elaborate or inadequate infrastructure.
- \* ‘ Buy national’ policy.
- \* Intellectual property laws (patents and copyrights).
- \* Bribery and corruption.
- \* Unfair customs procedures. (Wikipedia. com, 2005B)

## Globalization

A critical shift is occurring in the world economy. The world is moving quickly away from a world in which national economies are mostly reliant on goods from within their own country; stay isolated from each other by barriers trade across national borders, and by national differences in government regulation, culture, and business systems. It is moving toward a world where barriers to trade across national borders are dropping, perceived distance is shrinking due to advances in transportation and telecommunications technology, and national economies are merging into an interdependent global economic system. “ Most economists agree that trade barriers are detrimental and decrease overall economic efficiency. Free trade involves the removals of all such barriers, except perhaps those considered necessary for health or national security.” (Biography. ms, no date).

Although there are many definitions of globalization, many possible aspects that can have an effect on our communities and organizations and more than the four major trading blocs that can be used to determine what globalization is and what kinds of effects it is having on the world, these are

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what appear to most greatly affect the area I live in, the community around me and the organization in which I work. Globalization has empowered everything around us and has made our lives easier. The products and services that we have come to depend on have become readily available in most areas of the world. Globalization has and is starting to bring the world together, for better or worse.

### Summary

Countries are working through the WTO and other trade blocs to get rid of trade barriers and to promote free trade between their members and the rest of the world. If a country's major industries lose a lot of business to foreign competition, the loss of jobs and tax revenue can severely impair parts of that country's economy. To counter this, protective tariffs have been used to help keep this possibility from occurring. There are disadvantages to tariffs, which usually include increases in the price of the product that the tariff is being placed on. This places the consumers and customers of the product at a disadvantage if they use that product to produce something else. This can make the domestic product less competitive in the market. The move toward market driven economies will continue to erase the barriers that are currently in place throughout the world and will create better quality products at competitive prices.

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