

# Essay on protect local company

[Business](#), [Marketing](#)



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## Overview

Like a lioness shielding its cubs from predators are governments protecting its economy from foreign dilution. Every government aims at protecting its economy by preventing foreign dominance into its market. The trade protectionism is achieved when the government restricts trade with other nations. The notion has been achieved in many instances when the government in question passes legislation aimed at regulating importation of certain goods with the sole reason of protecting the local manufacturers. It aims at promoting domestically produced items rather than promoting imports. Ideally, the policy is an utter contrast of free trade where both imports and exports are free to compete in the local market without the intervention of the government. Policies of protectionism in the recent times have largely been associated with doctrines protecting local workers and businesses against foreign dominance. The Qantas is a perfect case study of the application of protectionism in use. Governments protect local industries for myriads of reasons. Some of the reasons include, allowing for growth of infant industries, enabling local industries to enjoy economies of trade, and ensuring proper utilization of the available resources among other reasons.

Some of the protectionist policies include tariffs, import quotas, administrative barriers, anti-dumping Legislations, direct subsidies, export subsidies, exchange rate manipulation, international patent system, among many others.

Governments have come up with a host of policies aimed at achieving protectionist goals. Tariffs are an example of one such policy. In this case, the government imposes tariffs on every imported good and or business. The tariff rates are varied depending on the type of goods imported. Import tariffs are, usually, high thus raising the prices of imported products in the local market. The increase in prices of imported goods will automatically lead to low quantity of imported goods thus promoting the sales of domestic products. On the other hand, tariffs can also be imposed on exports. However, export tariffs are considered to 'harm' local industries hence they are not regularly implemented for the sake of local industries.

Analysis: Import quota is another protectionism policy aimed at protecting domestic production rather than foreign products. It has got an effect similar to that of tariffs only that the tax revenue collected from import quotas are not distributed to import licenses as in tariffs. Economists have many a time argued that import quotas be replaced with a similar tariff. Administrative barriers are another protectionism policy implemented by various governments. In this case, the government comes up with administrative red tapes such as environmental standards or food safety as a way of eliminating international competition in the local markets. The policy works in a way that it acts as a barrier to imports. Another protectionism policy is the anti-dumping legislation where governments come up with Legislations to

prevent the 'dumping' of imports in the local market. The effect of such a policy is that it works to prevent the penetration of imports into local markets thus promoting local products in the market. Governments can also take the initiative to offer subsidies to local firms as a way of promoting the local firms. Subsidies can be in the form of lump-sum payments or even loans to the local industries that are unable to compete favorably with imported commodities. The subsidies are also aimed at enhancing the competition strength of local firms in the international markets.

Export subsidy is another form of protectionist policy that aims at increasing the volumes of exports by local firms. Practically, this policy has the opposite impact of export tariffs because the exporters are paid. The policy increases the level of trade and has a copycat effect to import subsidies in countries with floating exchange rates. Exchange rate manipulation also joins in the long list of protectionism policies. At some points, governments intervene in the exchange market so as to lower its currency in the exchange market. The effect of such a move is lowering the value of its currency in the exchange market. Dileronzo (2012), suggest that such a move raises the cost of imports and in turn lowers the prices of domestic products thus improves its trade balance. Economists however have argued against such a plan as it can lead to future inflation of the country if used for a long time. Another policy of protectionism is the international patent system which involves the government's protection of its citizen's intervention. Economists have got parallel views concerning this form of protectionism policy.

Other governments, on the other hand, have got policies regulating the

employment immigration. In this case, the government becomes strict when it comes to issuance of visas to potential foreign employees. Labor certification is an example of such a policy which aims at restricting the immigration of foreign labor into the United States of America. Politicians also play an important role in advocating consumption of domestic products. The notion plays a significant role in promoting domestic consumption as compared to consumption of foreign products. An example such a policy is the America's 'Buy American' campaign which was initiated by politicians to promote the use of American products. The Buy American Act is an example of such legislation and campaign that was spearheaded by American political class.

In the modern days, protectionist policies such as protection and registration of patents and intellectual property have also been witnessed. In this case, the government aims at protecting the intellectual property and copyright of the local firms as a way of enhancing their competitive power in the foreign markets. According to Drahos and Braithwaite (2004), there have been varied reasons associated with the protectionist policies. Whereas there is a group that widely support the protectionist plan, another group is not in favor of the fact that there is a need for governments to protect local traders at the expense of foreign investors. The group in favor of the latter has argued several reasons to support why they oppose the trade protectionist policy. Below are some of the grounds that have been put forward against the restriction policy.

Milton Friedman and Krugman Paul, Nobel Prize Winner economists, are on record for having dismissed restricted trade practice policies. They have

argued that free trade is an avenue for workers in developing nations to develop their skills further unlike in restrictive policy market areas. Their argument is that the higher the concentration of firms in the industry, the higher the employment opportunities for the local leading to the improvement of their living standards as well as raising wages of the workers which is in accordance with Fouda (2012). They have furthered their argument by stating that using protectionism to protect jobs of workers in developing countries is, in fact, a fallacy as only developed countries benefit from restriction policies. Alan Greenspan, who is the retired chair of the American Federal Reserve, is particularly against restriction policies because he is of the opinion that if the protectionist path is followed, then upcoming industries are likely to suffer thus crippling the economic welfare of the nation.

Furthermore, restricted trade practices and policies have been blamed for being the cause of major wars. This theory rests on evidential proponents dating back to the 17th and 18th centuries where European nations that were protectionists that are leading to conflicting of interest especially with the Americans. The British Tariffs did not augur well with many other nations leading to the many revolutions witnessed during that period. Fredric Bastian came up with a slogan that stated that armies will cross borders if goods cannot. The wars that preceded the 1st and the 2nd World Wars were also largely to blame on the protectionist policies.

## **Conclusion**

Finally, protectionist policies hinder equal access to local and domestic resources such as human, natural and capital resources. Farrell (2013)

claims that strict visa entrance policy among other restrictive practices has been proved to be a discouraging factor to potential investors. Economists have argued that it is easier to realize growth in free trade areas as compared to nations with restrictive practices. In conclusion, many governments seem to be coming up with practices to promote local firms at the expense of foreign firms. The governments have come up with Legislations and policies that intend to discourage foreign penetration into the local market and also encouraging local production. Such policies aimed at restricting foreign entry into local markets include tariffs, import quotas, administrative barriers, anti-dumping Legislations, direct subsidies among other. As is evident from above, there have been varied reactions to the protectionist policies. Whereas others have lauded the move, other groups seem to doubt whether it is a good policy. They have, in fact, come up with reasons to substantiate their arguments. Among the reasons that have been linked with the faults of protectionist policies, include the fact that the policies have brewed wars in the past. In addition, they fail to address the plights of the locals that it should address as well as a hindrance to equal opportunities.

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