

Example of inward strategies essay

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The degree of economical openness has been an important question for policy makers over the course of the history. Decision-makers aimed to maintain a balance between independence from inward orientation and the benefits of participation in free trade. The attitudes towards participating in international economies have changed depending on the dominating economic theory, however in the long-run closed economies almost always fell behind their more open neighbors.

Inward policies can be defined as the strategies that support strong domestic orientation and aim to achieve economic growth and prosperity through limiting the interaction of the country with the rest of the world. The alternative to inward policies are the outward ones that promote free trade and intensive participation in the global economy. The main argument in favor of inward policies is the protection of infant industries that are not yet able to compete with global rivals due to insufficient scale economies, learning curve etc. Similar logic is also used for the industries that are believed to be strategic for the economy. Governmental support in this case aims to help these companies to remain competitive by closing the economy to stronger competitors or by directly subsidizing firms' development. However, in the long-run such policies take away any incentive for infant industries to become competitive. Moreover, the small size of the country market combined with the limited resource availability make it hard for local companies to achieve efficiency and lower costs. Furthermore, local consumers suffer from closing the economy as they face higher costs and lower product variety. Thus, instead of growth and development, inward-

looking economies experience decline.

There is hardly a universal openness formula that could guarantee economic development to any country. In most cases the balance between inward orientation and free trade depends on the specificities of the market and current economic conditions. However, in the long-run inward orientation is likely to bring more harm than good to any country adopting it.