

Explain economic protectionism by using real examples

[Literature](#), [Russian Literature](#)



Explain economic protectionism by using real examples. Explain the rationale for governments implementing protectionist policies and evaluate if these policies were successful or not

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Introduction From the sixteenth to the eighteenth century, the West European economic theory was dominated by Mercantilist economic theory. As the global economic slow began to shed its effect, major economies began to resort on the protectionist measures. Protectionism is not only a problem at the national level, and European Union was inclined to use the policies to regulate certain issues (Ringe and Bernitz, p. 1).

Definition of Economic protectionism A policy or regulation of the government that acts to restrict international trade is referred as protectionism. Import quotas that limit the number of imports for a particular good over a period of time can be thought of as an example (Grunzel, n. d., p. 127). According to the proponents of protectionism, it encourages production of goods domestically and thereby can help the working class. However, critics are of the opinion that it discourages competition. This will lead to drive down the prices. The government's role in protectionism faces the controversial issue of balance between protectionism and free trade.

Real Life Examples The tariff on tires from China is an example of economic protectionism. The administration under the president stepped up the import duties to 35% in the first year. The duties were levied on the tires of Chinese Passenger and light weighted trucks. The International Trade commission was under the purview that Chinese exports of tire have rocked the domestic industry of the U. S. This

has resulted in displacement of jobs for thousands. The government of China reacted to the situation with serious opposes. They referred to it as a serious act of economic protectionism. On 16th May, 1956, the country went on an agreement with Japan regarding the imports of Japanese textiles in the country. The year 1955 was a period when domestic manufacturers expressed concern on the imported textiles from Japan. They also filed several petitions in front of the tariff commission. The governments were under some communications regarding the agreement (Lauterpacht and Christopher, n. d., p. 168). Rationale of governments Protecting the infant industry is one of the rationales behind economic protectionism. The governments of the developing countries rely on this rationale. They are of the opinion that protecting the sunrise industries is one of their main responsibilities. The sunrise industries need a protection at the start up years which will help them in capturing some shares of the market. Tariffs are levied so as to make the foreign goods expensive artificially. The next rationale that can be identified is protection of jobs. There are some firms in the industry which are inefficient, yet reached the maturity stage. People lose jobs because of these sunset industries. Structural unemployment would tend to grow more if some measures are not undertaken. Another important rationale is revenue. The level of unemployment is high in the developing countries and so it is difficult to raise revenue from taxes. Therefore, governments of developing countries involve in imposing tariffs on foreign goods in order to raise revenue. Some governments admits that measures of protectionism must be implemented or survival. The farmers need to be protected so that they can produce enough crops to feed the population.

Two Protectionist Policies A tariff can be defined as a protectionist policy. A tariff is defined as a tax that is imposed on import and export of goods and services (Robert, 1997, p. 55). It is the common kind of barrier to trade. Another protectionist policy for the government is providing subsidy. A subsidy is usually a benefit given by the government to group or individuals. The form of providing subsidy can be cash or reduction in tax. The aim in providing subsidy is to remove some kind of burden which will be beneficial for the public. Conclusion The tariff acts to raise the domestic prices in the tariff imposing country. The amount of tariff is equal to the amount of the price rise for small countries. But in large countries the price rise is less than the amount of tariff (Buongiorno, 2003, p. 145). The tariff for a small country has no influence on the international price and, hence, there will be no improvements in terms of trade. However, for large countries, tariff is expected to bring improvement in terms of trade. A part of the tariff will act to reduce the international prices for the large countries. Subsidies can lead to government failure. Subsidies tend to distort the market prices. The resultant is misallocation of resources. The free trade in goods and services is distorted by export subsidies. The inefficient firms get protection through subsidies. Direct income support through tax and benefit system can have less distorting effects than subsidy. References Buongiorno, J., 2003. Effects of Tariff Liberalisation. Academic Press. [Online] Available at <http://books.google.co.in/books?id=7jnmbKHgQH4C&pg=PA145&dq=effects+of+tariff&hl=en&sa=X&ei=xld5T8vZHojqrQePzvGSDQ&ved=0CDQQ6AEwAA#v=onepage&q=effects%20of%20tariff&f=false>. [Accessed 2nd April, 2012]. Grunzel, J., n. d. Economic Protectionism. [Online] Available

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