Consequences Of Trade Restrictions And Tariffs Essay, Research Paper

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How does imposing trade restrictions affect a country’s macro economic

objectives?

Nowadays all countries need to trade between themselves. Countries

always lack of some type of good and the only way they can get them is by

importing them from other countries which do produce the desired goods. However,

countries many times import products they are able of producing and now, this

isn?t a matter of need; it?s a matter of taste in order to give the consumers

the possibility to choose.

Both imports and exports contribute, in different ways, to the

development of a certain economy, for example the Peruvian one. Nowadays, Peru

has an open economy which allows importing and exporting. When a country imports

any product it can be because it doesn?t produce it or because it want?s to give

greater variety to certain areas of the market. This last case should be like a

stimuli for national producers to produce more and with a better quality and to

find ways of having lower costs of production. This aims come to light because,

as foreign products enter the market, they may be of a better quality and even

cheaper than the national ones. Now, the consumers will have more possibilities

to choose from and, it is very probbable that they will choose the cheaper and

brand new products. So, if national producers don?t do anything in order to

improve thier products, then they will be in danger of going to bankruptcy. As a

result of this, the national products have to seek, as I said before, for

cheaper costs and better products.

When this occurrs, then national products are ready (or at least have

more possibilities) to compete in international markets. Supposedly, now they

should have a better quality, they should be cheaper and so, they are ready to

be exported. When products are sold at international markets, then this brings

more money into the peruvian economy; as exports are like the salary of a

country (the most important source of money), then this is very positive for the

peruvian economy because we can say that the national income has increased.

So, we have seen how having imports and exports are very benefitial for

any country. However, countries many times apply barriers to imports coming into

the country in order to protect national products. The most common type of

barrier applied are the tariffs. Tariffs are taxes applied to every imported

product which comes into the country. In Peru, for example, the tariff rate has

two values: one which is 15% of the original price (the most commonly applied)

and the other one which is 25% of the original price (rarely applied, only for

luxurious goods.) By applying this tariffs, then it may not be very profitable

to bring certain products into the country, and, in this way, the national

products are able to keep on in the same way, without worrying about having a

powerfull competence. This type of barrier may allow certain national companies

to keep on being leaders in the national market, even though their products aren?

t export quality. So, if they try to export these products, then they won?t have

much luck in foreign markets because here, in their local markets, they haven?t

developed really good and relatively cheap goods.

However, nowadays there are many international organisations, like NAFTA,

which aim at having a 0% tariff on all the member countries. In this way, there

will be no additional value added to the imported products and, so, if national

companies aren?t well prepared, then they won?t be able to compete and, so, they

will go to bankruptcy. I think that this type of agreements are good for the

companies and their local countries because in the future, where international

trade will be even more important than what is now, any enterprise which isn?t

prepared to compete internationally won?t be able to survive. If these non

tariff measures start to be applied at the present, then companies will get used

to having constant and competent competence and, therefore will not have any

problems in the future.

In conclusion, I think that countries which insist on applying tariffs

are preventing themselves and their own companies from preparing for the future.

In the long run this will be negative for both the country and the companies

because they will not be likely to develop the adequate techniques for competing

internationally and, so, their products won?t be able to be exported and, as a

result, the country?s “salary” (money gained by exporting) will be greatly

reduced.