**Trade Barriers**

**LVL1 Answer the following questions as you read**

1. What are trade barriers?
2. What is meant by free trade?
3. What are the main trade barriers?

**SSEIN2 Explain why countries sometimes erect trade barriers and sometimes advocate free trade.**

**Trade Barriers** limit the flow of goods, services, and productive resources between countries. **Free trade** refers to the unrestricted flow of goods, services, and productive resources between countries. While the field of economics generally regards free trade as positive for countries, specific political, ideological, and economic factors affecting a country may incentivize the erection of trade barriers.

1. **Define trade barriers such as tariffs, quotas, embargoes, standards, and subsidies.**

**Trade Barriers** are laws passed or actions taken by the government of a country with the intention of restricting the flow of goods and services between itself and another country or countries. Except for embargoes, the motivation for trade barriers is protection of a domestic industry or domestic jobs. The most common trade barriers are tariffs, quotas, embargoes, standards, and subsidies. A **tariff** is a tax placed on goods imported into a country. A **quota** limits the quantity of a good imported into a country. **Embargoes** completely ban trade with a country usually due to political disputes. **Standards** are requirements a good must meet before it can enter the country as an import. **Subsidies** are government payments transferred exporting companies allowing the companies to compete with other nations at the international market price without having to incur the costs associated with selling at the lower price.

1. **Identify costs and benefits of trade barriers to consumers and producers over time.**

When a country imposes trade barriers, some people benefit and others incur costs. A general concern about using any trade barrier is the possible retaliation of the other country. If a country decides to use a **tariff**, the benefits include providing revenue to the importing country’s government as it collects the tax and protecting the domestic producers of the good by effectively increasing the price of imported goods. Costs of tariffs include higher prices for consumers and inefficiently producing goods for which the country does not have a comparative advantage.

**Quotas** benefit domestic producers by limiting the number of foreign goods with which they must compete. The cost is that consumers who want the imported good cannot get it once the quota is met no matter how high a price they are willing to pay. The country’s resources are allocated toward goods for which it does not have a comparative advantage. Embargoes are politically motivated.

An **embargo** could successfully influence another country to behave according to the embargoing country’s wishes, benefitting the embargoing country. However, the individuals and firms in the embargoing country can no longer enjoy the goods the embargoed country produces and may encounter higher prices from less competition in the market. The individuals and firms in the embargoed country will incur significant costs without the economic activity with customers in the embargoing country.

By placing **standards** on a good, a country can exclude the goods of foreign producers who are unable to meet the importing country’s requirements. When used appropriately, standards can benefit domestic consumers by protecting them from substandard or dangerous products. Some countries impose unattainable standards for foreign producers simply to force them out of the domestic market despite the products not posing any threat to domestic consumers. This hurts domestic consumers by increasing prices and hurts the foreign producer who has lost a market for the product.

**Subsidies** benefit domestic producers by allowing them to compete at the lower market price established by their foreign competition. This keeps prices low for domestic and foreign consumers, protects domestic jobs, and helps firms stay profitable. Subsidies damage industries and workers in other countries that would have a comparative advantage in production if the subsidy were not in place.

**LVL 2 Consider the following questions**

1. What are some examples of trade barriers in the United States?
2. Why would the US implement those?
3. What would be a benefit of passing higher tariffs?
4. What kind of products might have standards?
5. What producers might benefit from subsidies?

**LVL 3 Do the following**

1. Create a table of all the trade barriers explaining the costs and benefits associated with each

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| Trade Barriers | Costs | Benefits |
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