Trade Barriers

Type of Barrier	Definition	Barrier in Action	Why it matters	Illustration
	A **tax** on imports	The United States adds a 30% tax on all steel entering the country. This helps protect U.S. steel companies from foreign competition.	make money for the importing country. They also raise the price of imported goods, encouraging people to buy items made in their own country.	
	A limit on the **number** of products that can come into a country.	In the 1980s, the U.S. allowed only a certain number of Japanese cars into the country.	help to encourage the people of a country to buy products made in their country and not foreign goods.	
	Cutting off trade to a certain country because of political reasons.	Because of Saddam Hussein's actions in 1990, the United States put an ______ on Iraqi products. ↑	hurt the exporting country because we don't buy their products. It also makes a political statement.	

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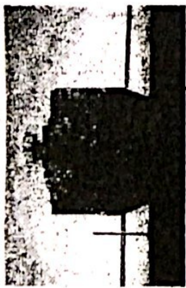
International trade occurs when nations choose to exchange goods. Nations choose to engage in trade because it is either impossible or inefficient to produce all that they need themselves. **Specialization** encourages trade. Nations specialize in producing certain products. Nigeria produces large supplies of oil. South Africa produces large amounts of diamonds. Other countries produce other products. Trade allows countries to acquire the things they need and sell the things they produce.



Trade (Cargo)

Exports are goods that a nation produces and sells to other countries. Exports bring money into the economy. **Imports** are goods that a country buys from other nations. Imports take money out of the economy.

TRADE BARRIERS

Trade barriers are obstacles to trade. Trade barriers can be natural or human-produced. Examples of **natural trade barriers** in Africa include the Sahara Desert, rainforests, mountains, and regions without access to rivers or oceans. These natural features are considered barriers because they make trade more difficult.

Atlas Mountains – Natural Trade Barrier

Political barriers are economic policies passed by a government to regulate trade. They are often intended to help a country's own producers be more competitive in the market place. At other times, they may be aimed at punishing or putting economic pressure on another country.

Sahara Desert – Natural Trade Barrier

Tariffs are taxes on imported products. Tariffs raise prices on foreign goods. This makes it less profitable for countries to sell their goods in foreign markets. Tariffs in one country normally inspire tariffs in others. For instance, if Egypt's leaders realize that their producers have to pay tariffs to trade in England, then there is a good chance that they will make English producers pay tariffs to trade in Egypt.

Quotas are limitations on the number of products that can be imported. Nations will sometimes use quotas to make products produced in their own country more competitive.

Sanctions and embargoes are other political barriers to trade. **Sanctions** are policies that restrict a country's trade with another country. They are usually meant to force a country to change some policy. **Embargoes** are even more drastic. In an embargo, nations refuse to trade with a certain country at all.

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Trade Barriers

Countries sometimes set up trade barriers to restrict trade because they want to produce and sell their own goods. Trade barriers include:

- **Tariffs** are taxes on imported goods which cause the consumer to pay a higher price for an imported item. Demand is then increased for the lower-priced item produced at home.
- **Quotas** are restrictions on the amount of a good that can be imported into a country. Quotas can create shortages that cause prices to rise.
- **Trade embargoes** forbid trade with another country.

Examples in the Middle East include:

In the past two decades, the United States has had several **embargoes** against Iran because of Iran's involvement with terrorism. Following Iraq's invasion of Kuwait in 1990, the United Nations placed an **embargo** on Iraq, only allowing the country to export enough oil to buy food for its people. The United Nations hoped to force Iraq to make payments for war destruction and destroy its nuclear, chemical, and biological weapons.

After the September 11, 2001 attacks on the United States, the United Nations placed an arms **embargo** on Afghanistan. Members of the United Nations could not sell weapons to Afghanistan, because of the violent group in charge of the government.

When Saudi Arabia wanted to join the World Trade Organization (WTO), it lifted its long-standing **embargo** against all trade with Israel. Trade barriers are not permitted among countries in the WTO, and Israel belongs to the WTO.

In 2008, Saudi Arabia and Egypt lowered **tariffs** on food imports to help their citizens cope with rapidly rising food prices.

Quick Quiz

After reading the following statements, put a check beside the ones that are true.

_____ 1. The United States had an embargo against Iran because of Iran's activities in terrorism.

_____ 2. The United Nations placed an embargo against Saudi Arabia because of its invasion of Kuwait.

_____ 3. Saudi Arabia lifted an embargo against Israel in order to join an important world trade organization.

_____ 4. Quotas restrict the amount of a good that can come into a country.

_____ 5. Tariffs forbid trade with another country.

_____ 6. Trade barriers promote trade between countries.

Trade barriers are anything that slows down or prevents one country from exchanging goods with another. Some trade barriers are put in place to protect local industries from lower priced goods made in other countries. Other times trade barriers are created due to political problems between countries. Trade is stopped until the political issues are settled. The countries in Southwest Asia, as in most parts of the world, have experienced trade barriers at one time or another.

A **tariff** is a tax placed on goods when they are brought (imported) into one country from another country. The purpose of a tariff is usually to make the imported item more expensive than a similar item made locally. This sort of tariff is called a "protective tariff" because it protects local manufacturers from competition coming from cheaper goods made in other countries. Most countries have tariffs on goods imported from other countries. Other countries also place tariffs on goods coming to their markets from other parts of the world.

A **quota** is a different way of limiting the amount of foreign goods that can come into a country. A quota sets a specific amount or number of a particular product that can be imported or acquired in a given period. Israel could decide, for example, that only 1500 cars could be brought into the country from Japan in a given year. That would make it more likely that people buying cars would have to buy Israeli-made cars if Japanese cars were not available.

A third type of trade barrier is called an **embargo**. An embargo is when one country announces that it will no longer trade with another country in order to isolate the country and cause problems with that country's economy. Embargos usually come about when two countries are having political disputes. Embargos often cause problems for all countries involved. A good example of an embargo is the decision by the OPEC countries to stop all sales of oil and gas to the countries supporting Israel in the 1973 Arab-Israeli war.

_____ **327. What is a tariff?**
- A. a tax paid by the purchaser when goods are sold
- B. a tax placed on goods coming into one country from another
- C. a tax placed on goods made by local craftsmen or manufacturers
- D. a tax paid when goods are shipped from one state to another in the United States

_____ **328. What is a quota?**
- A. a decision to prevent certain goods from being imported
- B. a tax placed on imported goods when they enter the country
- C. a tax placed on goods when they are purchased in the market place
- D. a limit to the number or amount of a foreign-produced good that is allowed into the country

_____ **329. What is an embargo?**
- A. a tax placed on goods coming into the country from overseas
- B. a limit to the amount of a certain good allowed into the country
- C. a tax paid by the producer before he can sell his goods in another country
- D. a formal halt to trade with a particular country for economic or political reasons

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