II. Barriers to International Trade

A. Ways to restrict International Trade

1. Tariffs

- taxes on imports. (increases their prices)

a. Protective Tariffs

- tariff high enough to protect domestic industries.

b. Revenue Tariff

- a tax high enough to make the gov. money but won't stop importing.

2. Quotas

- Some products produced overseas are so cheap tariffs won't help
- a quota limits the amount of products that can be imported
- by reducing supply it drives prices up protecting domestic producers.

3. Health Inspections

- food, crops

4. Embargo

- Simply don't trade with a country
- Ex: Cuba

B. Why protect domestic industry?

* protectionists: people that favor trade barriers.

1. National Defense
   - without barriers we could become too dependent on other countries.
   - if we were at war we might not be able to produce critical supplies.
2. Promoting Infant Industries
   - protecting new business from foreign competition
3. Protect Domestic Jobs
   - higher taxes on foreign goods means more goods made in the U.S. = more american jobs
4. Keeping money at home.
   - Buying american goods means money stays in America
5. Helps the balance of payments
   - difference between money a country pays out to and receives from other countries

C. Free Trade Movement

* Free-Traders: people who want no trade barriers.

1. The World Trade Organization
   - The WTO

2. NAFTA

- North American Free Trade Agreement
- free trade between US, Canada, Mexico

3. ASEAN

Association of South Eastern Asian Nations.