What Are Trading Barriers?

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A trade barrier is a device governments use to restrict the flow of goods into or out of their territories. Trading barriers can take different forms, including tariffs, quotas, subsidies and embargoes. They are often created to protect domestic industry, such as a threatened industry that cannot compete with cheaper goods from abroad. Trade barriers are used as a protectionist tool, rather than a tool to promote free trade. International organizations such as the World Trade Organization work to eradicate trade barriers.

Tariffs

- Tariffs are a trade barrier to artificially raise the price of an imported good, to stop it from competing with domestically produced ones. For example, if a car produced in China costs $500, and a car produced in America costs $1,000, the U.S. government might choose to impose a tariff of $600 per Chinese car to make the American counterpart more competitive. Tariffs can take either the form of an absolute value, as in the example above, or a percentage of the value of the goods.

Subsidies

- Subsidies are similar to tariffs, except they work to promote exports rather than impede imports. For example, using the same figures as above, if the U.S. government were to provide a subsidy of $600 per American car exported to China, it would lower the price of the American-made car to be more competitive on the Chinese market. They also could take the form of subsidies to the production process, such as subsidized power or tax breaks for materials.

Quotas

- Governments use quotas to restrict the absolute number of an item that is allowed to be imported into the country. Continuing the automotive example, the U.S. government might choose to allow only 100,000 Chinese-made cars to be imported into the country in a year, thus restricting their supply and raising the price. These barriers often take the form of licenses, which restrict the number of companies that can import goods, and the quantity they can move.

Embargo

- An embargo is one of the most extreme forms of trade barrier. A trade embargo is a complete halt to trading activities between two countries. It is often declared unilaterally, but normally the embargoed country reciprocates. An example of this is the long-standing trade embargo imposed by the United States on Cuba. This form of barrier is rarely used, or it takes the form of a weapons embargo, in such a case as when a country is using its weapons against a civilian population.

źródło:http://www.ehow.com/info_8103313_trading-barriers.html

EXERCISES

I . Find words in the text (they are underlined) which have similar meaning:

1. equivalent

2. slow down

3.enforce

4. rival

5.false

6.eliminate

7. permission

8. slow down

II. Which barriers, T (tariffs), S (subsidies),Q (quotas) or E (embargos) match the statements:

1. It stops totally the trade between the countries
2. is a form of tax on imported goods
3. it pumps money into protected businesses
4. it is usually introduced against the country that uses violence to fight civil people
5. it cuts down the number of goods allowed in the country
6. it is one of the hardest trade barriers
7. it protects domestic production rather than limits import
8. it may stop some producers from importing their goods