FOREIGN TRADE BARRIERS

A trade barrier is generally any government-induced restriction that makes trade difficult or even impossible. Trade barriers have a negative effect on exporters because they interfere with the normal supply and demand and make international trade more complicated. They also negatively impact importers and ultimately consumers since they interfere with competitive sourcing, which can result in higher prices.

The global trend in recent years has been to eliminate as many trade barriers as possible. Organizations like the World Trade Organization (WTO) have been established with the purpose of limiting barriers and reconciling trade disputes among member nations. Free Trade Agreements (FTAs) among countries, such as the North American Free Trade Agreement (NAFTA), ASEAN in Asia, and the European Union customs union have reduced the number of barriers involved in regional trade.

Trade barriers are as ancient as trade itself and there are many reasons countries impose trade barriers. Trade barriers initially arose in the form of tariffs levied to generate revenue. For many countries, tariffs are a major source of income and are critical to the national economy. Tariffs, quotas and non-tariff barriers such as excessive regulations are now commonly used to protect domestic industry from foreign competition. Finally, countries often use barriers as tools of foreign policy. Very high or low tariffs can be used to reward or punish other nations in support of foreign policy initiatives. This is the premise of most free trade agreements, embargoes, boycotts and sanctions. For all of these reasons, trade barriers are sensitive and controversial issues.

According to the U.S. government, some of the most common trade barriers affecting U.S. companies include:

- Tariffs, quotas, import licenses, fees and paperwork requirements, and customs barriers that are not uniformly applied.
- Lack of competitive bidding on government tenders.
- Burdensome standards, testing, labeling and certification requirements not required of domestic manufacturers.
- Direct or indirect subsidies by a foreign government in favor of domestic suppliers.
- Export controls such as license requirements and restricted buyer lists.
- Intellectual property infringement, including copyright, patent and trademarks.
- Influence pedaling - company/government interference.
- Bribery, corruption and requests for payoffs.

WHAT TO DO ABOUT TRADE BARRIERS?

If you are faced with an official barrier, such as an overwhelming tariff, restrictive regulations or government subsidies, there are remedies available. The U.S. federal government has programs to assist U.S. companies if they have difficulties exporting. The mission of the U.S. Department of Commerce's Office of Trade Agreements Negotiations and Compliance (TANC) is to ensure foreign compliance with trade agreements.

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