International Trade and its Barriers

First we will discuss the concept of trading. The trading concept is centered on the simple activity of the exchange of good or services or both. These exchanges may be the ones that simply take place between two parties within the country or between two different countries. The simple trade, which takes place between two parties, is known as bilateral trade and if these exchanges take place between more than two parties, is known as multi-Lateral trade.

Now let us deal with the issue of what International trade is? It is defined as exchanging of goods and services or both, between two or more partners from different countries (an exporter and an importer).

The country for the purpose of importing and for doing international business, generally uses the following three barriers:

1. Tariff Barriers

This is the barrier put on imports in the form of duties, tax and quotas etc. Due to which the imports are less and the price level of imported products rises and the demand for them decreases.

2. Non – Tariff Barriers

This is the barrier put by the country on imports by restricting quantity of importing. A fix quantity is defined for the importing products that make the price level of the imported goods high and the supply of foreign goods become limited.

3. Voluntary Constraints

This is the last kind of trade barrier in which the country itself voluntarily stops the incoming products. Due to this barrier the country has power to stop the imports coming frequently into the country and limiting the competition with the foreign goods with the local industries.

These three types of trade barriers should be taken into consideration when deciding to trade internationally. Mostly lower developed countries and the developing countries uses these kinds of trade barriers for their international trade and international business. The advantage of these barriers is as follows:-

• Country earns foreign exchange by putting Tariff and non-Tariff barriers.
• The local industry of the country is protected by the foreign competitive industries.
• Less imported goods are brought into the country due to which consumer also buys local products.
• The currency remains in the country due to which government gains benefit in the form of revenue.

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