

## Precautions for protecting local industry from the international industry

With the world becoming smaller and repeated references to the global village syndrome, people feel that it's not long before the borders of trade become totally transparent. While this is a positive in many ways, particularly for the global consumer, there are downsides. For one thing, with the influx of sellers from the world over, the local industry comes into direct competition with the international industry. While some contend that this will bring local industry on par with international industry, the truth is that many local sellers feel threatened by the change. Costs of production in one area may vary greatly from those of another area, and if businesses from the 2 areas come head to head, this will be an important determining factor for the survival of the high production cost business. Some of the ways regulators and business people have thought to protect and foster growth in local industry are below.

### Tariffs on imports:-

The local industry has the option of lobbying for tariffs to be applied on the import of products and services into the country. There are many ways to tax these international businesses so that the costs come to par with local industry. Due to the cost of transporting products, this also happens naturally in many cases – the cost of shipping may be prohibitive on an auto ancillary from Russia as opposed to one made in Detroit, though the original price of the former may be much lower.

### Subsidies:-

The reverse concept is to grant subsidies for the local industry to grow and strengthen itself to take on international industry players. This is only effective in the short term, however, and is somewhat controversial since subsidies are normally considered fair for weak or infant industries.

### Raise barriers to entry:-

The trade council can raise the barriers for entry for a business by imposing global standards. This means that the product must conform to international standards for it to be sold in the country, which means that the quality improves and thus cost of the product increases.

### Find USP for local products:-

The local industry can also respond to this type of situation by creating need for local products. A special niche or a unique selling point of the local products means that there will be a specialized market for it and the product cannot be replaced by the international industry.

### Join them:-

If you can't beat them, join them. Local industry can look for ways to partner with international industry, through individual sellers or as a whole, to ensure that everyone makes a profit. Many businesses are choosing to outsource some of their functions so that they ultimately make more profits.

However, there is a good side to global competition. It serves to protect the local customer by reducing the possibility of monopolies within the local industry. But this is a matter to concern the government. So long as there are no unfair trading practices that harm the consumer, the local industry needs to look towards maximizing profitability and competing in a global market place.

## About the Author

William King is the director of [UK Wholesale Suppliers](#), [Wholesale Suppliers](#) and [Dropshipping Directory](#). He has 18 years of experience in the marketing and trading industries and has been helping retailers and startups with their product sourcing, promotion, marketing and supply chain requirements.

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