

During the past decade most economies have moved towards free trade with the emergence of a global market through removals of barriers to trade. However there are advantages and disadvantages on domestic + global level to these countries still adopting protectionist stances.

The positive effect of protection on domestic ~~and~~ industry include the protection of employment during recession, protection of infant industry and increased revenue for the government.

During a recession the government can choose to increase the amount of protection so people still buy Australian products. This will mean that local producers can charge

more for their products and still remain competitive against imports. This will reduce the amount of cutbacks that are required because they are still making profits.

When ~~at~~ industries are just starting up they will not be able to charge the same low prices as their import competition because they have not yet established the efficiency or economies of scale of the larger importers. ~~This at~~ The higher prices as a result of protection allow the new industry to grow into a more efficient and competitive one.

With things such as tariffs the government will experience greater revenue which can then be spent on certain aspects of the economy.

There are numerous disadvantages that come with a protectionist stance.

Resources can be allocated to inefficient industries rather than the more efficient ones, reducing the returns on resources and perhaps effecting ecologically sustainable development.

Industries can become "Inward looking", meaning they no longer desire to export their product as they have a large market share on the domestic economy because of the amount of protection given. This could impact on the balance of payments by losing export income, therefore contributing to the current account deficit, increased foreign debt etc.

Resources may be wasted lobbying to the government for

increased protection if they know the government will give in. This money could be used to increase efficiency in order to become more competitive in import competition. Impacting on allocative efficiency and incentives to export.

With a protectionist stance there is more incentive to produce protected goods because it is easier to gain market share and make profits. This impacts on the output mix leading to lower standards of living.

Inflation can be caused by the imposing of tariffs. They force the price of goods up impacting on real wages and forcing wage demands to increase.

On a global scale protection has some benefits and some

disadvantages.

Reduced global growth would be the main thing, with a majority of prices being ~~low~~ higher there is less demand for goods and services. • This means that real incomes ~~is~~ would fall and standards of living will fall because people do not have access to as many goods and services.

Multi national corporations are becoming more and more "footloose" as trade barriers are being removed bringing customisation of products and economies of scale, not feasible with a protectionist stance as there is not as much incentive to access foreign markets.

Firms are able to remain less efficient, but if they wish to

access the global market that is protected they are forced to become more efficient, helping with environmental sustainability ~~and~~ and lower prices for the consumer.

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Protectionism has some ~~some~~ circumstances where it is an advantage, both on global and domestic scale. But it is viewed that these are outweighed by the disadvantages at the move is towards free trade. We can see this with the move toward free trade with America and the fact that APEC leaders have agreed on free trade by the year 2020. Protectionism will become a thing of the past.