

Lesson 7 - Barriers to Trade

Barriers to International Trade

Although international trade is becoming more and more important in today's global economy, there are certain obstacles that countries encounter that may inhibit trade. Seven 'barriers' to trade are outlined below:

- Tariffs
- Currency Fluctuations
- Investment Regulations
- Environmental Restrictions
- Foreign Relations and Trade Sanctions
- Safety Regulations
- Immigration Policies



Barrier 1 of 7: Tariffs

A tariff is a tax imposed by the local government on goods or services coming into a country. The purpose of a tariff is to protect domestic businesses from inexpensive imports. An example would be if a manufacturer in Canada made a shirt for \$20, they would mark the shirt up for a retail cost of \$45 so that they could make a profit.

A manufacturer from Thailand however could make the shirt for \$10 and still mark up the shirt by \$25 to have a final selling price of \$35. Obviously, savvy consumers will opt to buy the less expensive shirt, leaving the Canadian manufacturer unable to compete.

Barrier 1 of 7: Tariffs

VIDEO/DISCUSSION

You will now watch two videos from Canadian comedian Rick Mercer that explains tariffs and the softwood lumber dispute in a humorous way.

- “Softwood Lumber” (<http://www.youtube.com/watch?v=sJGzJ-8fO24>)
- “A Morning With Ambassador Frank McKenna” (<http://www.youtube.com/watch?v=rIYocJOuasc>)

Barrier 1 of 7: Tariffs

ASSIGNMENT 1 - DISCUSSION

Based on what you now know about tariffs and the end cost of goods to the consumer:

Do you buy goods that are made in Canada to support the Canadian economy? Or, do you feel that the best quality for the lower price will eventually ensure that Canadian companies are competitive without the use of tariffs?

Discuss the above with your teacher and peers.

Barrier 2 of 7: Currency Fluctuations

The rate given by one country for another country's currency is called the currency exchange rate. International banks exchange currencies. The rates used during these transactions determine the daily exchange rates. If a country's currency is devalued in comparison to another country's, the devalued country can export more to the other country. An example is that if our dollar is lower than the U.S. dollar, then Americans are encouraged to buy more from us because their dollar will buy more here than in their homeland. Obviously the opposite can be true when our dollar is stronger.

Barrier 2 of 7: Currency Fluctuations

ASSIGNMENT 2 – HIGH OR LOW DOLLAR

Write a **short one-page memo** to the Minister of Trade explaining the advantages and disadvantages of a strong Canadian dollar. Remember, memos are short and concise, yet in paragraph format.

Make sure you include the following in your two-paragraph explanation:

- Advantages of having a strong Canadian dollar
- Disadvantages of having a strong Canadian dollar
- Also include throughout your memo:
- Implications for the economy, exporters, importers and citizens.
- Be mindful of spelling and grammar as well!

Barrier 3 of 7: Investment Regulations

The investment Canada Act (ICA) reviews the investment and/or acquisition of Canadian businesses over 5 million dollars. This is increased if the other country is a World Trade Organization (WTO) member. However, the 5 million dollar review applies to any country investing in one of the following 4 areas: uranium, financial services, transportation and cultural concerns.

Barrier 3 of 7: Investment Regulations

ASSIGNMENT 3 – THE GREAT WATER DEBATE

Not only does Canada regulate trade when it comes to financial services, culture, transportation and uranium, but other areas as well. Under the NAFTA agreement, there are other areas where trade is restricted in order to protect Canadians' best interests.

The Great Water Debate

You will produce a **brief report** on the
against the

[See Handout](#)



Barrier 4 of 7: Environmental Restrictions

Canada's economy depends on its natural resources. Restrictions are in place to protect these industries. All food, plants, animals etc. must meet standards to protect foreign insects and diseases coming in the country. The Canadian Food Inspection Agency is present at international entry points for this reason. Other items such as toxins, hazardous chemicals, waste products and vehicles are also under scrutiny.



Barrier 4 of 7: Environmental Restrictions

VIDEO/DISCUSSION 2 – THE ENVIRONMENT

- You will now watch a video that illustrates the growing demand for industries that are environmentally responsible
- <http://www.youtube.com/watch?v=HNSbiNxxlTQ>

Barrier 4 of 7: Environmental Restrictions

ASSIGNMENT 4 - DISCUSSION

Discussion 4 – Business and the Environment

Based on what you now know about the growing trend to protect the environment while still encouraging trade, research one company that is implementing an environmentally friendly approach while doing business. Comment on whether you feel this is enough for this particular company to do or if they should be playing a larger role in keeping our environment clean and safe.

Share your opinion with your classmates and teacher.

Barrier 5 of 7: Foreign Relations and Trade Sanctions

Trade sanctions are limitations or restrictions of trade with the targeted country. Under the United Nations Act, Canada has an obligation to follow any trade sanctions imposed by the UN. Canada also has 2 other acts: Special Economic Measures Act (SEMA) and The Export and Import Permits Act that we can implement if we see fit. The purpose of sanctions is to influence the policies of actions of another country. These would include: human rights abuses, terrorism, smuggling and slavery.

Barrier 5 of 7: Foreign Relations and Trade

Sanctions

ASSIGNMENT 5 – DISCUSSION: TRADE

SANCTIONS

Countries use trade sanctions to influence the acts of a country. There are many critics and advocates of the use of trade sanctions. Some sanctions have been successful and others have not.

- Research one trade sanction that has been imposed and give your opinion if this trade sanction was effective or not. Explain your answer.
- Some of the countries that have had sanctions imposed on them are; South Africa, Iraq and Cuba. Feel free to choose one of these examples or research your own.
- Share your opinion with your classmates and teacher.

Barrier 6 of 7: Safety Regulations

The Canadian government makes laws to protect Canadians. There are several acts in place that all domestic companies and imports must follow (i.e. food and drugs act, weights and measures act). Foreign countries may be discouraged from doing trade with Canada because it may be costly for them to adjust manufacturing procedures to meet Canadian Standards. Example: pyjamas must be made of flame retardant material.



Barrier 6 of 7: Safety Regulations

ASSIGNMENT 6 – SAFETY & IMPORTS

There has been a lot of media attention to the fact that we are importing goods that may or may not be safe for our use or consumption. You will research an article from a newspaper (hard copy or online) about a safety issue with imports coming into Canada. You will provide a summary of this article containing the following information:

- Title Of Article
- Date of publication and newspaper/journal
- Country And Company involved
- Outline of Key Safety Issue(s)
- How Do These Issues Affect the Global Business Environment?

Barrier 7 of 7: Immigration Policies

Immigration Canada regulates the admission of visitors, immigrants and refugees. These policies can act as a trade barrier, since our economy needs labourers to produce goods and services.



Barrier 7 of 7: Immigration Policies

VIDEO/DISCUSSION 4 – IMMIGRATION POLICIES

- [Illegal Immigrants and Deportation in the USA:](#)
- <http://www.youtube.com/watch?v=Fxz6-0ph6UQ>

Barrier 7 of 7: Immigration Policies

ASSIGNMENT 7 – IMMIGRATION POLICIES

Research one immigration policy that you agree with and one immigration policy you do not agree with. Explain your answer.

UNIT 1 TEST

- Tomorrow: Thursday November 20th