



A note on Protectionism

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What is protectionism?

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Protectionism - keywords

#againstfreetrade

#restrictionstoimport

#protectdomesticindustries

#factorstopping

internationalmktstretegies



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Protectionism - definition

- Set of policies destined to protect domestic industries from foreign imports and external competitors through different elements to reduce or erase their competitive advantage(s)

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Protectionism



Free trade

Protectionism

UE

USA

China

Argentina ...

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Protectionism and its instruments

Protectionism- instruments

3 major instruments of Protectionist Policies:

1. Tariffs
2. Quotas
3. Tariff-quotas



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Protectionism- instruments

1. Tariff:

it is a tax imposed by a government on physical goods as they move into or out the country

- *Ad valorem tariff* is levied as % of the value of the item
- *Specific duty* is expressed in an amount of money for unit of good

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1. **Tariff:** examples

- *Ad valorem tariff*

Argentina levies 11,3% ad valorem tax on imported TV screens

- *Specific duty*

Morocco charges 1,71\$ per live goat and 2,25 \$ per liter of argan oil

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2. Quotas

Quantitative restrictions on the flow of goods and services

- Global quota restricts the total volume of import without reference to the countries of origin
- Allocated quota matches import quantities with specific countries. Allocations can be negotiated in a period

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2. Quotas examples

- Global quota

UK has a global quota of 46 Tons of upland cotton for the period 23rd of January 1997 through 25th of July 1997. Once this ceiling is reached no additional imports are allowed

- Allocated quota

US restrictions on sugar imports for various countries are as follows (annual quotas in million kilograms): Argentina 58,7; Australia 112,3; Barbados 0; Bolivia 11,2 Brazil 199...

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3. Tariff -quotas

A Specific quantity of a product is permitted to enter a country at a low rate (perhaps 0%).

Additional quantities may be imported but paying a high tariff

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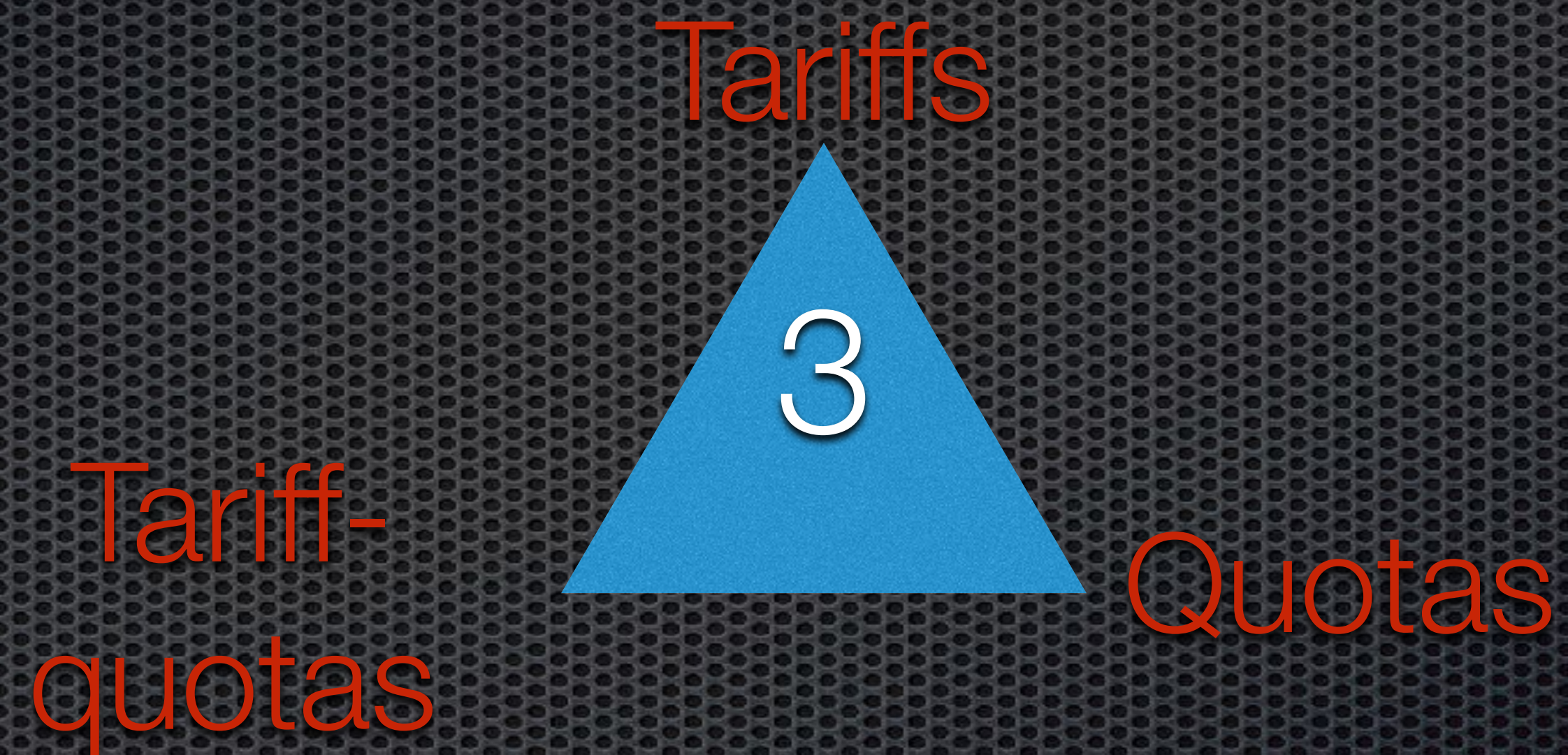
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3. **Tariff -quotas** example

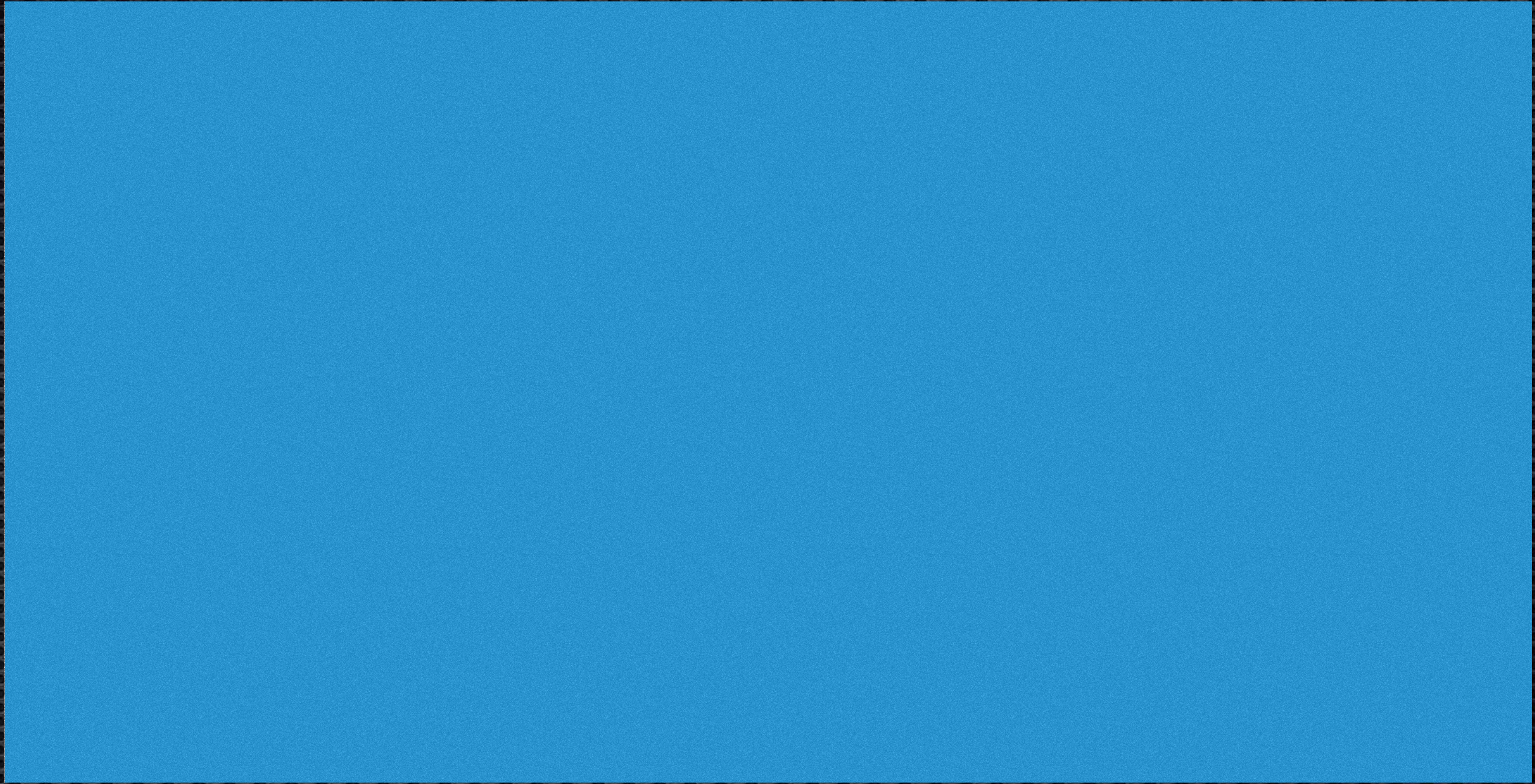
In any calendar year 40.000 metric tons of “satsuma” mandarin oranges are allowed to enter Japan duty free. Once this quantity is reached, the duty rate is 0,74 \$/kg

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The Case (crisis) of Helium



*A managerial issue
created by trade
policies*

The Case (crisis) of Helium



Helium

- It's known for its "Smurfit's tone of voice" and party balloons
- Key component in electronics, medicine, research and pharmaceuticals

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The Case (crisis) of Helium

Facts:

- Unreliable international supply chain
- Few sources in the world (USA, Russia, Middle East, north Africa and Poland)
- US Senate doesn't release more quantity due to its strategic importance
- Helium crisis started in 2010
- Lack of product internationally
- Prices skyrocketed (from 3€/liter to 27€)

Now what?

What would you do if you were a manager in one of these companies that run out of helium to supply its customer's portfolio?



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The Case (crisis) of Helium

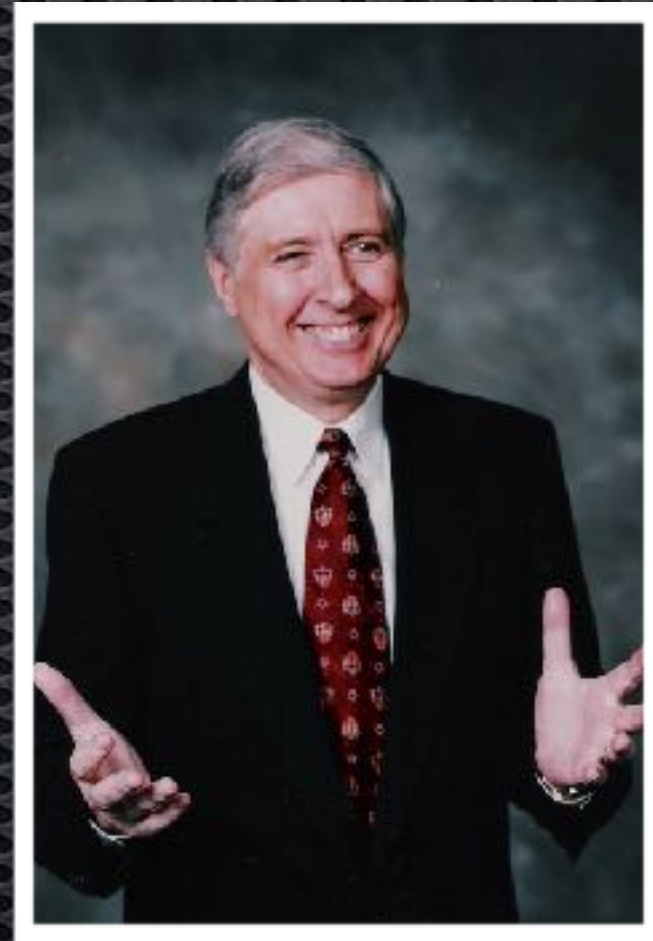
Results:

- Shortlist of strategic customers
- Price increase campaign
- American companies (Praxair and Air Products) gained Market Share and increased profitability quickly because they were buying helium “inter-company”

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**What type of
protectionism
was
happening
here?**

“The free market punishes irresponsibility. Government rewards it.”



- *Harry Browne*

Bibliography

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