

Another economic trade barrier is the

Exchange Rate – The ratio at which one nation's currency can be exchanged for another nation's currency

- Exchange rates vary daily and affect the cost of imports and exports
- A government may intentionally alter the value of its currency through fiscal policy

Import Tariff – A tax levied by a nation on goods imported into the country

- A fixed tariff is a specific amount of money levied on each unit of product brought into the country
- Ad valorem tariff is based on the value of the item

Exchange controls – Regulations that restrict the amount of currency that can be bought or sold

Quota – restriction on the number of units of a particular product that can be imported into a country

Embargo – a prohibition on trade for a particular product

Dumping – the act of a country or business selling products at less than what it costs to produce them

Dumping can spark trade wars

The Obama administration imposed tariff on Chinese-made tires, allegedly dumped on the US market

China retaliated by slapping tariffs on US chicken

Political considerations affect international business daily

- Seldom in writing and change rapidly
- Political unrest may create a hostile or even dangerous environment for foreign business

Cartel – A group of firms or nations that agrees to act as a monopoly and not compete with each other, in order to generate a competitive advantage in world markets

- OPEC is an example of a cartel

Trade agreements and Organizations

General Agreement on Tariffs and Trade (GATT)

- Trade agreement signed by 23 nations in 1947, provided a forum for tariff negotiations and a place where international trade problems could be discussed and resolved
- World Trade Organization - International organization dealing with the rules of trade between nations, evolved with GATT