INTERNATIONAL TRADE BARRIERS

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Abstract
International trade is the exchange of capital, goods, and services across international borders, and because such trade represents a significant part of gross domestic product (GDP) of one country, we are convinced that making it free ,can cause economic growth. So international trade can increase the productivity, reduce poverty, product's price changes, can effect on unemployment rate, can cause increasing of government's revenue, encourages the allocation of resources etc. Even though the partners that take part into the international trade can benefit in different ways and degrees depending on the specific conditions of each of them, different authors have written about the advantages that this activity can bring.
At the other side a trade barrier is considered anything that makes trade difficult or sometimes impossible to happen. Trade barriers have a negative effect on exporters and importers resulting in higher prices. In this paper will be identified the positive and negative effects of international trade barriers between countries, the reasons of imposing this barriers ,political and economical arguments in favor of them etc. For example tariffs, quotas and non-tariff barriers can be used to protect domestic industry from foreign competition, but we know that the global trend in recent years has been to eliminate this barriers with the implementation of several free trade agreements.
Albania is considered a developing country with a high rate of unemployment people and a low income per person, and the stimulation of international trade effects several economic activities and can increase employment.
Key word: International trade; types of trade barriers .

1-The growing importance of trade into the Albanian economy.

During the 45 years of communist regime Albania had been a centralized economy. There exist only central planning from the government and any form of
market mechanisms was not allowed . Through its plans, the government controlled production, pricing, wages, investment , external trade etc.
The Albanian economy has experienced substantial growth of international trade since the end of communist regime.
The liberalization process was started at mid-1992 with floating exchange rates and continued with trade reforms. The traditional state monopoly on foreign trade was removed. There where no quantitative restrictions on imports while export licenses were eliminated since 1994. (Muço, 1997,pp 25) Exports are not subject to any export taxes, fees or other barriers and imports are not subject to any import duty taxes other than customs duties. (Alb Invest 2006) Tariff barriers for exporting to Albania include custom duties, VAT and excise taxes. There are no significant non-tariff trade barriers. (The American chamber of commerce in Albania,2008)
The recent liberalization policies and the recent developments in stabilization of macroeconomics indicators (for example according to METE's report of 2011the real growth of GDP for 2010 is estimated 4.1 percent) have effected positively the total trade volume in Albania.

Table 1:Some indicators of international trade in Albania for 2009 and 2010.

Year	2009	2010
Trade volume		+20% of 2009
Volume of imports	80.7%	74.9%
Volume of exports	19.3%.	25.1%
Increase of imports		+11.4% of 2009
Increase of exports		+56% of 2009
Trade volume as % of GDP	46.8 %	49%

Source: Ministria e Ekonomise Tregtise dhe Energjitikes (METE, April 2011)

According to Ministry of Industry, Transport and Trade (1996) total trade volume has grown significantly and in 1995 represented approximately 19.9 per cent of GDP. Imports accounted for 31.5 per cent of GDP and exports 9 per cent. Export activity is growing and is becoming an important source of foreign exchange. Total trade (the combined value of exports and imports) as a share of gross domestic product (GDP) has risen from 46.8% in the 2009 to about 49% in 2010.The trade balance for the year 2010 results with deficit even though this deficit is 7 percent lower that the deficit of 2009.So according to METE (2010) this deficit accounts of 2 314.4 mil Euro.
The growth in total trade in Albania has been facilitated by a relatively open trade regime. Here we can mention for example the existence of a simple import tariff structure, no quantitative restrictions on imports or exports, no restrictions on current transaction, no trade investment measures.(Panariti S., Ministry of Industry, Transport and Trade,1996).Trade has been affected by the global recession that started to begin during the 2008 financial crisis, but the international trade is still growing and every country in the world is involved in it.
According to OECD insights (2009, pp 51) global trade relative to world GDP has grown from around 40% in 1992 to over 50% until 2009. Also the share of world trade of OECD countries has gone down from 73% to 64%.Also we can mention the reductions in import duties as a main factor that has effected positively international trade. This is true for industrial goods, on which tariffs have fallen from around 40% at the end of World War II to a tenth of that today.(OECD insights ,2009,pp 57),but there are other distortions to international trade in many non-OECD countries where tariffs are still higher than those in the OECD area.

2-Why do countries trade (advantages and disadvantages of international trade)

International trade is considered as the exchange of goods or services along international borders or between countries. This trade allows for a greater competition and more competitive pricing in the market. The international trade accounts for a good part of a country's gross domestic product. It is one of most important sources of revenue for a developing country like ours. At the other side the competition results in more qualitative products for the consumer. The exchange of goods also affects the economy of one country and that of the world as dictated by supply and demand and making this goods available to consumers globally.

According to World Trade Organization (WTO, 2011,pp 20) trade and output grew faster in developing economies than in developed ones. Exports in volume terms were up 13 per cent in developed economies while the increase for developing economies was nearly 17 per cent.

World merchandise exports in volume terms (i.e. excluding the influence of prices and exchange rates) rose 14.5 per cent in 2010, while world imports grew 13.5 per cent. World trade as measured by exports grew four times as fast as global GDP in 2010. (WTO, 2011,pp 23)

In different literature is discussed that trade stimulates economic growth and reduces poverty for different reasons. At first it is considered as a channel through which surplus of national production can be exchanged with the products of other countries. Trade also stimulates the allocation of resources if we take in consideration the comparative advantages of participating countries. But this growth for the participating countries may not be equal between trading actors.

Here is a list of same advantages and disadvantages that the international trade can bring to the economy of one country.

Advantages:

- More variety and better quality of goods available for consumers (even local small producer will try to improve the quality of their products and make them competitive with the imported ones).
- Increase of the competition at the international level (also international trade stimulates cost competiveness in the domestic markets).
- Monetary gains for the participating countries (increases sales and profits for the existing products).
- More exchange of technology, of technical know-how, of experience etc.
- It stimulates the optimum use of resources.
- Increase of standards of living through increase in production, increase of income of its people. It also increases employment locally through expanding the business.

Frankel and Romer (1999) have studied the relation between international trade and standards of living. They took data for 1985, covering trade among 63 countries. They focus on geographic factors of each country. They found a relation between the geographic component of trade and income suggesting that a rise of one percentage point in the ratio of trade to GDP increases income per person by at least one-half percent.

Disadvantages:

- Some of the local industries may be bankrupted because of international competiveness so it may ruin the domestic industries and cause uncertainty among the people.
- Bigger and more power full countries may influence politically the governments of the poorer countries and gain control over them.
- There exist different procedures in trade practices because it consists on the preparation of a number of documents.
- In order to earn present export advantages a country may exploit her limited natural resources beyond proper limits

3-Trade barriers, advantages and disadvantages

A trade barrier is anything that makes trade difficult or sometimes impossible. The most common sorts of trade barriers are things like subsidies, tariffs, quotas, duties, and embargoes. The term *free trade is used to express exactly the opposite of using trade barriers.* In this case states remove all trade barriers in order to make trading between them completely free .In reality there is no country that is in the conditions of fully free trade because they use same forms of them for their own benefit as we will see in this article. In this way they intervenes in markets for goods and services in ways that distort international commerce.

Quantitative restrictions

Tariffs-They have been used to protect domestic industries and create revenue for the states. It is considered as a tax placed on goods imported into a country and in now days it is still a barrier to trade between countries.

Quotas-It restricts trade by placing a ceiling on the amount of a product that can be imported during a given period causing higher prices of goods because of reducing the level of competition for a certain industry.

Other Barriers

Many countries use other barriers in place of the tariffs. These barriers can consist of licensing requirements, government procurement practices, technical standards, and domestic rules. Some of them are:

- Import Licenses-They are an effective tool for restricting imports. In such case importers of a commodity are required to obtain a license for each shipment they bring into the country.
- Import State Trading Enterprises- This enterprises are owned by governments and act as a single buyer or importers of a commodity in world markets.
- Exchange Rate Management Policies-Some countries may restrict agricultural imports through managing their exchange rates. In this case the s countries use exchange rate policies to reduce imports and encourage the increase of exports.(Sumner D., Vincent D., Smith H., Rosson P.,)

Some of these barriers are called environmental barriers. They may be of three types:

- Environmental regulations and standards -There can be to regulate the Product Standards and Production Standards.
- Environmental labeling-It consists of providing information to producers and consumers on the health, process of production and way of use of products. So consumers are informed about a product's characteristics**.**
- Economic instruments-Product taxes may be imposed in order to increase revenues and to discourage the production and consumption of several products on which the tax is set. (Centre for Policy Dialogue , 2009,pp 6-11)

A number of trade barriers have been employed for several political reasons .So we can mention some arguments in favor of intervention into the free trade between countries like protection of domestic industry and jobs, protect human rights and costumer rights from un qualitative products, protect new and early stage industries that haven't achieved economies of scale and can be bankrupted etc. And the economical argument in favor of trade barrier is to raise the total revenues of the country. But at the other side these barriers create a distortion of relative prices across countries because by setting a tax on imported goods, a tariff raises the price of goods. This can effect domestic industries to produce at higher prices and to increase production with a lower quality for the costumers.

4-Studies in favor of removing or reducing trade barriers

According to Winters (2000) trade reforms can effect government revenue and this can be done even if the government reduces tariffs or removes exemptions. Opening up the country will reduce risk and variability, making markets more stable. So Winters has demonstrated that trade can affect poverty through different channels (economic growth, price changes, market and government revenue).

Baldwin (2000) provides a survey of the empirical literature on openness and growth. The results of the empirical literature on the trade-growth nexus are mixed.

Dollar and Kraay (2001) found a positive relationship between changes in trade and changes in growth.

What we do learn is that growth generally does benefit the poor as much as everyone else, so that the growth-enhancing policies of good rule of law, fiscal discipline, and openness to international trade should be at the center of successful poverty reduction strategies. (Dollar and Kraay ,2001,pp 32)

Baldwin (2003) in his paper has showed that countries with few trade restrictions

achieve more rapid economic growth than countries with more restrictive policies.

Those who study trade and growth relationships among developing countries are

greatly hampered by the lack of good data even on such matters as levels of import protection, and they often are forced to undertake case studies.(Baldwin 2003)

Winter McCulloch and McKay (2004) have shown that a reduction of poverty

is attained through long-term economic growth. They argue that faster economic

growth raises income levels, which in turn allows governments more tax revenues to take redistributive measures.

But Yanikkaya (2002) in his study has provide evidence for the hypothesis that restrictions on trade can promote growth, especially of developing countries under certain conditions. He used two types of trade openness measures for the data taken in 1999 to study the relationship between trade liberalization and growth and found that this relationship was negative.

5-Conclusions

In simplest terms, a tariff is a tax and most trade barriers work on the same principle: the imposition of some sort of cost on trade that raises the price of the traded products. Trade barriers have a negative effect on exporters because they interfere with the normal supply and demand and make international trade more complicated.

The most used barriers are:

- Tariffs, quotas, import licenses.
- Lack of competitive on government tenders.
- Testing, labeling and certification requirements not required of domestic manufacturers.
- Export controls such as license requirements and restricted buyer lists.
- Intellectual property infringement.
- Corruption and requests for payoffs.

The term free trade consist on the removal of all such barriers, except those considered necessary for one nation. Trade in Albania might have a positive economic effect caused by technological change, increase of economic efficiency, increase of the quantity and quality of products offered to consumers. We should think of international trade as a productive process, which provides Albanian consumers with goods and services that they want at a lower cost than can domestic producers. But sometimes the intervention of the state might be needed to "help" and "stimulate" the domestic producers. The government should try to stimulate those sectors which have comparative advantages against the foreign producers. Same steps might be: crediting them with lower interest rates, creating conditions of fair competitiveness etc.

Same studies are in favor of placing barriers to imports using different arguments but this policy has its cost to costumers, because if the domestic industries are not able to provide the goods and services that the clients wont, then they will pay much more for them from the foreign ones. Experience and different studies have shown that international trade can make a major contribution to improving the living standards of people all over the world.

Most studies have concluded that the developing countries with the highest initial tariff rates will gain more from reducing their tariffs and from conducting an openness policy. Trade liberalization might have economic and social cost for the society ,but these costs are short-term and the potential welfare for the economy are bigger.

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