

Essay - Assess the relevance of protectionism in today's globalized world. [15]
(Adverse impact of globalization will make it relevant)

Introduction

Globalization may bring about benefits to nations but there are also adverse effects of globalization which will undermine the markets of these nations. Thus, it calls for the use of protectionism as the measures to curb the negative effects of globalization, which involves the use of trade barriers like tariffs or quotas to restrict imports and raise local production.

Main Body

1. Explain the adverse impacts of globalization that would affect a nation

- Unemployment (structural or cyclical)
- Rising Global Prices
- The failures of local firms and infant industry
- Unequal distribution of income and wealth

2. Explain how trade protectionism is conducted and how it would help to solve the economic problems of globalization

- Protectionism – conduct import substitution – impact on local economy
- Trade barriers will be set to raise the price of imports to lower import demand or restrict the imports directly through quotas
- Increase local production – increase the demand for workers and prevent unemployment brought upon by globalization
- Protect the income of local workers – prevent loss of income and thus prevent higher degree of unequal distribution of income
- Draw diagram – using tariff – to show how local production increases

3. Evaluate the justification of the use of protectionism.

a. Reasons for the use of protectionism

- help the local firms undergo transition (adjust to structural changes)
- a source of government revenue for developing countries
- protect domestic markets from failing / prevent unemployment
- protect the infant industry – develop and help the economy to diversify to provide a greater variety of employment opportunities
- prevent dumping

b. Reasons against the use of protectionism

- retaliation from trading partners – contraction of world trade
- welfare loss from the consumers – dead weight loss
- promotes inefficiency
- rise in cost of living – imported inflated (P_m is higher)

c. Analysis

- nature of the economy / severity of unemployment

Conclusion

Therefore, the state of today's world due to the negative impacts of globalization warrants the use of protectionism. However the use of protectionism ultimately varies according the factors such as the country's nature of economy and severity of unemployment.

Students who are interested to learn more, you can join our GCE A level preparation class. Please call Simon Ng @ 96890510 for more consultation.