

Globalisation is the integration of the world economies into a single economy with the movement of investment and technology, labour, trade and finance across international borders.

After the establishment of several ~~two~~ trade groups such as 'North American Free Trade Agreement (NAFTA), European Union (EU), Association of South East Asian Nation (ASEAN) and ~~APEC~~ Australia Pacific Economic Cooperation (APEC) saw trade grew over 1000% of the 50's. This was also the period when Australia embraced globalisation and focused on a movement towards trade liberalisation

With the establishment of these large trading blocks saw the establishment of the World Trade Organisation (WTO) formerly know as GATT. The WTO was established as the governing body of world trade promoting trade liberalisation whilst making sure there are no disadvantages

and exploitation of global economies. With global trade becoming evident & overheating countries and trading groups realised the importance of having protection policies on their own economy. Protection such as tariffs and quotas became very important as it needed to protect the domestic infant industries and to prevent dumping.

The reason that domestic infant industries needs protection is that new and establishing firm may find it very difficult to compete with imports as the firms of the industrialised nation can significantly reduce cost of product^{ts} therefore cutting prices. Without protection measures for infant industries an economies international competitiveness may suffer as a result and can have severe implications on the domestic economy due to a rise in unemployment and imported ~~inflation~~ inflation. The prevention of dumping is ~~also~~ another cause for protection policies. Dumping refers to a countries excess

goods which are 'dumped' onto other economies at a much reduced price. This has the effect of damaging domestic producers as the low costs of 'dumped' goods have severe consequences of infant industries as their cost of production may be much higher.

For these reasons, the need for protection is inevitable. And economies with little or no protection are exposed to a highly hostile world economy.

Another issue arises where if one country decides to impose tariffs and other protection policies, & the rest of the ^{world} economy might do so too. This is known as the 'retaliation effect', this can cause severe implications for an economy. Where ~~can~~ countries may become less internationally competitive and inefficient and effective.

An issue that the Australian economy has adopted is the implementation of micro economic reform. These policies were aimed

~~at~~ ~~improving~~ at improving domestic industries and restructure of these industries to make them become more productive and efficient and reduced the cost of production with the overall aim of increasing international competitiveness.

With the increase in international competitiveness, economies may be able to reduce or even abolish trade protection measures in the medium to long term future.

Because the composition of Australia's trade is ~~is~~ based around primary sector goods, Australia has not made in-roads into the global economy which reflects the term that "Australia is only a small fish in a big pond". Primary sectors goods have a ~~relatively high~~ relatively high price inelasticity of demand and excess supply can cause the price to drop, because of this reason protection policies is highly crucial in protecting domestic infant industries. Australia needs

to move towards a more elaborately transformed manufacturing ^{export} base to compete with the the rest of the world and to improve our international competitiveness.

In attempt to embrace globalisation, the Howard Govt of Australia has indicated that by 2010, all protection policies would be removed to the developed economies of the world and by 2020 to all less developed economies. This is an attempt to liberalise trade and exposing ~~down~~ domestic industries to become more competitive. These liberalisation of trade will ~~have short~~ cause short-term unemployment but in the long-run the economy will be better off with an additional 500 000 new job available.

Trade Protection policies are highly necessaying to counter act a changing global trade approach, especially for the lesser developed ~~an~~ economies of the world, it acts as a barrier for the protection of domestic infant industries

so that in time through micro economic reform, these industries will become better equipped to take on the global market. The retaliation effect will most definitely arise due to protection but ~~not~~ perhaps these policies are highly beneficial to an economy in the long-run allowing specialisation and efficiency which in overall terms reduces the price of goods and services and the consumers will most definitely benefit.