THE COMMERCIAL POLICY

Free trade is the ideal trade, which implies the fact that countries benefit from the international trade. If countries choose to trade more, they gain more. The economists believe that it is needed to trade free of any obstacle: free trade is considered to be a better solution (the first good solution) than any policy elaborated by governments (the second good solution).

At present there is no country with free trade and every country has a **commercial policy** oriented towards liberalization or protectionism.

The commercial policy is an important part of the general economic policy of a country and it refers to the external economic relations country has.

The commercial policy can be referred to as being the totality of administrative, governmental, budgetary and currency measurements taken by the government in order to protect the national economy from external competition and to promote the international economic relations.

At the national level, the managers of the commercial policy are:

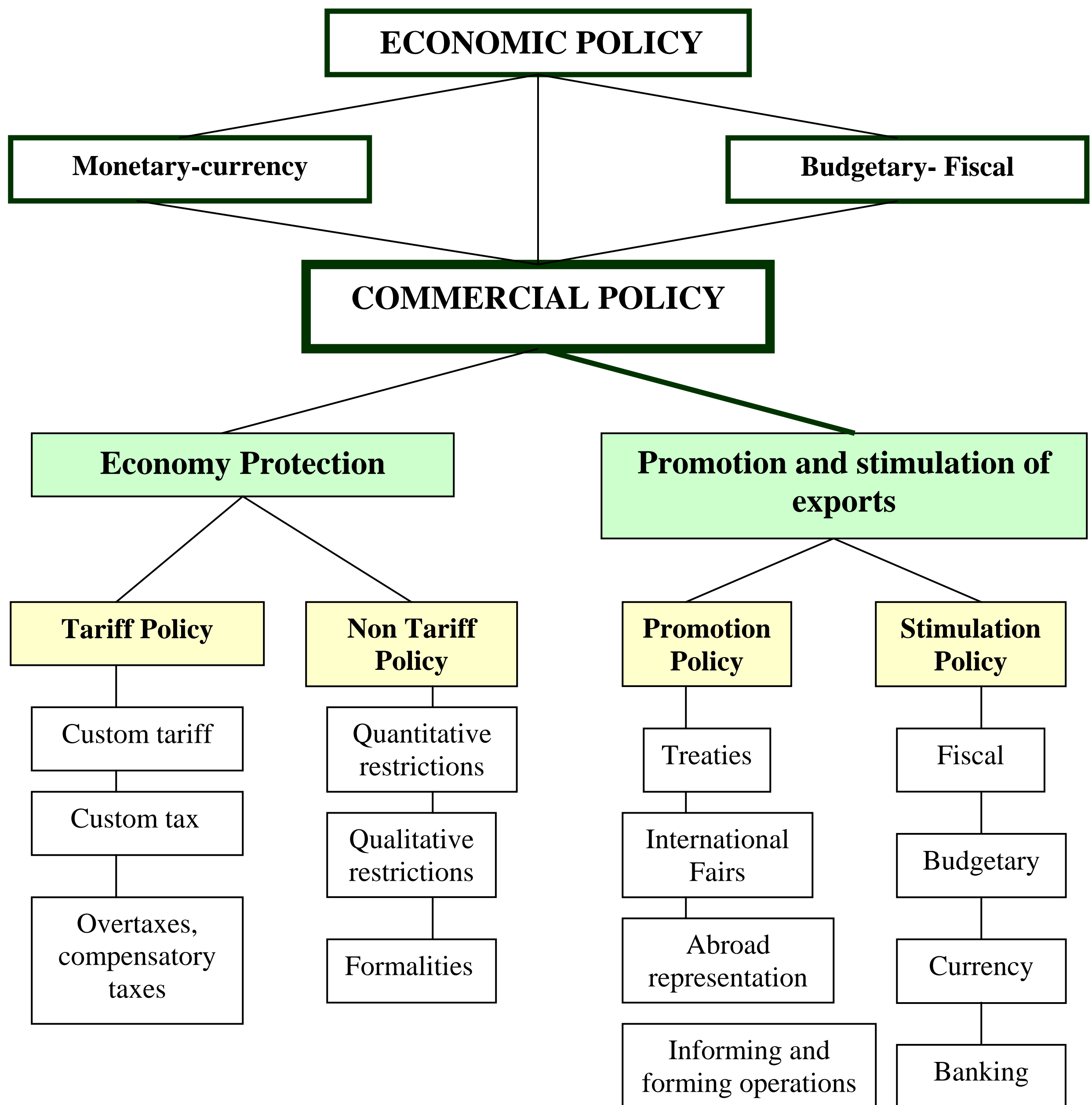
- the National Bank, which is in charge with elaborating the monetary and currency policy and
- the Government, which elaborates the fiscal and budgetary policy.

Monetary and Currency Policy (National Bank):

- supplies the economy with money (the quantity of money should correspond to the total prices of goods and services in that country; if the quantity of money is bigger then the inflation appears).
- the exchange rate between national money and foreign currency;
- inflation direct targeting;
- the scope of the National Bank is to control the prices, to maintain low prices and not to allow inflation to increase.

Budgetary and Fiscal Policy (the Government):

- the Government is responsible for public services (they are impossible to be offered by private companies)
- general services provided by the Government are: defense, internal affairs, health, education, social protection.



The objectives of the Commercial Policy:

a) to protect the economy against foreign competition (applied on imports)
b) to promote and stimulate the exports.

A country prospers if it's importing more but it must have money to pay for all these imports. In order to have money, the government must promote and stimulate exports.

Commercial policy’s instruments

A. Instruments used to protect the economy:

1. **Tariff Policy**
   - Custom Tariff
   - Custom Duties (ad valorem, specific form, mix form)
   - The role of custom duties can be an economic role (to increase the import prices and to make the customer to buy national products) and a fiscal role too (the government collects money).
   - Other taxes like: temporary super taxes on imports, compensatory taxes, antidumping taxes.
2. **Non Tariff Policy**
   - Quantitative restrictions (contingents on imports)
   - Qualitative restrictions (technical standards and norms)
   - Import formalities (documents) like custom declarations, certificates of origin and certificates of conformity.

B. Instruments used to promote and stimulate exports:

1. **Instruments used to promote the exports** – the contribution from the state budget is not big:
   - Treaties (bilateral and multilateral)
   - International fairs and expositions
   - Commercial foreign representation (National Embassy –commercial sections), they have the role to inform and make market research studies.
   - Foreign trade information centers
2. **Instruments to stimulate exports** – important financial contribution from the government:
   - Fiscal stimulation (the drawback system)
   - Budgetary stimulation (subsidy for exports, when the internal price is bigger than the external one)
   - Currency stimulation (devaluation of national currency)
   - Banking system of stimulating exports (EXIMBANK).