PREFACE

The field of international commercial law has gained importance due to the increasing globalization of economies and international commerce in the last decades.

This book covers the most important legal issues when conducting business abroad. The legal environment of the business transactions is the central theme of the first part. The political and policy risks of doing business abroad are explained, as well as how they should be mitigated. The first part also covers European law with a focus on the four freedoms and competition law. It ends with strategies for entering foreign markets.

The second part of the book focuses on the individual contract of sale. This part of the book deals with a range of subjects, including general conditions of sale, retention of title, the CISG, product safety and product liability, Incoterms, contract of carriage, jurisdiction, choice of law and arbitration, standard contract clauses and payment conditions.

This book takes a practical approach and uses specific examples to systematically explain the main legal problems arising from selling products in foreign countries.

It is meant to be used as a textbook for business students and for introductory courses in law schools. No previous in-depth knowledge of law is necessary to use this book. It contains more than 100 multiple choice questions and 70 cases, giving students the possibility to apply the knowledge acquired in a chapter to real situations.

The book does not pretend to be exhaustive in scope: the field of international commercial law in particular is vast, and has many different angles. However, it does try to explain the main pitfalls of doing business in foreign countries and how to avoid them.

My gratitude goes to my colleagues and friends, Willem van Oosterom and Wim Vermeulen, for their valuable comments on earlier versions of this book.

The author wrote two other legal text books: on legal skills, *Juridische vaardigheden voor het Hoger Onderwijs* www.juridischevaardigheden.nl and on sports law, *Inleiding sport en recht* www.inleidingsportenrecht.nl. Both are in Dutch.

M.W. Mosselman

CHAPTER 1
INTRODUCTION

Discovering and conquering new markets in other countries is a huge adventure for any company. It offers great opportunities, but also has many pitfalls. An exporting company is well aware of the opportunities and potential rewards of a new market. This book focuses on the pitfalls and legal dangers a company encounters when exporting to other countries. These pitfalls and dangers are best illustrated with an example.

EXAMPLE

A Dutch company, Shoes Unlimited BV, has been successfully producing and selling shoes in the Netherlands for years and decides to try and gain a share of the lucrative Spanish market.

One of the first questions to be answered is how Shoes Unlimited BV is going to achieve this goal, in other words they have to select an entry strategy. Will Shoes Unlimited BV sell their shoes themselves on the Spanish market (direct sale), will they start their own chain of shops in Spain (subsidiary), or will they sell their shoes through an agent or distributor? The various entry strategies are discussed in detail in Chapter 5.

After the first steps in the new market have been taken, many things can still go wrong. If Shoes Unlimited BV has a legal dispute with one of its Spanish customers, e.g. the customer does not pay or the shoes are of a bad quality, there is an international dispute and in international disputes there are always three questions to be answered:

1. What court has jurisdiction? In other words, which country? Is Spain, the Netherlands or perhaps even a third country competent to deal with this dispute? The answer to this question can be found in the Brussels I Regulation.
2. The fact that Spanish courts have jurisdiction does not necessarily mean that Spanish law should be applied. The answer to the question of applicable law can be found in the Rome I Regulation.
3. If a Spanish court orders Shoes Unlimited BV to pay damages to a Spanish customer, the question is whether the Spanish judgment can be executed in the Netherlands. This is something not so obvious since normally a country only recognizes the judgments of its own courts. The Spanish customer will want to have the court's decision executed in the Netherlands because Shoes Unlimited BV will probably have their money in Dutch bank accounts. In the European Union, the Brussels I Regulation gives uniform rules for executing a judgment given by a court of another Member State.

The answers to these three questions will be discussed in depth in Chapter 12 and 13.

A court which is called upon to decide an international dispute will always have to wonder if there is an international treaty applicable to the case. If the agreement is about the sale of goods, the most important treaty is the Convention on Contracts for the International Sale of Goods, also known as the Vienna Convention. For example, if the parties have failed to agree on a place of delivery in their contract, the Vienna

Convention provides the answer to the question where the goods will have to be delivered. The Vienna Convention will be discussed extensively in Chapter 8.

In contracting with customers it is important for Shoes Unlimited BV to make sure their General Conditions of Sale apply to the contract. General Conditions of Sale are standard clauses a company uses for all its contracts. These clauses are often advantageous for the party who drafted them. This subject will be discussed in Chapter 6.

Shoes Unlimited BV also has to think about putting a Retention of Title in the contract. A Retention of Title clause gives the seller the right to reclaim the unpaid goods if the buyer is unwilling or unable (e.g. insolvent or bankrupt) to pay the purchase price. This subject is discussed in Chapter 7.

Chapter 14 deals with some of the other important standard clauses found in contracts of sale. In most international contracts for the sale of goods there are clauses on which party will be responsible for the transport of the goods, when the risk of damage to or the loss of the goods passes from the seller to the buyer and which party has to pay for the transport of the goods. The International Chamber of Commerce has standard clauses, known as Incoterms, which deal with this subject. Incoterms are further explained in Chapter 10.

If the Incoterm specified in the contract of sale says that the transport of the goods has to be arranged by Shoes Unlimited BV and the truck transporting the goods is stolen, the question is whether Shoes Unlimited BV can claim damages from the transporter and in what amount. This subject is dealt with in Chapter 11.

Another important issue for Shoes Unlimited BV selling shoes to Spain is the question: 'How do we ensure we are paid for the shoes we sold?' This question is addressed in Chapter 15.

As a result of their research Shoes Unlimited BV discovers a new material which makes the soles of their shoes lighter and much more resistant. The new products are best sellers, but after a few months complaints start coming in. The soles get very slippery on a wet street after rainfall and several people fell and broke their hips or one or more limbs. Some of these injured people decide to sue Shoes Unlimited BV for damages based on product liability. This situation is discussed in Chapter 9.

But the risks of doing business internationally are not always linked to disputes with customers or suppliers. What would happen if Spain left the Eurozone or there was a revolution as a result of the economic depression in Spain? Can Shoes Unlimited BV make sure it would be paid in these circumstances? This question will also be answered in this chapter.

Or what if the biggest competitor contacts Shoes Unlimited BV to ask if they can agree to divide the Spanish market? If Shoes Unlimited BV agrees not to sell its shoes in the south of Spain, the competitor will promise not to sell any of its shoes in the north of Spain. Whether such agreements are allowed is discussed in depth in Chapter 4, which will also answer the question if and when the Spanish government is allowed to subsidize the ailing Spanish shoe industry, resulting in Shoes Unlimited BV being unable to compete with Spanish shoe manufacturers.

Other issues related to the business environment Shoes Unlimited BV does business in may also arise. Suppose the Spanish government were to make a law ordering that all shoes sold in Spain must be labelled in Spanish with specific information on the shoes to inform Spanish consumers. This would mean extra costs for Shoes Unlimited BV.

Or, what if the Spanish government decided that all shoes sold on the Spanish market need prior approval from a Spanish quality assurance institute? An obligation no other European Member State has. Whether this kind of legislation is allowed will be dealt with in Chapter 3.

All relevant issues that will or might pop up in international business will be dealt with in the above-mentioned chapters.

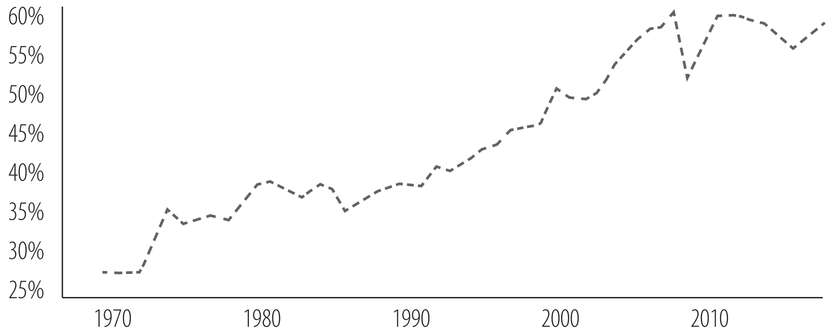

Figure 1.1. Global trade as a percentage of global GDP
Source: The World Bank

The figure above shows global trade (the sum of exports and imports of goods and services) measured as a share of gross global domestic product. Global trade rose from a little over 25% in 1970 to almost 60% in 2018. The drop in 2008 was a result of the global financial crisis of that year. The effect of the Corona virus pandemic is not shown in the figure. Many factors contributed to this rapid growth. The main factors, as can be seen in the following figure, are the liberalization of trade and the sharp reduction in transportation and communication costs over the last 30 years. Another factor is the end of the cold war, allowing countries to reduce their military spending and increase investment in other areas.

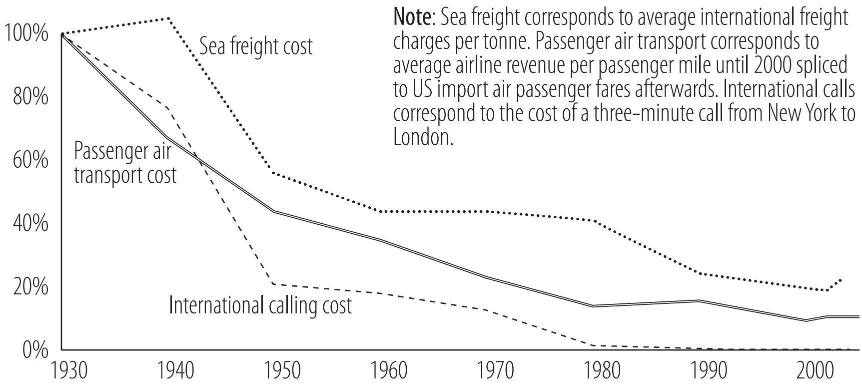

Figure 1.2. Real transport and communication costs relative to 1930
Source: OECD Economic Outlook (Transaction Costs); CC BY-SA

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Another major development in the last 30 years is the fact that the European Union, Japan and the US have seen a decline in their shares of world exports in favour of emerging and developing countries in Asia, especially China. From a share of 2% of the global GDP (the value of all the goods and services produced in the world) in 1980, China reached a 19% share in 2019. In the same period, the US share of global GDP went from around 20% to 15% and Europe went down from over 30% to 16%.

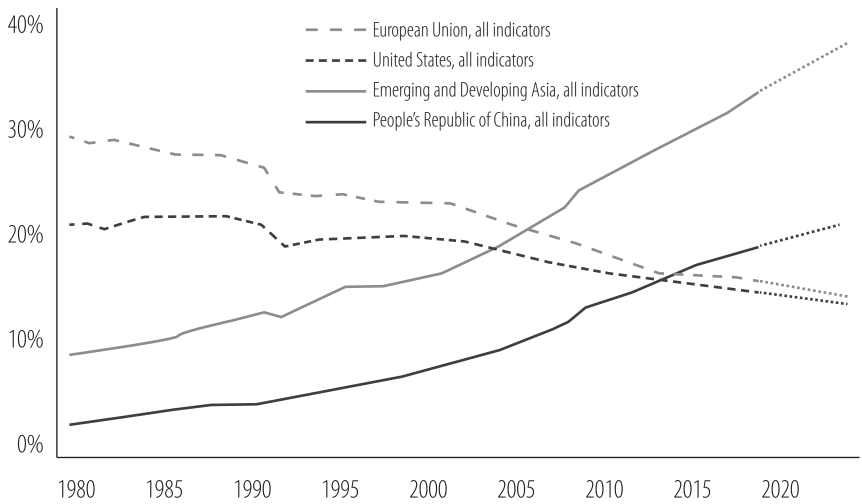

Figure 1.3. Percent of Global GDP, 1980–2019, USA vs. European Union vs. China vs. Emerging and Developing Asia
Source: World Economic Outlook (October 2019)

The increase of the share of world exports of China is a result of economic reforms in China making it a more capitalist, trade-oriented country, the abundance of cheap labour in China and a decrease of transportation costs.

Since 2010 global trade is stalling, probably because Western countries realized that globalization does not only produce winners. Losers are the blue-collar workers in Western countries, which saw their jobs disappear to low-wage countries like China. This has led to a trend where it is in the best interest of a country to keep doing business with other countries, but only if it is in the national interest. Some examples of this trend are the decision of the United Kingdom to exit the European Union and the election of Donald Trump as president of the United States. These developments will probably mean more trade barriers and less international trade. Still, because of the expanding international trade in recent years, the importance for people doing business with foreign countries of understanding the legal implications of doing business abroad in a globalizing marketplace has become greater.

This book aims to give the reader a basic understanding of doing business with foreign countries. In order to understand the main legal circumstances of doing business, this book is divided into two main sections:

- The first section focuses on the legal and economic risks found in the environment in which the transaction takes place.
- The second section focuses on legal risks related to the transaction itself.

Part 1. Risks related to the environment of the transaction

The success or failure of an individual contract is determined not only by the terms of the agreement, but also by the economic, geopolitical, environmental, societal and technological changes which can endanger an individual contract.

When concluding an international contract it is vital for the company to take a broader look at these risks, and beyond the terms of the agreement. This is the central theme of the first part of the book, supplemented with European law. Although each country has its own laws, European law has a lot of impact on the business environment. European law impacts individual companies in various ways but the most important areas are the rules trying to ensure fair competition on the European markets e.g. the abuse of a dominant market position is forbidden and price-fixing agreements between companies are forbidden. This subject will be explored in Chapter 4. Another important area in which European law has had an impact on the way companies in Europe operate is the free movement of goods, persons, services and capital. This subject will be explored in Chapter 3. In order to understand the impact of the European Union on businesses, a basic command of the structures and types of legislation of the European Union is necessary. This will be covered in Chapter 2.

The following figures from the World Economic Forum show the risks to the world in 2020. The World Economic Forum's Global Risks 2020 Report is based on a survey of a large number of experts from the industry, government, academia and civil society who identified 31 global risks across five categories: economic risks, geopolitical risks, environmental risks, societal risks and technological risks. Figure 1.4 shows the outcome of the survey. The vertical axis shows the increasing impact of a certain risk and the horizontal axis the increasing likelihood of the event happening.

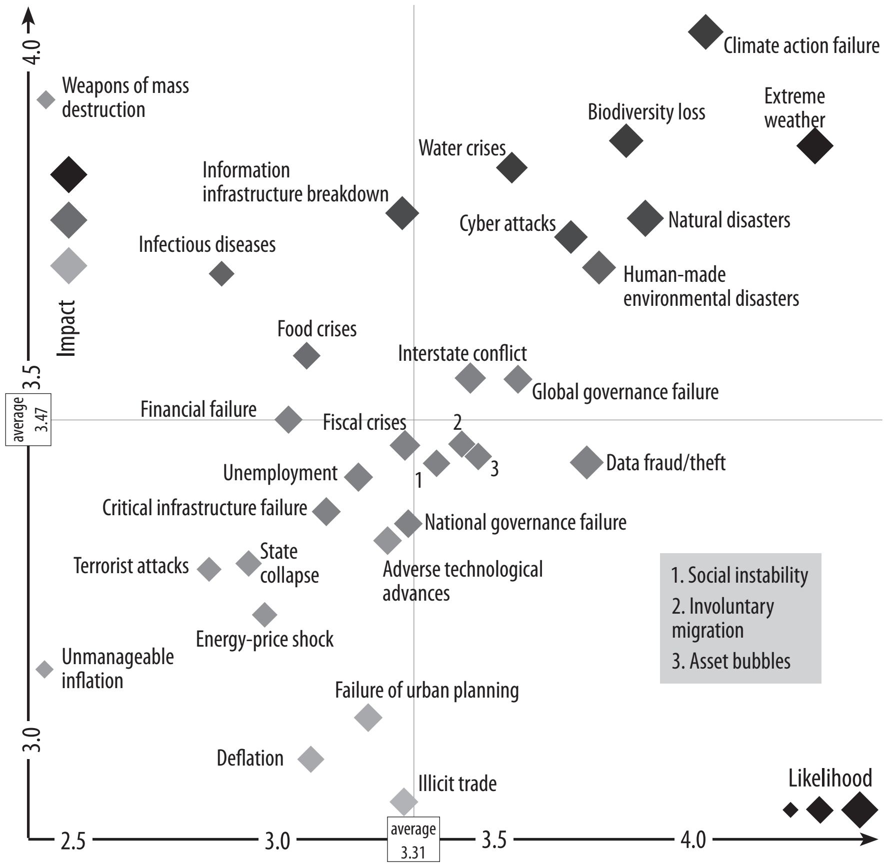

Figure 1.4. Global risks landscape 2020
Source: The Global Risks Report 2020, World Economic Forum, Switzerland, 2018, p. 3

Table 1.1 shows the top five global risks in terms of likelihood and impact. Since 2014 environmental risks like natural disasters, climate action failure and extreme weather events have become more prominent. Not all risks are of immediate relevance to an individual transaction. Some are long-term risks, e.g. rising greenhouse emissions or risks against which no protection is possible, e.g. the proliferation of life on the planet. The chart below also shows that the economic risks to the world are high in the sense of likelihood and impact, e.g. financial failure, fiscal crises, asset bubbles and social instability. This chapter looks at some of the risks and possible protection.

Top 5 Global Risks in Terms of Likelihood

	2014	2015	2016	2017	2018	2019	2020
1	Income disparity	Interstate conflict	Involuntary migration	Extreme weather	Extreme weather	Extreme weather	Extreme weather
2	Extreme weather	Extreme weather	Extreme weather	Involuntary migration	Natural disasters	Climate action failure	Climate action failure
3	Unemployment	Failure of national governance	Climate action failure	Natural disasters	Cyber attacks	Natural disasters	Natural disasters
4	Climate action failure	State collapse or crisis	Interstate conflict	Terrorist attacks	Data fraud or theft	Data fraud or theft	Biodiversity loss
5	Cyber attacks	Unemployment	Natural catastrophes	Data fraud or theft	Climate action failure	Cyber attacks	Human-made environmental disasters

Top 5 Global Risks in Terms of Impact

	2014	2015	2016	2017	2018	2019	2020
1	Fiscal crises	Water crises	Climate action failure	Weapons of mass destruction	Weapons of mass destruction	Weapons of mass destruction	Climate action failure
2	Climate action failure	Infectious diseases	Weapons of mass destruction	Extreme weather	Extreme weather	Climate action failure	Weapons of mass destruction
3	Water crises	Weapons of mass destruction	Water crises	Water crises	Natural disasters	Extreme weather	Biodiversity loss
4	Unemployment	Interstate conflict	Involuntary migration	Natural disasters	Climate action failure	Water crises	Extreme weather
5	Infrastructure breakdown	Climate action failure	Energy price shock	Climate action failure	Water crises	Natural disasters	Water crises

Table 1.1. The Evolving Global Risks Landscape (2012-2018)
Source: The Global Risks Report 2018, World Economic Forum, Switzerland, 2018, p. 6

The first part of this book focuses on the risks related to the actual transaction. There are however also risks not so much related to the transaction like non-payment by the buyer or non-delivery of the goods by the seller, but in the economic environment around the transaction like political and currency risks.

1.1 Risks in international trade

As explained above, the success or failure of doing business abroad is determined not only by the content of the contract of sale but also by the economic and political environment in which the transaction takes place. In a world where the governments and economies of countries are becoming increasingly unstable, examples being the Arab spring and Russian intervention in the Ukraine, it is important not to lose sight of this changing landscape and the risks involved for companies who sell their products abroad.

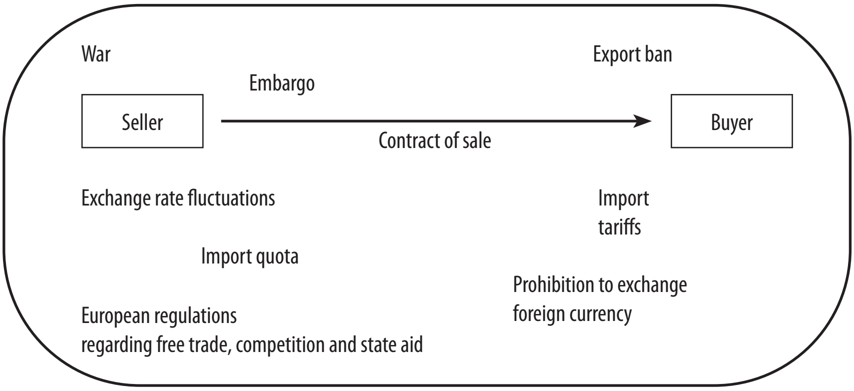

Figure 1.5. Risks in foreign trade

1.1.1 Political risks

The political risks in international trade can be covered by trade credit insurance. As can be seen in Table 1.2, credit insurance not only covers commercial but also political risks. Before explaining the features of trade credit insurance, let us take a closer look at these political risks. Political risks consist of three major categories. These are risks related to:

– foreign policy;
– domestic policy;
– economic policy.

1.1.2 Foreign policy risks

Foreign policy risks, including war, make it impossible to deliver goods or to get paid. Also, an embargo against a country can result in severe economic damage for a seller who is not allowed by his government to deliver the goods he has sold to a country which is hit by an embargo, e.g. UN sanctions against Iran and North Korea and the US embargo against Cuba. Although war and embargoes constitute possible risks, these are not the greatest risks, because they fortunately do not happen very often and when they do, it can be anticipated. The greatest foreign policy risk to individual contracts of sale is restrictions on trade.

Especially in an economic climate where most economies are facing headwinds, politicians try to protect their national industries by implementing trade restrictions. In recent years President Trump with his ‘America First’ policy implemented a lot of trade restrictions, especially tariffs against China in order to protect the American industry against Chinese competition. The Trump administration not only started a trade war with the Chinese, European exporters were also hit by American import tariffs.

EU member states shocked by US tariffs, seek response

The US administration has decided to impose 10-25% tariffs on European goods after the World Trade Organisation (WTO) had ruled in favour of the US and against the EU over subsidies for Airbus, a European aircraft manufacturer. The tariffs concern imports of EU products worth a total of €6.8 billion, ranging from Italian cheeses to French wines and Scotch whiskey. The decision has triggered strong reactions across Europe and threatens to escalate an already heated transatlantic trade row.

In Brussels, the European Commission said applying countermeasures now would be "shortsighted and counterproductive". The Commission stated that it aims to negotiate and find a comprising solution, adding that US consumers would be the most affected. EU wine producers are not happy at all. They have said that the loss in US market share for the French, German, Spanish and UK operators "would take a long time to recover". Europe's food and drink industry (FoodDrinkEurope) said in a statement: "Europe's food and drink manufacturers, 99% of which are small and medium-sized enterprises, could end up paying the price for a dispute originating in a completely unrelated sector."

EURACTIV's network looked into the different reactions and main challenges the bloc could face because of this trade row with Washington.

Germany wants a tough reaction

In Berlin, Foreign Minister Heiko Maas has backed a tough line against the US. "The EU will now have to react and (…) will probably impose punitive tariffs," he said, noting that the US rejected the EU's offer for an amicable solution and instead went down the confrontation path. "We think this is wrong because workers and consumers on both sides of the Atlantic are paying the price," the minister added. Germany's economy will be particularly affected when it comes to products such as tools and camera lenses. But the real fear for Germany is for its aviation and automobile industries.

According to a study by the Kiel Institute for the World Economy, punitive tariffs would hit Germany and France particularly hard, as the additional 10% levy on the import of aeroplanes will affect the Airbus consortium. However, the situation might be completely reversed if the WTO, in its next decision expected in six to eight months' time, empowers the EU to introduce punitive tariffs on US goods for American subsidies to Boeing. What Germany, as a country that relies heavily on its automobile industry, fears the most is the introduction of auto tariffs should the EU-US trade war escalate. (Claire Stam, EURACTIV.de)

(...)

Source euractiv.com 4 October 2019

Table 1.3 on page 10 shows an abstract of some of the trade restrictions imposed. Trade restrictions can lead to a trade war. A trade war is an economic conflict between countries which results in extreme protectionism. In a trade war a country enacts trade restrictions and as a response the other country does the same.

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Risk category	Economic	Exchange rate	Transportation	Political		
				Foreign policy	Domestic policy	Economic policy
Examples	Importer is unwilling or unable to pay Importer does not accept merchandise Exporter does not deliver on time or products agreed	Floating exchange rates: variations in rates Fixed exchange rates: risk of devaluation	Damaged goods Loss of goods	War Embargo Restrictions in trade	Revolt Civil war Piracy Terrorism	Introduction capital controls Nationalization
Methods of mitigation	Private insurance or public export credit agencies Letters of credit Bank guarantees	Banks provide hedging facilities Public exchange risk insurance	Private insurance	Export credit agencies or private insurance		

Table 1.2. Risks in international trade and methods of mitigation
Source: Based on 'WTO Special Studies 3: Trade, finance and financial crisis', p. 6

Country	Measure
Brazil	Limitations on purchase and lease of agricultural land by foreigners
Venezuela	New law on the development of petrochemical activities
Uruguay	Import tariff increase on plastic products, scent sprays, and pads from Argentina
Paraguay	Temporary import tariff increase on blankets from Asia
Colombia	Introduction of import quotas on corn and soya beans
Colombia	Import tariff increase on milk and cream
Indonesia	Export ban on unprocessed metals and minerals
Indonesia	Procurement preference for local goods and services
Brazil	Local content tax incentives for automotive industry
Brazil	Local content requirements in prime time radio and television shows
Brazil	Mandatory local partnerships in the insurance sector
Netherlands	Energy tax reduction in the horticulture sector
European Union	Import tariff quota for bananas from Colombia and Peru
European Union	Imposition of antidumping duties on solar cells imported from China
European Union	Antidumping duty on aluminium road wheels from China

Table 1.3. Measures restricting trade
Source: www.globaltradealert.org

Source: First published in The Buffalo News, U.S., June 12, 2018 | By Adam Zyglis

Source: politicalcartoons.com

There are various trade restrictions. For example, Argentina changed its import regulations on bottle caps and water balloons, making it more difficult to import these products. The export of cotton was banned by India and South Africa instituted a tariff on artificial turf. At the moment the most popular trade restrictions are so-called border measures. Border measures are import measures such as specific duty increases, reference import values and minimum import price setting, burdensome licensing, special border fees, tariff quotas, or import and export bans.

Another category of trade barriers are behind-the-border measures. These measures are part of long-term policies aiming at boosting domestic industries. This is done by giving state aid, tax advantages, local content rules or governmental preference to national companies.

The following categories of measures restricting trade:

State aid to national companies

State aid to individual companies or sectors in the economy makes it difficult for foreign companies to compete with their products.

1

EXAMPLE

In 2012 the World Trade Organization found that by subsidizing aircraft manufacturer Boeing the U.S. and individual States damaged rival Airbus by more than $ 5.3 billion.

This was the start of a long dispute between the United States and the European Union regarding state aid to respectively Boeing and Airbus. During the eight-year dispute the World Trade Organization found both the United States and the European Union guilty of giving Boeing and Airbus unfair subsidies.

Seeking to avoid EU tariffs, Washington state House passes bill to drop Boeing tax break

Washington state's House of Representatives passed a measure on Wednesday night that removes a key tax break for Boeing Co and other aerospace firms, in a bid to head off possible European tariffs on U.S. goods and ease a transatlantic trade dispute over aircraft subsidies.

"This measure is important to protect our state's economy," House Democratic Majority Leader Pat Sullivan said by phone. "We don't want tariffs levied by the European Union on the aerospace industry but also on other key industries in the state like wine and agricultural products." The measure passed 73-24 after winning approval on Tuesday in the Senate, a spokeswoman for House Democrats said.

However, late changes to the legislation means it must be put to another vote in the Senate before it can go to Washington state Governor Jay Inslee's desk for signing. The World Trade Organization has found that Boeing and Europe's Airbus, the world's two largest planemakers, received billions of dollars of unfair subsidies in cases dating back to 2004. The global trade body has faulted both sides for failing to comply fully with previous rulings, opening the door to a tariff war.

After years of debate, the focus of the European case against the United States involves a preferential state tax rate for aerospace introduced 16 years ago and renewed in 2013 to help attract production work for Boeing's 777X. The planned law changes would remove the 40% saving on Business and Occupation tax, which saved Boeing some $118 million in 2018 based on published jetliner revenues. "We applaud the House for its commitment to full WTO compliance," a Boeing spokesman said by email on Wednesday evening. "We support this legislation and look forward to the Senate concurrence vote. "The United States in February toughened its own tariffs on aircraft built by Boeing's arch-rival Airbus after winning approval last year from the WTO to penalize European goods over Airbus subsidies.

The European Union is widely expected to win approval to use a similar trade weapon to penalize imports of U.S. goods when a parallel case over U.S. support for Boeing comes to a head during the spring. Makers of products ranging from luxury goods to whisky have raised concerns over the impact of a tit-for-tat tariff war spreading beyond the aerospace industry.

Source: www.reuters.com 12 March 2020

Competitive devaluation

A country can decide to print more money. More money leads to a depreciation the currency against others and it makes it cheaper for foreigners to buy products coming from the devaluating country.

EXAMPLE

In 2013 Prime Minister Abe of Japan decided to start printing Japanese Yen in order to end a period of twenty years of deflation and low economic growth. If the exchange rate of the Yen against the Euro goes down 10%, a European gets more Yen for his Euro. If a Japanese product costs 100 Yen (and the price of the product remains stable), it becomes cheaper for a European to buy the product, since he has to pay fewer Euros for 100 Yen.

This policy is very dangerous. Competitive devaluation can lead to currency wars. When seeing a country printing money other countries, might start to do the same thing and start printing money themselves. Printing money can also lead to high inflation in the country printing money such as the hyperinflation in the 1920s during the Weimar republic in Germany or more recently the hyperinflation in Zimbabwe.

Consumption subsidy

If a government subsidizes consumption this is bad news for producers of competitive products. The non-subsidized product becomes more expensive relative to the subsidized product.

EXAMPLE

The US subsidizes the production of ethanol. Ethanol is a fuel on which cars can run and is made in the US from corn. For producers of cars which run on other alternative fuels i.e. solar energy or hydrogen this can be a disadvantage. Their fuel becomes more expensive compared to ethanol.

A subsidy on consumption can have other negative effects as well. The corn which is converted to ethanol could also be used as food for people. In a world where many people do not have enough food it is strange to put food in the fuel tank.

Export subsidy

If a country subsidizes a product which is exported, competitors in the importing country is in a disadvantageous position: their prices will probably be higher.

These measures protect the exporting industry but hurt the industry in the importing country.

EXAMPLE

The European Union subsidizes the export of milk and dairy products. This makes it more difficult for farmers in other parts of the world to sell their products and depresses world prices.

Export taxes or restriction

There are various reasons why governments aim to control the export of goods:

- restrictions on the sale of technology or weapons to other countries to protect national security;
- preservation of natural resources;

EXAMPLE

Russia bans grains exports over coronavirus pandemic

Russia has suspended exports of all grains for 10 days due to the coronavirus pandemic, it announced on Monday.

The Russian Federal Service for Veterinary and Phytosanitary Surveillance introduced for a period of 10 days "a temporary ban on export of all kinds of grains until specific instructions of the emergency team of the State Council of the Russian Federation on the prevention of coronavirus infection spreading in Russia," said the service, which is responsible for imports and exports of agricultural products. Earlier today, Prime Minister Mikhail Mishustin asked the government to prepare proposals on whether exports of any food, essential products, or medicine should be limited due to the virus.

On Monday, the number of coronavirus cases in Russia rose to 438, while 71 new patients were diagnosed with the deadly infection over the last 24 hours. Since emerging in Wuhan, China last December, the virus has spread to at least 167 countries and regions around the globe, while the tally of confirmed cases exceeds 350,000 and the death toll is over 15,000, according to data compiled by U.S.-based Johns Hopkins University.

China, Italy, Iran, and Spain continue to be the worst-affected countries.

Source: www.aa.com.tr 23 March 2020

- to encourage the supply of raw materials to local industries.

EXAMPLE

The production of rare earths is so concentrated in China that Chinese companies mine more than 95% of the global supply of rare earths. These rare earths cannot be found in other parts of the world. Rare earths are a group of 17 metallic elements that exhibit a range of special properties and are essential for the production of certain products. Yttrium, terbium and europium are used for the production of smart phones and computer and television screens, praseodymium is used to create strong metal for use in aircraft engines, and lanthanum is used in electric cars: a Toyota Prius battery contains around 9.1kg of lanthanum. China has quotas for these earths in place and in 2010 raised export taxes from 15% to 25% for some of the most crucial raw rare earths. This has resulted in higher prices of these raw rare earths for manufacturers of end products in countries outside China and thus in higher production costs for manufacturers in these countries, making their products less competitive than similar Chinese products.

The example above is just one of many. In 2013 alone, Indonesia prohibited the export of unprocessed metals and non-metallic minerals, India increased the export tariffs on iron ore and restricted the exports of timber products, Sri Lanka increased the export duties on bulk tea and Saudi Arabia announced a ban on the export of chicken.

Import ban

Import bans are used by governments seeking to protect existing domestic industries and reduce the country's dependence on imports. An import ban is an advantage for domestic producers because they can sell their products more easily and at higher prices.

EXAMPLE

In order to become self-sufficient in food products Russia introduced a ban on the imports of dairy products, poultry from the European Union.

Import bans are not always instituted to protect domestic industries. Another reason for an import ban can be the protection of the health of the population. The European Union has a ban on chlorinated chicken. In the US chlorine is used to wash chicken in order to kill bacteria which cause food poisoning such as salmonella. The European Union forbids the use of chlorine because it is deemed unsafe for consumers. Another reason can be the protection of the environment, e.g. Togo banned the import of non-degradable plastic bags and the State of California passed legislation banning the sale, trade, and possession of shark fins.

Investment measures

Some countries implement a legislation which prohibits foreigners from investing in certain industries or owning certain industries.

EXAMPLE

Brazil passed a law to limit the foreign purchase and lease of agricultural land.