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TOPIC :- IMPORTANCE OF PROTECTION POLICY FOR DEVELOPING COUNTRIES

Protection is the Policy of encouraging home industries by giving subsidies to domestic Producers or more usually by imposing custom duties on foreign Products. Underdeveloped countries like India have just and special reasons to adopt the policy of Protection. We can briefly explain as under:—

(I) In these Countries, the infant industry argument assumes far greater importance than in developed countries. Thus, selective or discriminating Protection may be suggested as a remedy for certain economic ills and for the industrial growth of these countries.

(II) As these Countries are agricultural Countries, their economic development can not be brought about at the desired speed unless due Protection is given to a number of Prospective enterprises. That is to say, in order to allow backward agricultural Countries to develop their industrial Potentialities rapidly, foreign competition should inevitably be minimised through Protection.

(III) Restrictions by the developing countries are just a traditional step to increase trade; as such, in the long run, foreign trade considerably increases with the increase in income and economic expansion of these countries which helps in strengthening the economy of the world as a whole.

(IV) From the point of view of practical policies also, every nation is forced to have a solid defence, self-sufficiency and full employment. These cannot be achieved without evolving a tariff policy suited to the needs of the country. Most of the developing countries have secured their independence very recently. They must have a strong defence and diversification of their industries through protection.

(V) Protection helps in conserving scarce foreign exchange resources. It also helps in a rational allocation of foreign exchange for selected imports.

(VI) In underdeveloped countries the process of economic development is mainly based upon the self-reliance and self-sufficiency of the economy. In this connection, the imposition of protection policy in underdeveloped countries encourages self-reliance and self-sufficiency to the domestic producers.

(VII) Protection is a very important method, among many others, of planned economic development. Planning implies control and regulation of economic activities in the desired directions. Free trade activities or the policy is a laissez-faire policy, which is ruled out under planning. Since most of the poor countries of the world would have launched upon planning for economic development, protection becomes inevitable for its successful implementation.

(VIII) Disequilibrium in the balance of payments is an important phenomenon in underdeveloped countries. Protection policy helps solving the problem of disequilibrium in the balance of payments of these countries.

In short, developing countries cannot afford to have the luxury of free trade. It is comfortable only under protection. Indeed, protection should not be a permanent permanent and blanket protection. Whenever circumstances permit, the way for free trade must not be unnecessarily blocked.