

Breaking Barriers: US Firms in Emerging Markets

Vishavdeep Sharma, Ian Sheldon

Department of Agricultural, Environmental and Development Economics

Introduction:

- **US-based companies** face **significant challenges** in **emerging economies**.
- **Global agricultural tariffs** remain much higher than industrial tariffs, with some regions imposing **tariffs up to 200%** on agricultural imports (World Tariff Profiles, 2023).
- **Construction permits** for processing industry **take 30-90 days** in **India** and **Brazil**, adding to the **regulatory burden** (Enterprise Surveys, The World Bank).
- **Monsanto** and **Cargill** face substantial barriers but mitigate tariffs and non-tariff barriers through **foreign direct investment (FDI)**. Meanwhile, **Walmart** and **Tesla** struggle with restrictive foreign investment laws.
- **Figure 1** shows that **high-income countries** have **surpassed the US** in the **globalization index** reflects these countries' greater integration into global markets.

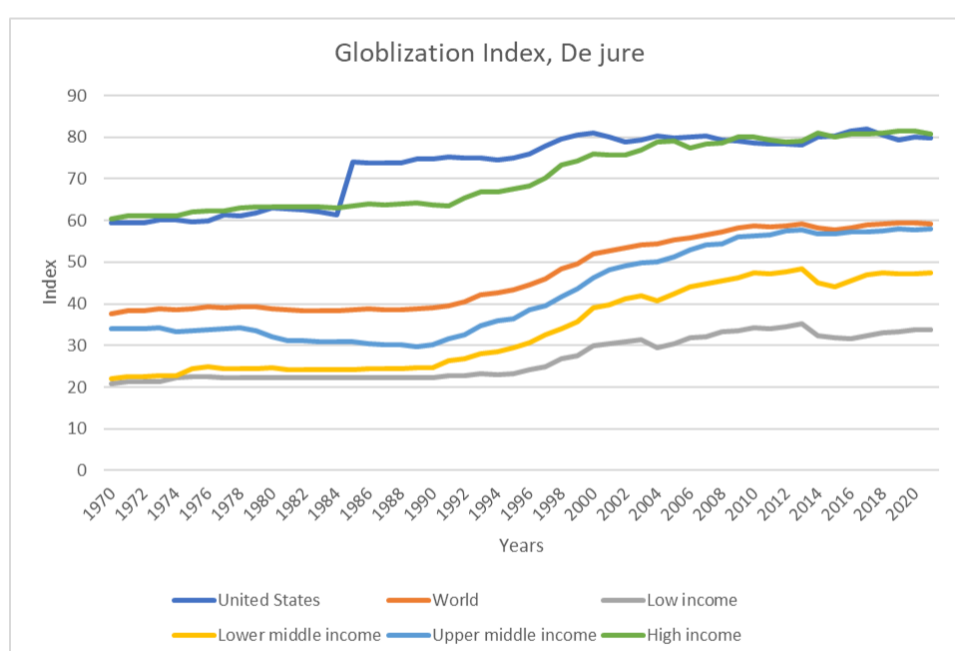


Figure 1: Trend in Globalization Index

Data:

- **World Bank Enterprise Survey** for regulatory challenges.
- **USDA Foreign Agricultural Service - Global Agricultural Trade System** for agricultural products.
- **KOF Swiss Economic Institute Globalization Index** for globalization trends.
- **United States Trade Representative (2023)**, National trade estimate report on foreign trade barriers.

Research Questions:

- How do **tariffs and investment laws** impact **US firms' entry** in emerging markets?
- What is the **spatial distribution of regulatory delays** affecting **US firms** in key regions?

Trade Barriers in Emerging Markets:

- **US agricultural exports** to developing nations peaked at **\$143 billion in 2022**, before dropping to **\$124 billion in 2023**.
- **This decline is partly due to falling commodity prices** and **losing market share to Brazil** in key markets like **China**, especially for **soybeans** and **corn**.
- It declined by **15-20%** from **2022 to 2023**, driven by **high tariffs** (Figure 2).
- Also, **US and Chinese manufacturing tariffs** against each other had **increased by more than 2%** by **2020** (Figure 2).

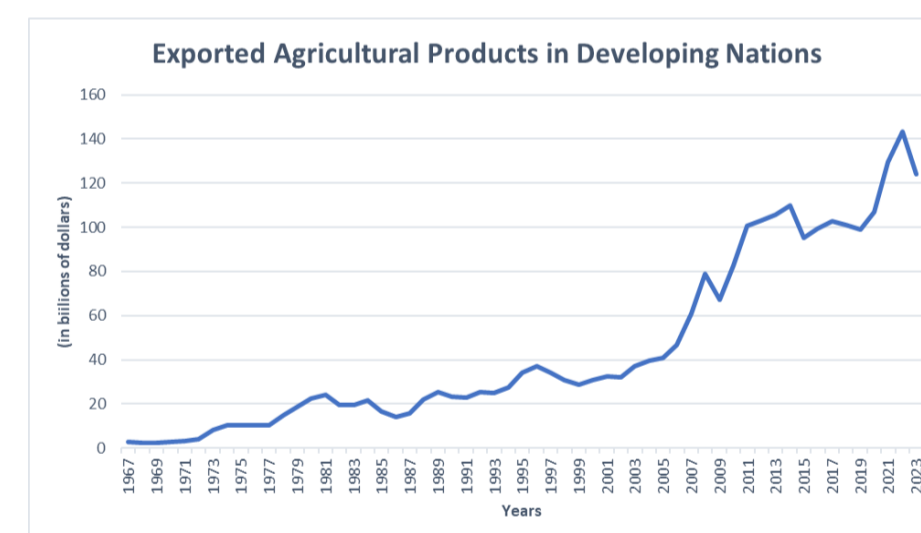


Figure 2: US agricultural exports in developing economies

Spatial Distribution of Trade Barriers:

- In **East Asia & Pacific**, import license challenges and, in the **Middle East & North Africa**, non-tariff barriers and **trade agreements** hinder **US firms' market access**.
- Countries like **Peru** and **Argentina** face **long delays** (100+ days) in obtaining **operating licenses**, creating significant entry barriers for **all firms** not just US firms.

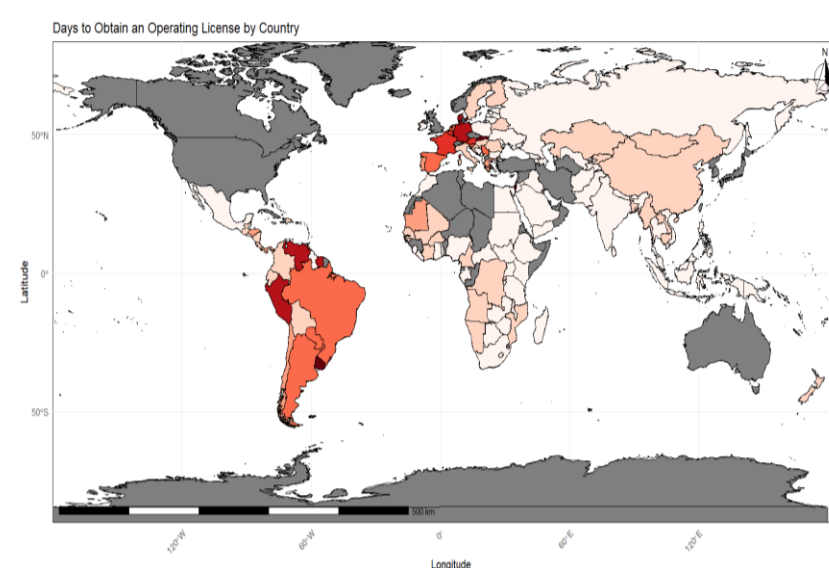


Figure 3: No. of days to obtain an operating license by country

Regulatory Constraints:

- **Latin America & Caribbean** has the **longest delays** in obtaining **operating licenses**, averaging over **60 days** (Figure 4).
- **Sub-Saharan Africa** and **South Asia** show significant delays in acquiring **import and construction-related permits**.
- **East Asia & Pacific** faces **lower overall delays**, but import licensing still presents challenges.

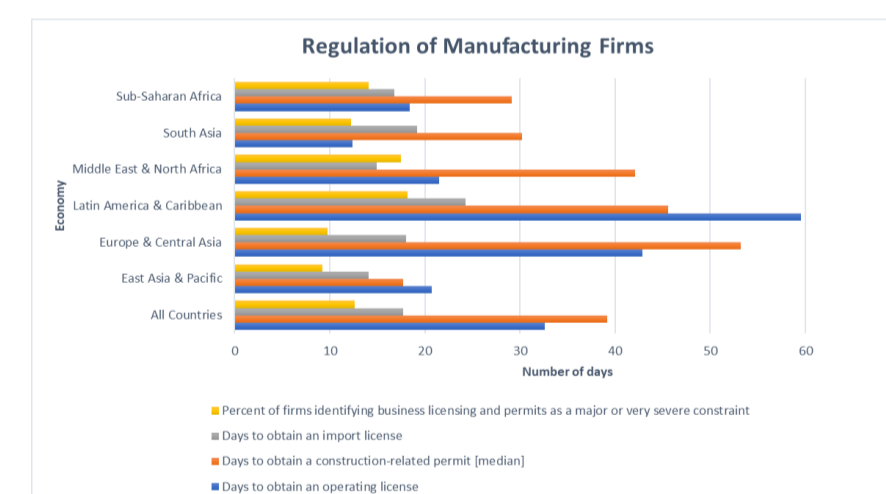


Figure 4: Regulatory constraints for manufacturing firms

Global Tariff Distribution:

- **High tariffs** (50-200%) concentrated in **South America**, **Africa**, and parts of **Asia** (Figure 5).
- **Lower tariffs** (0-24%) prevalent in **North America**, **Europe**, and **Australia**.
- **Collaboration with local organizations** can advocate for fair trade and reduced tariffs.

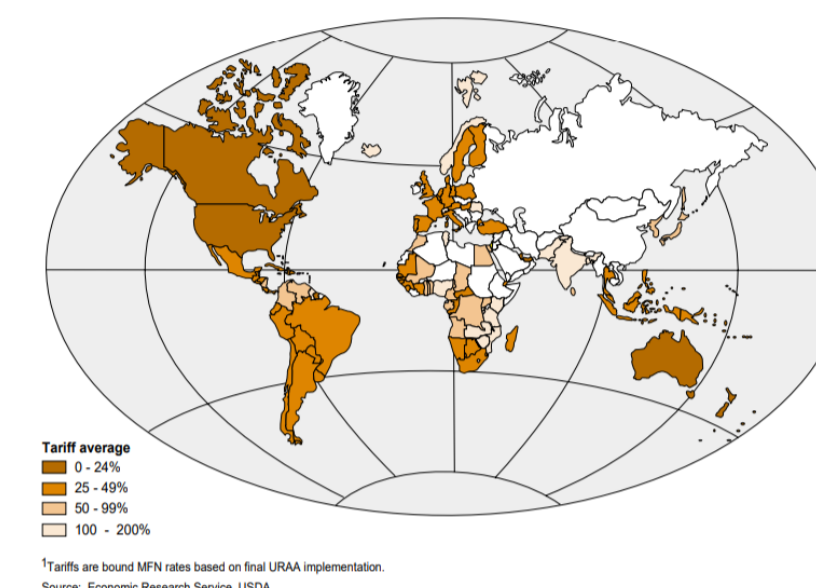


Figure 5: Average tariffs of WTO members

Engagement with Community Partners:

- **Direct Collaboration:** The project engages with **local partners or organizations** to address **trade barriers** and **regulatory challenges**.
- **Mutual Benefits:** Both **US firms** and **local businesses** benefit from **improved market access** and **fair-trade practices**.
- **Capacity Building:** Collaborations help **local organizations** gain skills to **navigate regulations** and advocate for **better trade conditions**.
- **Community Improvement:** The project improves **local business environments** by streamlining **trade processes** and advocating for policy reforms.

Conclusion:

- **US firms** face barriers like **high tariffs** and **regulatory delays**, limiting market performance.
- **Declining agricultural exports** reflect challenges from **trade policies** and **supply chain issues**.
- To stay competitive, **US firms** must **adapt to local regulations** and develop **strategies to overcome global trade complexities**.



Bibliography



LinkedIn

sharma.1094@osu.edu