

WHAT ARE TRADE AND INVESTMENT POLICES? (II)

Influence of Foreign Policy

Nations also institute foreign policy measures which, while designed with domestic concerns in mind, are explicitly aimed at exercising influence abroad. One major goal of foreign policy is national security. For example, nations may develop alliances, coalitions, and agreements to protect their borders or their spheres of interest. Similarly, nations may take measures to enhance their national security preparedness in case of international conflict. They may even take action to restrict or encourage trade and investment flows in order to preserve or enhance the capability of industries that are important to national security.

Another goal of foreign policy may be to improve trade and investment opportunities. To develop new markets abroad and increase their sphere of influence, for instance, nations may give foreign aid to other countries. Such aid may be long term, such as the generous Marshall Plan funds awarded by the United States for the reconstruction of Europe, or may serve as emergency measures. Recently, the United States made a \$1.5 billion loan to Uruguay to help prop up the nation's currency during a period of economic crisis. These short-term loans were a stop-gap solution as Uruguay awaited a larger package of long-term loans from the World Bank, the International Monetary Fund, and the Inter-American Development Bank.

Czinkota, Michael R., Ilkka A. Ronkainen and Michael H. Moffett. Fundamentals of International Business. Mason: South-Western, 2004.