TRADE

Standard: SS6E11 – Give examples of how voluntary trade benefits buyers and sellers in Australia.

Element: a. Explain how specialization encourages trade between countries.

Trade

Trade is known as the **voluntary** exchange of goods and services among people and countries. When nations look for trading partners, strategic/military alliances are taken into account.

Obviously enemies would not trade with each other.

U.S. president

Australia's Prime Minister

Trade

Location also has a huge part of trade.

It is much easier to import and export with a neighboring country than one half way across the world.

Example: It is much cheaper and easier for Australia. to trade wheat with China rather Canada because of the distance the wheat would have to go to sell.

Because of the short distance, China is one of Australia's largest trading partner.

Trade

Imports are goods a country buys.

Exports are goods a country sells.

Specialization

Although some nations are rich in natural resources and highly developed in terms of technologies and infrastructure it is not always in the country's best interest to produce everything it is capable of. Why?

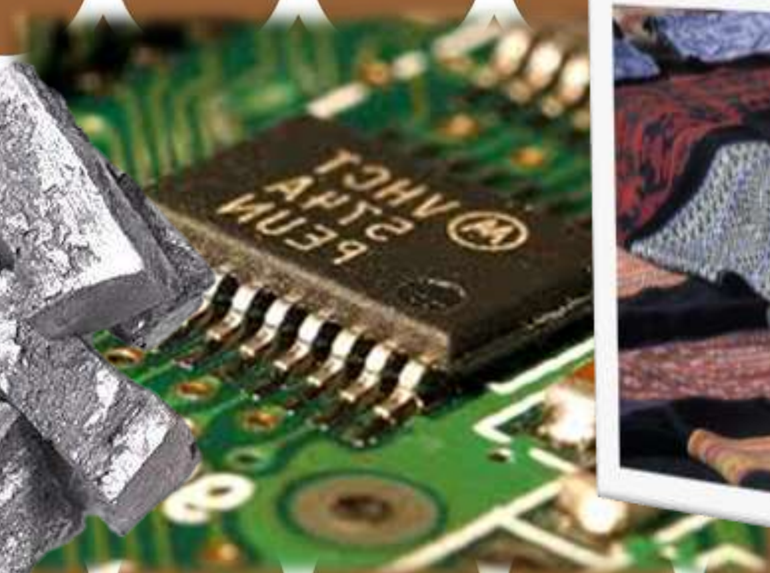
Because countries usually market things they are capable of producing fastest, cheapest, and in great abundance. This is known as specialization.

Specialization

Specialization focuses on a narrow range of **products/services** that can be produced most efficiently and cost effectively.

Specialization

Countries can choose to specialize in numerous areas such as natural resources, services, technology, textile, machinery, etc.



Specialization

Australia specializes primarily in mineral extraction.

While Australia is the World's smallest continent, it is one of the wealthiest countries in the planet in terms of mineral deposits.

Minerals such as gold, silver, iron ore, and nickel are all common throughout Australia.

Mineral export accounts for over 10% of Australia's GDP, which totals well over 100 billion dollars annually.

Specialization

Specialization

Standard: SS6E11 – Give examples of how voluntary trade benefits buyers and sellers in Auatralia.

Element: b. Compare and contrast different types of trade barriers, such as tariffs, quotas, and embargos.

Trade Barriers

A **trade barrier** is any activity which slows or outright blocks the free exchange of **goods** and **services** between nations.

If a country disagrees with the actions of another country that they are trading with the offended country can place **sanctions** on the other country to persuade them to change.

A **sanction** is the act of economically punishing another nation. Rather than going to war, nations use sanctions as a nonviolent way of punishing other nations.

Trade Barriers

Before declaring war, majority of all nations place a series of sanctions. War is always the final solution only if the sanctions are do not produce desired outcome.

Trade Barriers

Citizens who do not agree with a company's actions or viewpoints have the right to boycott their products and or services.

Boycott is the refusal to purchase good/service from a specific company or country.

Boycotting hurts companies economically because their goods/services are not being sold, therefor they are not making any money.

Tariff

Think of tariff as a *tax* on *imports*.

Tariff

Too much **imports** from other countries hurts a country's economy, so they put up **tariffs** to help one's own country compete in the global market.

Buying a product made in your own country helps keep **jobs** and **money** in your own country rather helping a foreign country.

This is why you see products that say….Made in America!!!

Tariff

Let's say **Australia** is able to grow a certain crop much cheaper than the United States. To help the U.S. farmers compete with **Australia** selling the crop in the United States, a **tariff** can be placed on the crop import to make it more expensive to help the U.S. farmers in the U.S. compete against Mexico's **competitive advantage**, which would be **price**.

Tariff

Example: Farmer Brown grows Corn. Farmer brown is able to sell his corn for $12 a bushel at a local grocery.

If the grocery started importing corn from another country that was able to sell it for $6 a bushel Farmer Brown would be out of business as a farmer.

The U.S. could then put up a tariff on corn to help keep all corn farmers in business.

QUOTA

A specific **number limit** placed on the number of imports that may enter a country. Think of **quota** as a **number limit** on a good or service.

Only 1,000,000 tons of coffee beans and not an ounce more!

QUOTA

A country may put up a quota against imports to help their own country's imports compete in certain markets.

If a country imports too much of an item, it could have detrimental effects on its own economy.

Many people would lose their jobs.

Embargo

Embargoes are a government order stopping trade with another country.

If a country does not agree with the conduct or actions of another country, an embargo can be placed against the offending country to help persuade them to change.

The purpose of an embargo is to hurt the economy of the offending country.

Embargo

Example: A country is openly supporting terrorist. If another country wants that country to stop supporting terrorist, the country can put up an embargo against the terrorist supporting country.

If the embargo is successful the offending country should be hurt economically.

Simply put, if the embargo doesn't hurt the economy its not going to work.

Embargo

Example: The U.S. has just found out that one of its trading partners are experimenting on the effects of nuclear radiation on their citizens forming cancer. The U.S. does not agree with this and puts up an embargo of wheat imports from this country until they stop.

If the country who is doing the experimenting has other buyers who are interested in the wheat the embargo did not work!

Embargo

Remember: Embargo’s do not work if the **import** you are banning has other **buyers** from around the world.

Embargo’s are only successful if the import is purchased mainly from the offended country.

Standard: SS6E11 – Give examples of how voluntary trade benefits buyers and sellers in Australia.

Element: c. Explain why international trade requires a system for exchanging currencies between nations.

Currency Exchange

In order for Australia to trade with other nations, a system of currency exchange must exist.

This is due to the fact that most nations in the Oceanic and Asia-Pacific region have their own unique currencies.

Australia uses the Australian dollar.

Unlike countries in Europe sharing the EU currency, all countries in the oceanic region have their own unique currencies.

Currency Exchange

New Zealand

Papua New Guinea

Australia

All countries to the right are different Oceanic currencies worth different amounts.

Currency Exchange

Without a method to convert monetary values between disparate currencies, international trade would be impossible.

Imagine if all 50 states in the U.S. had their own monetary system?

If you went to Florida you would have to know how much your money is worth and trade your states money in for Florida money to buy and purchase goods.

Some southern states tried this…it doesn’t work out to well.

Currency Exchange

Exchange rates are used to determine how much one nation's **currency** is worth in terms of another's.

Example: 1.00 U.S. dollar ≈ 1.39 Australian dollars.

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