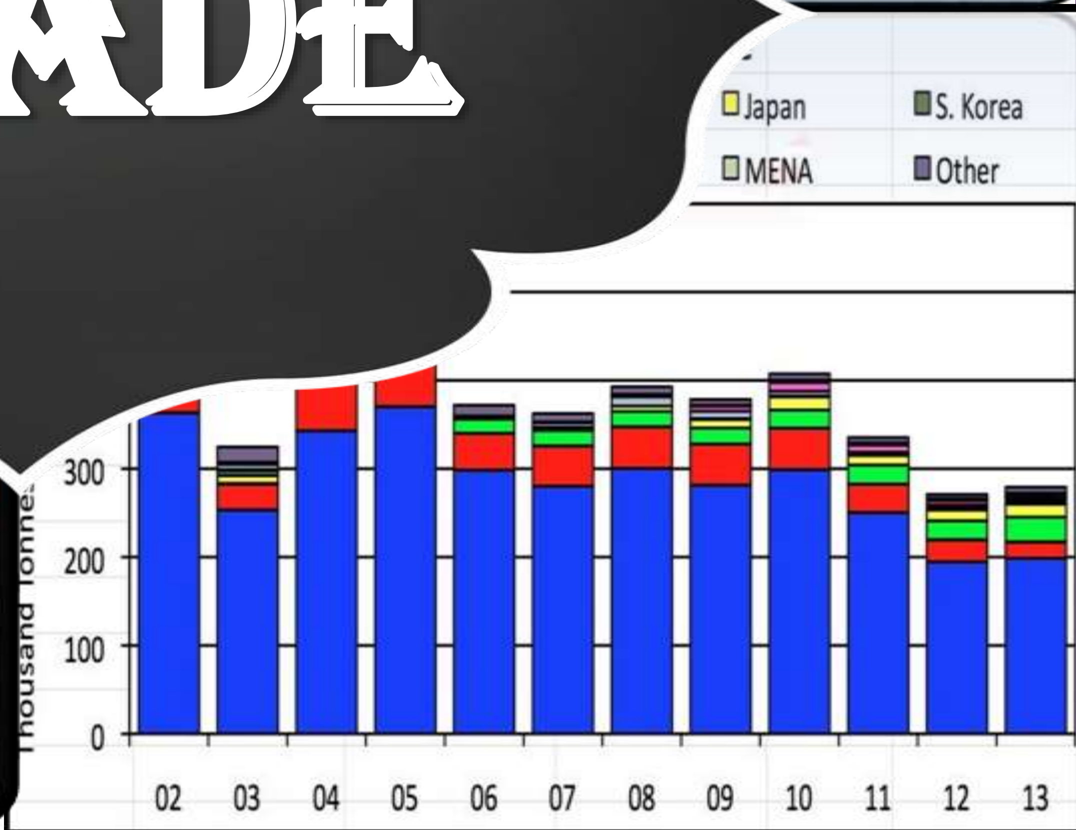
TRADE


BOYCOT


Japan
S. Korea
MENA
Other
300
200
100
0
02
03
04
05
06
07
08
09
10
11
12
13

Standard: SS6E5 – Give examples of how voluntary trade benefits buyers and sellers in Canada.

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.

Canada's Prime Minister

U.S. President

Obviously enemies would not trade with each other in trade.

Trade

Location also has a huge part of trade. It is much easy to **import** and **export** with a neighboring country than one half way across the world.

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

Because of the short distance, the U.S. is Canada'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?

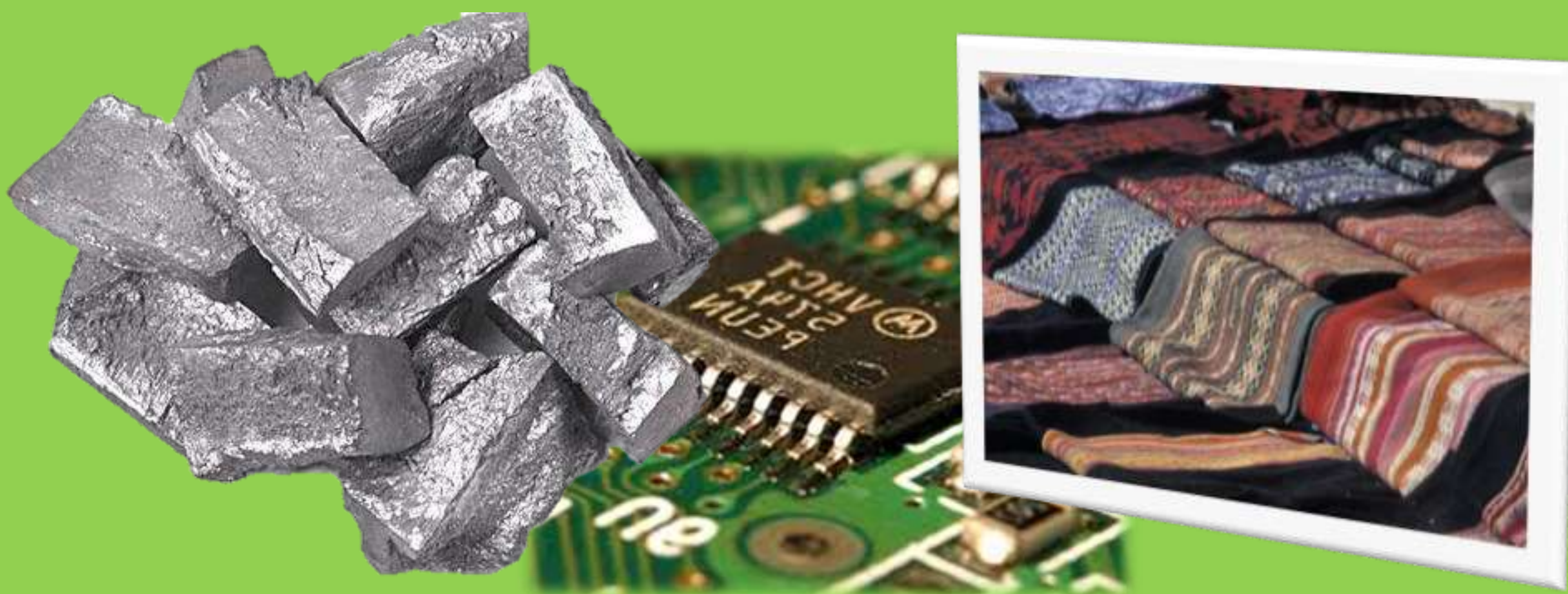
Because countries usually market things they are capable of producing fastest, cheapest, and in great abundance. This is known as specialization.

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

Canada specializes primarily in oil extraction and refining. This industry accounts for 19% of Canada’s total exports.

Surprisingly this map shows oil extraction is found all over Canada and not just in the Canadian shield.

Specialization

Another major area of specialization for Canada is the motor vehicle industry, particularly automobile and automotive parts manufacturing; this accounts for 10% of Canada's export market.

If your parents have ever had to order parts for their vehicle, odds are it may have came from Canada.

Standard: SS6E5 – Give examples of how voluntary trade benefits buyers and sellers in Latin America.

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

Currency Exchange

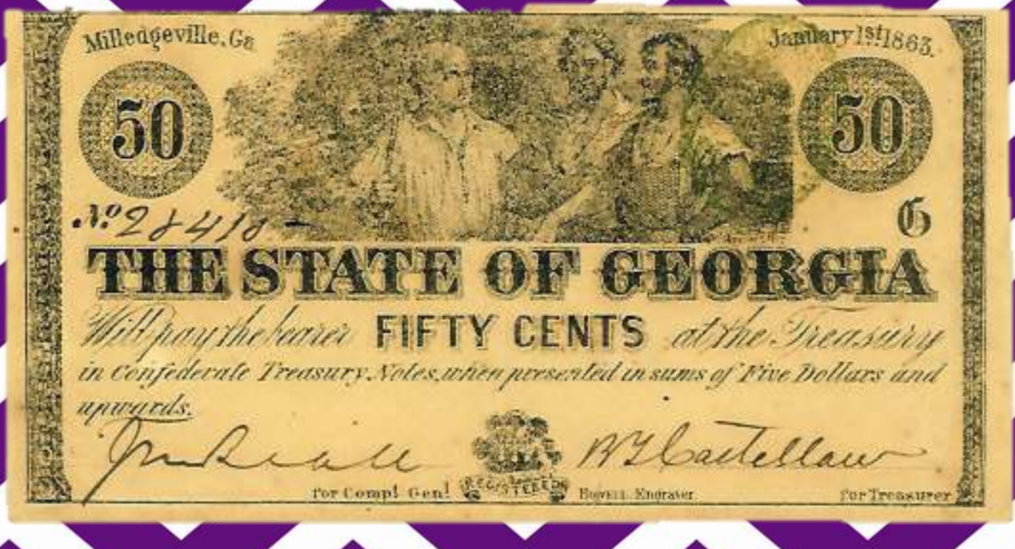
In order for Canada to trade with other nations – its **NAFTA** trade partners for example – a system of currency exchange must exist. This is due to the fact that most nations their own unique **currency**. Canada uses the Canadian **dollar** as their currency.

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 purchase something from 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 U.S. dollar is worth 1.35 Canadian dollars.

Standard: SS6E5 – Give examples of how voluntary trade benefits buyers and sellers in Canada.

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 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.

Before declaring war, majority of all nations place a series of sanctions. War is always the final solution is the sanctions are ineffective of the 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 with 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.

Tariff

Let's say Canada is able to grow a certain crop much cheaper than the U.S. To help the U.S. farmers compete with Canada selling the crop in the U.S. 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 Canada'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 **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 countries imports compete with 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

Embargo is a government order stopping **trade** with another country.

EMBARGO

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.

If it doesn't hurt the economy, it doesn't work.

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.

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.