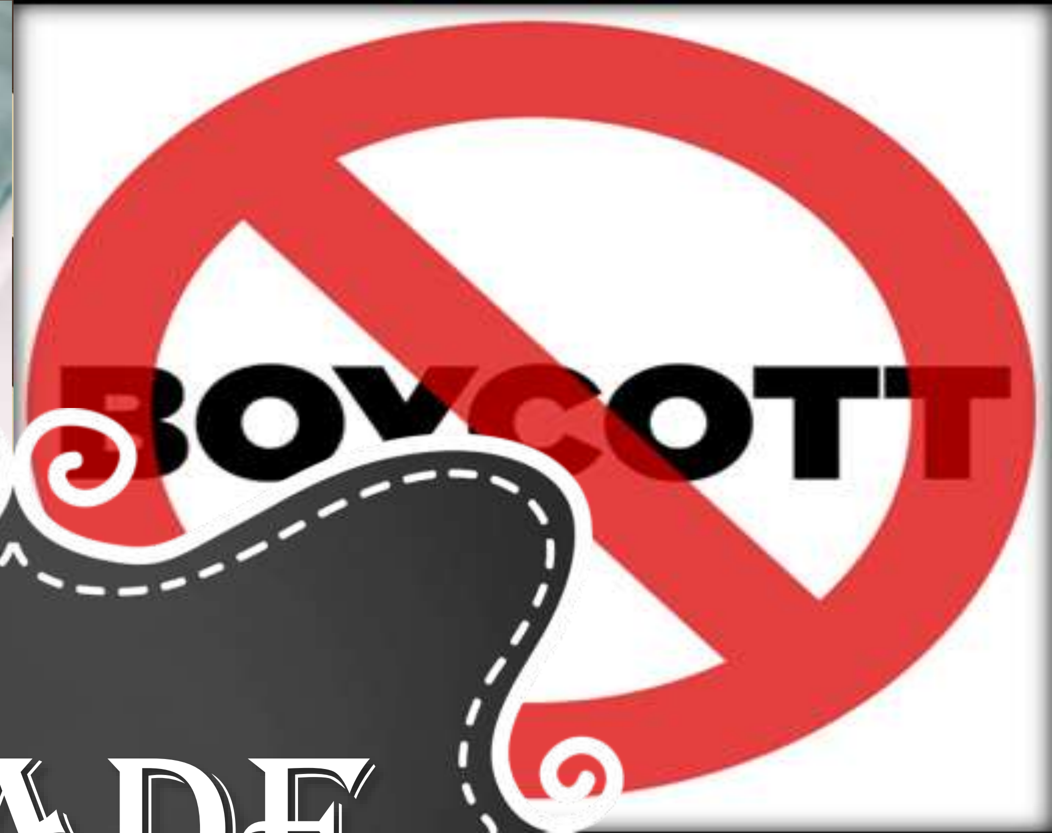


TRADE

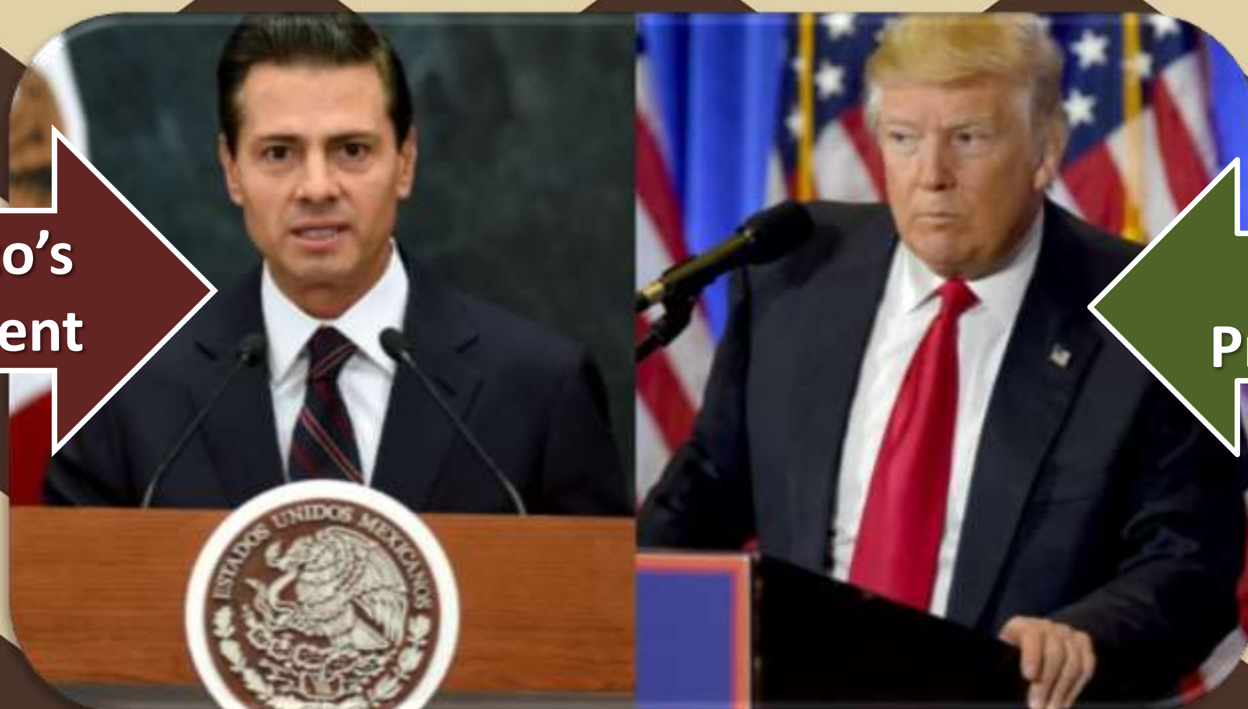
Standard: SS6E2 – Give examples of how voluntary trade benefits buyers and sellers in Latin America.

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.



Mexico's president

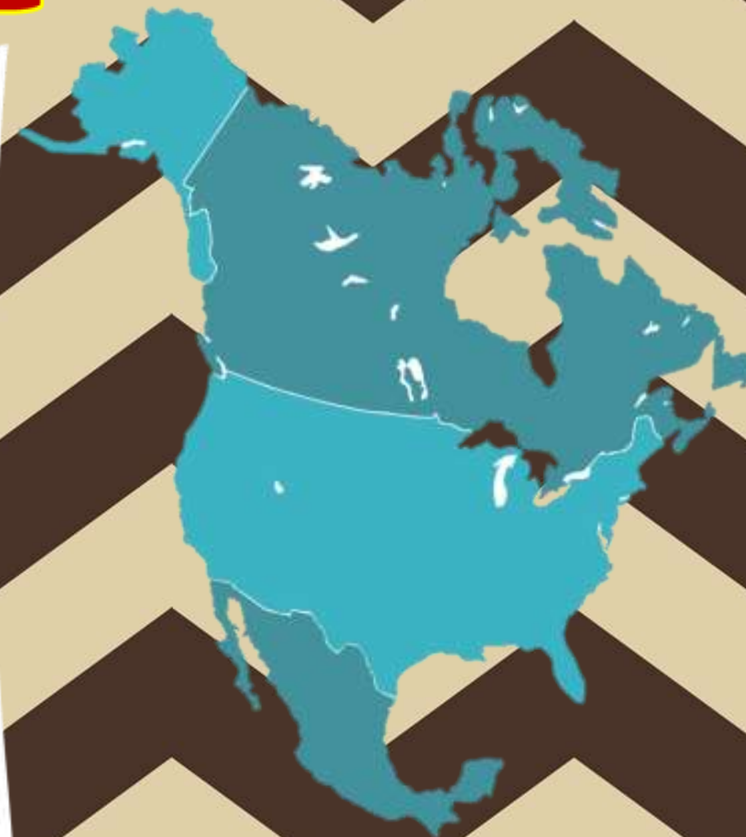
U.S. President

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.

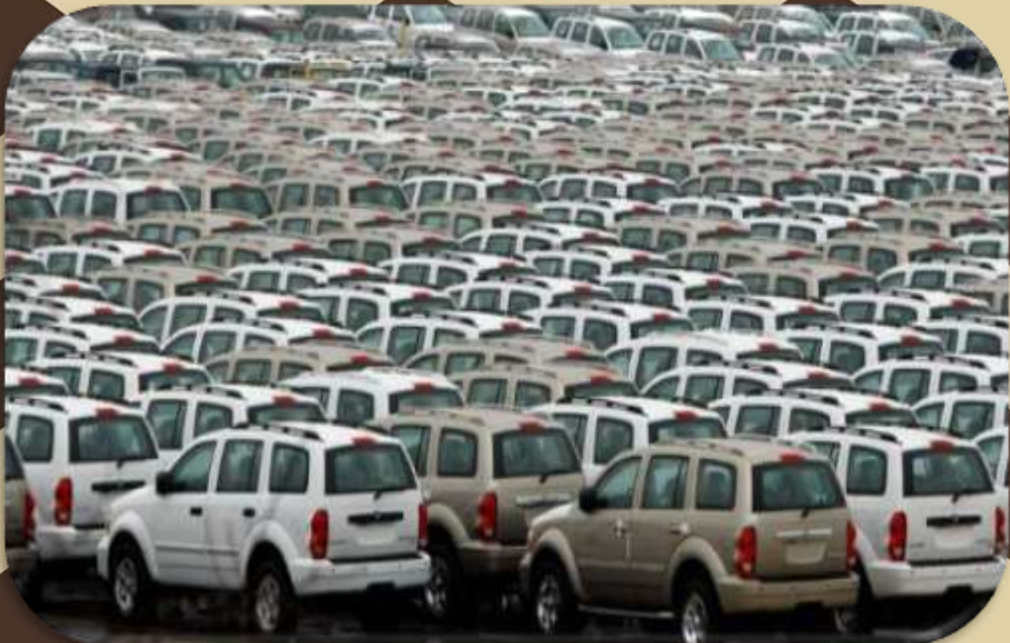
Example: It is much cheaper and easier for the U.S. to trade wheat with Mexico rather China because of the distance the wheat would have to go to sell.



Because of the short distance, the U.S. is Mexico'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

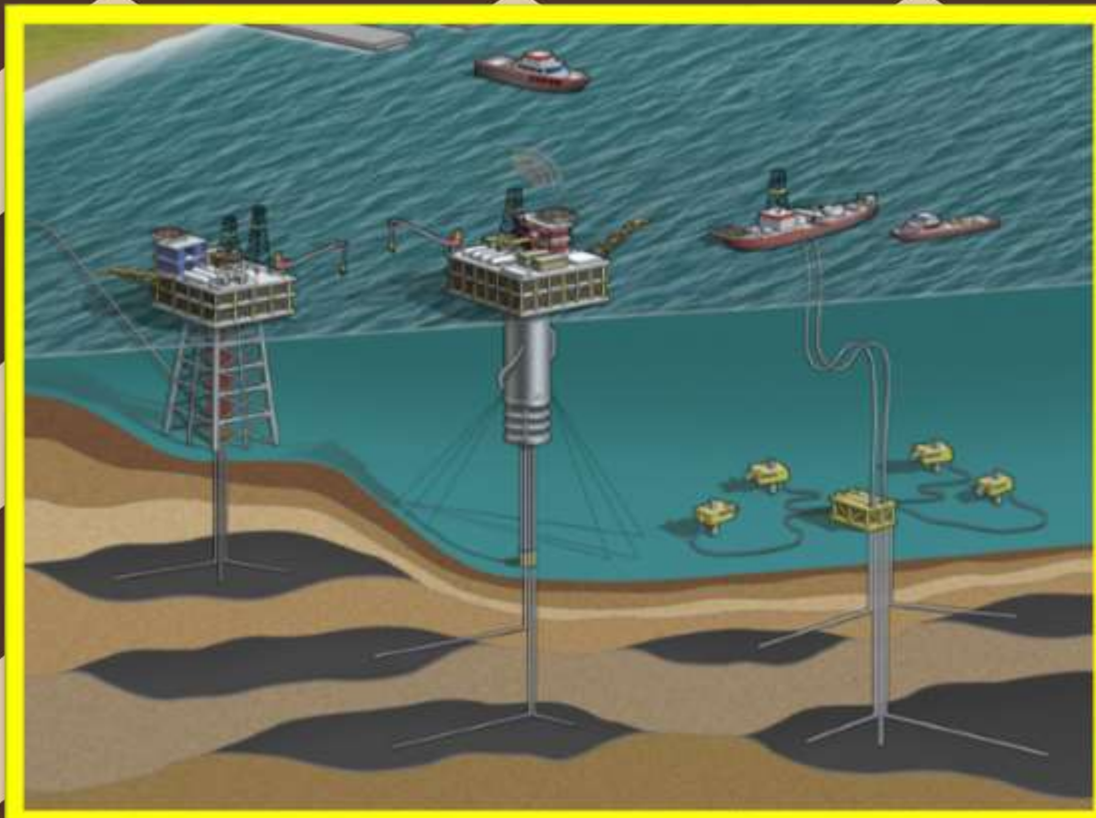
Specialization focuses on a narrow range of **products/services** that can be produced most efficiently and cost effectively.

Specialization

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

Specialization

In North America, Mexico specializes in **petroleum extraction** and **refining**.



Much of Mexico's GDP comes from petroleum deposits.

Specialization

In Central America, **Costa Rica** specializes in **ecotourism**.

People come from around the world to explore Costa Rican jungles

Specialization

In South America, **Argentina** specializes in **beef** and **leather** processing.

The leather industry is a multi-billion dollar industry world wide.

Specialization

In the Caribbean, **Cuba** specializes in **sugar refining**.

The leather industry is a multi-billion dollar industry world wide.

Standard: SS6E2 – Give examples of how voluntary trade benefits buyers and sellers in Latin America.

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

Trade Barriers

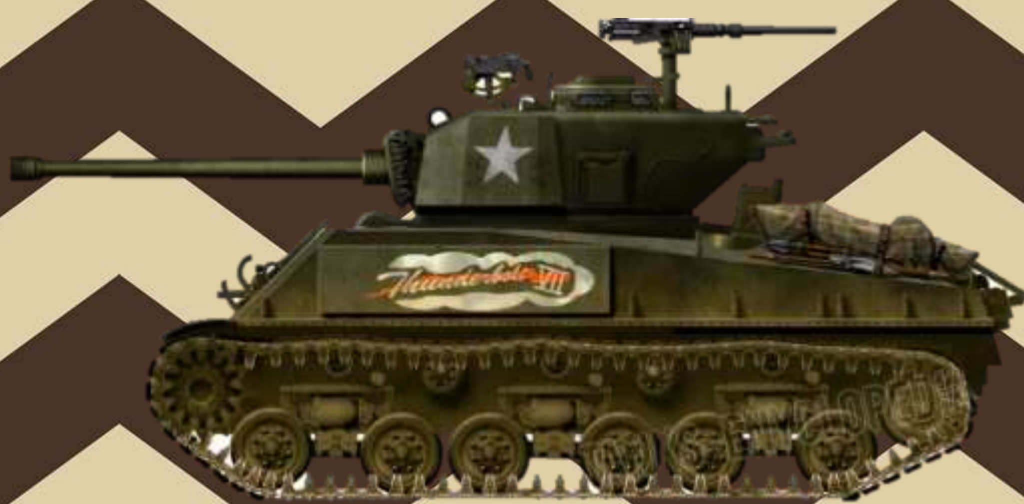
A **trade barrier** is any activity which slows or outright blocks the free exchange of **goods** and **services** between nations.

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.

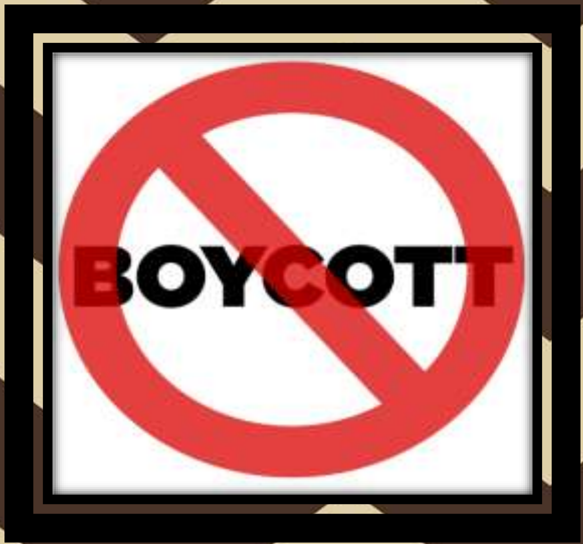


Trade Barriers

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 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.

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

Tariff

Let's say **Mexico** is able to grow a certain crop much cheaper than the United States. To help the U.S. farmers compete with **Mexico** 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.

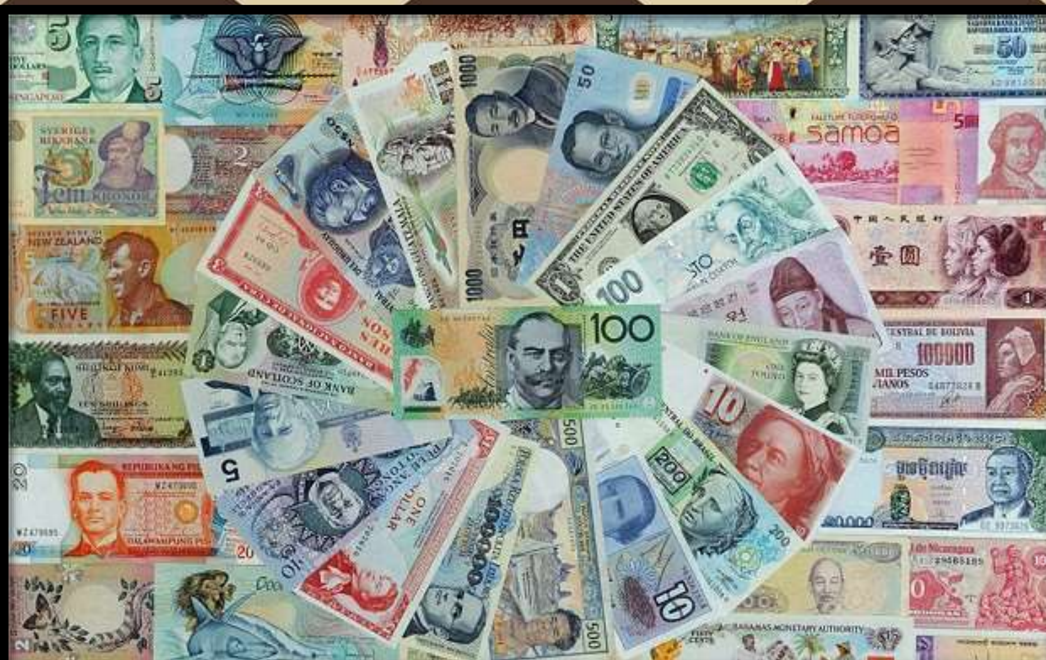
Standard: SS6E2 – Give examples of how voluntary trade benefits buyers and sellers in Latin America.

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

Currency Exchange

In order for countries in South America to **trade**, a system of **currency** exchange must exist.

This is due to the fact that there are **14** unique currencies in use in South America today.

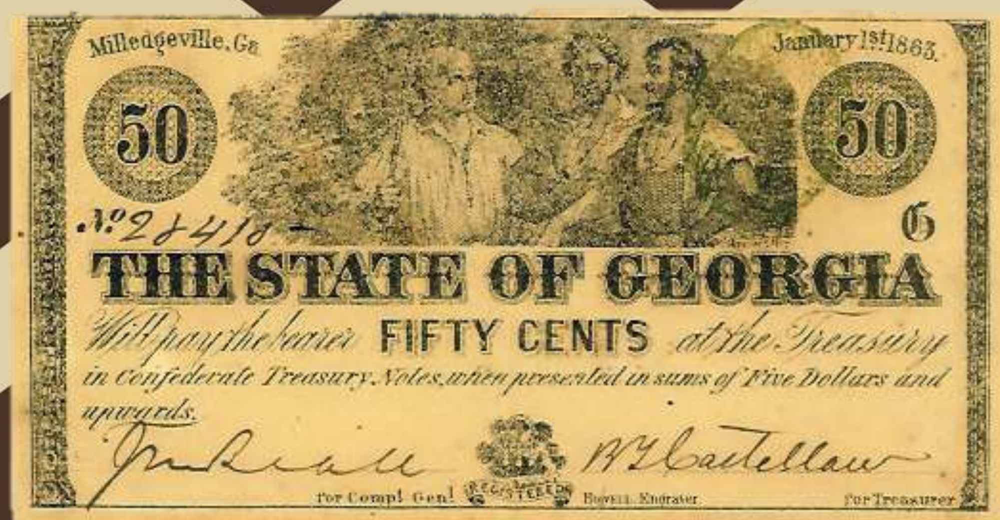


Currency Exchange

Without a system of exchange rates among so many countries in South America trade would be next to impossible.

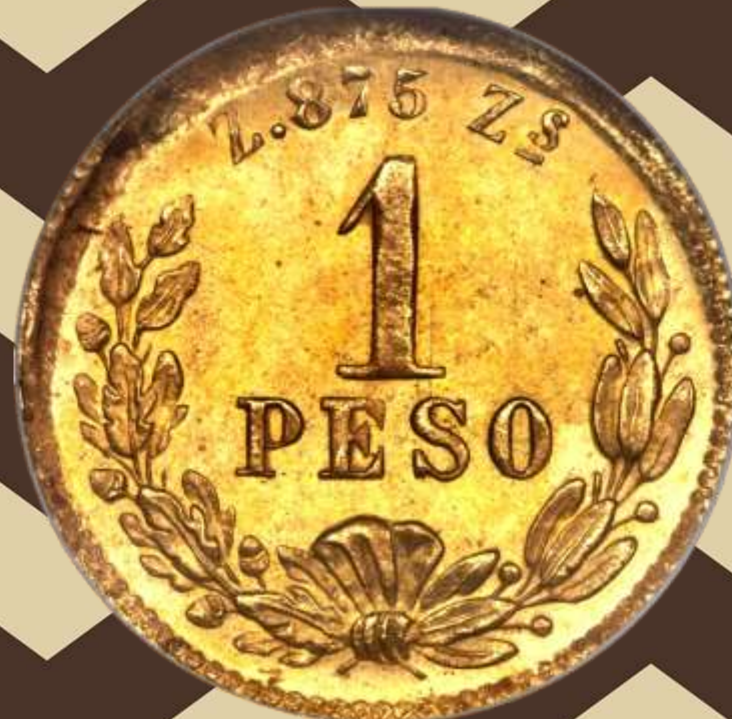
Imagine if all 50 states in the U.S. had their own monetary system? If you went to Florida, you would have to know how much your money is worth and trade your states money in for Florida money to buy and purchase goods.

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

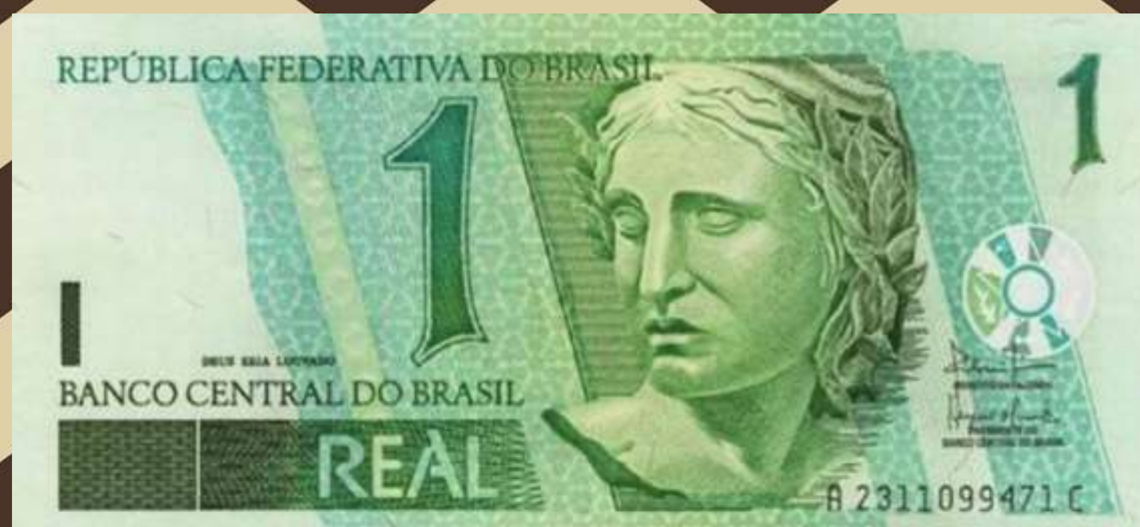


Currency Exchange

The currency of **Mexico** is the **Pesos.**



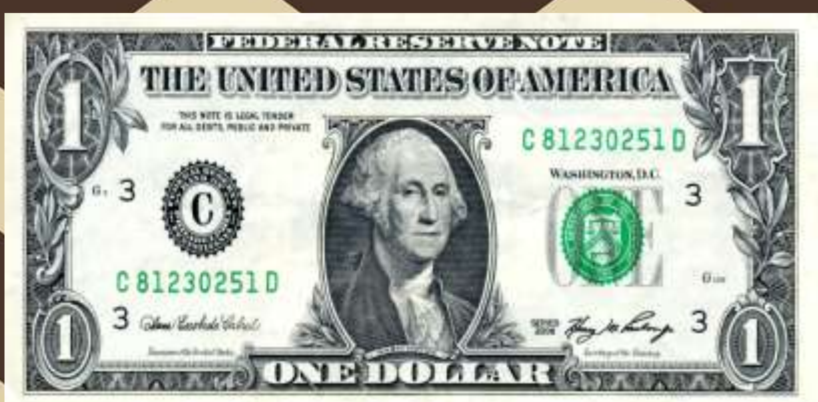
The currency of **Brazil** is the **Real**.

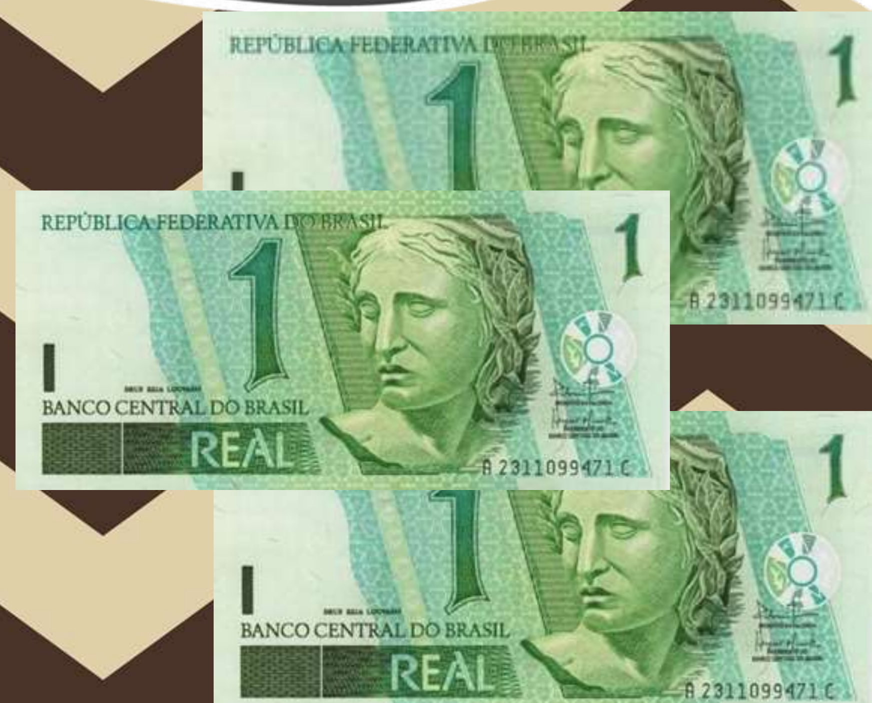


Currency Exchange

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 3.17 Brazilian reals.



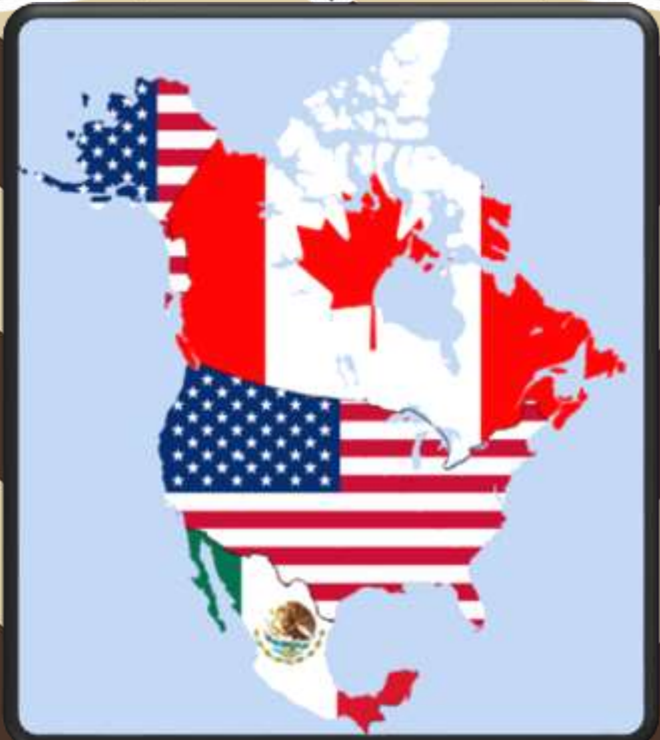


Standard: SS6E2 – Give examples of how voluntary trade benefits buyers and sellers in Latin America.

Element: d. Explain the functions of the North American Free Trae Agreement (NAFTA).

NAFTA

The North American Free Trade (**NAFTA**), signed in 1994 by the government of **Canada**, the **United States**, and **Mexico**, established one of the world's largest **free-trade** zones.



NAFTA

The goal of this was to increase multinational trade and economic cooperation across North America, as well as raise the collective standard of living.

Standard of living is the level of wealth and material comfort available to a people.

Positives about NAFTA

NAFTA eliminated import tariffs, which increased the level of trade among the three nations.

Canada, United States, and Mexico all trade free of taxes with each other. This helps lower cost for goods and services between each.

Positives about NAFTA

NATA helped increase oil exports from Mexico to the United States, thereby decreasing American dependence on Mideast oil imports.

The U.S. imports over 270 billion Dollars worth of oil a year from Mexico!!!

Positives about NAFTA

NAFTA helped increase foreign investment within the three nations because the cost was lowered creating higher profits.

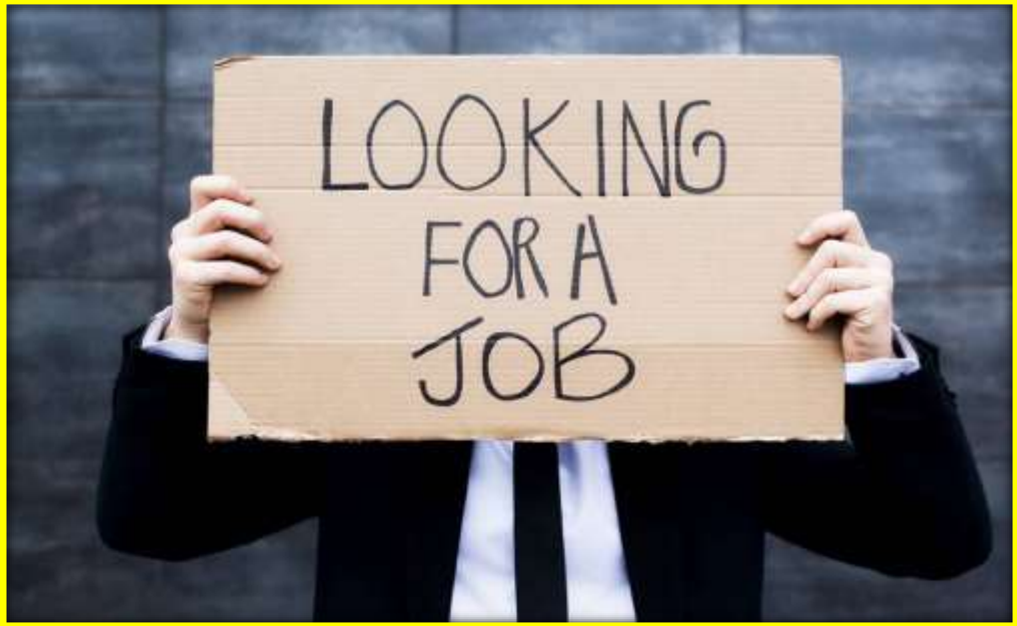
Not having to pay taxes makes foreign investments more attractive.

Negatives of NAFTA

NAFTA **outsourced** numerous manufacturing jobs from the **United States** to **Mexico** particularly in the electrical appliance and textile industries.

Outsourcing is the transfer of **work/production** from one country to another where the **cost** of labor/ manufacturing is **cheaper**.

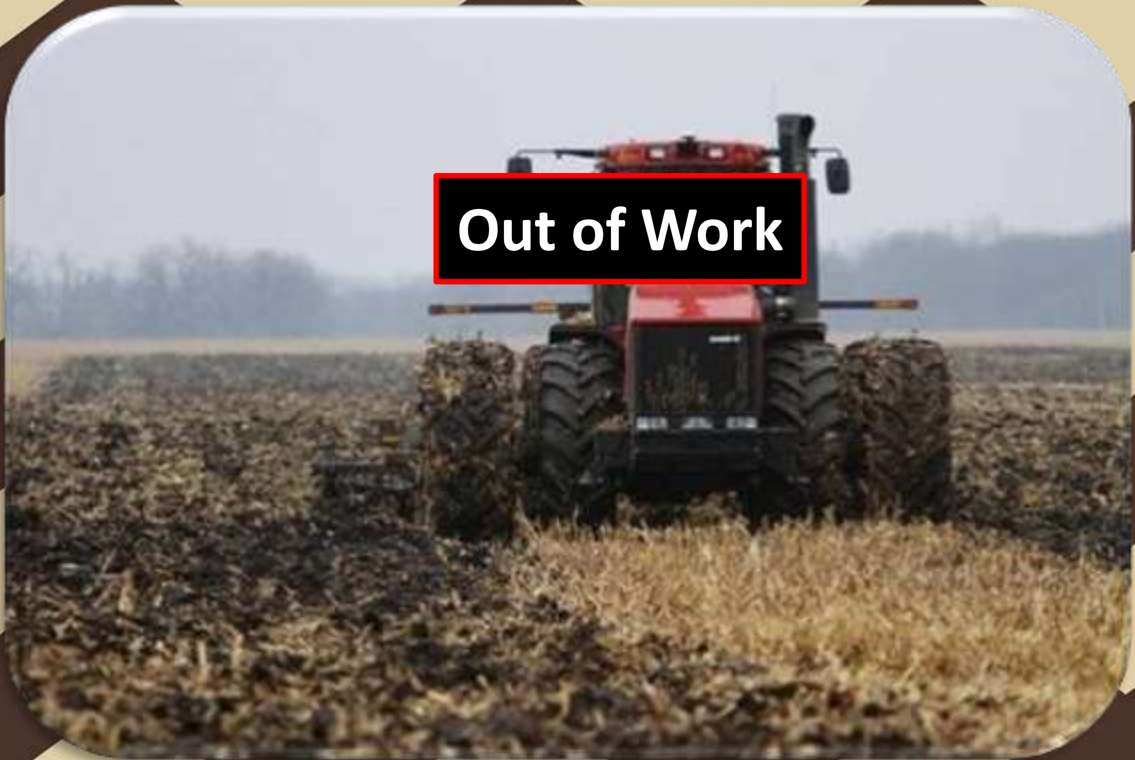
Since the inception (beginning) of NAFTA over 1,000,000 jobs have been lost in the U.S.



Negatives of NAFTA

NAFTA cut numerous farm-related jobs (and locally-owned farms in general) in Mexico due to cheaper agricultural products coming into the country from the U.S.

Many farmers have not been able to compete with cheap Mexican Crops.



Negatives of NAFTA

NAFTA damaged the Mexican environment by Canadian mining companies looking to extract shale oil.

Sometimes oil is spilt into the environment when extracting oil. This is devastating to the environment and wildlife.