

# Barriers to Trade

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# Trade Barriers

- Law or practice that a government uses to limit free trade between countries
- Examples include: quotas, tariffs, and embargoes



# Quota

- Limit placed on the number of imports that may enter a country
- Imports: Goods purchased from other countries



# Tariff

## How a Tariff Works

In the United States

American-made cloth costs \$4.00 a roll.



British-made cloth costs \$5.00 a roll in the United States.

In Britain

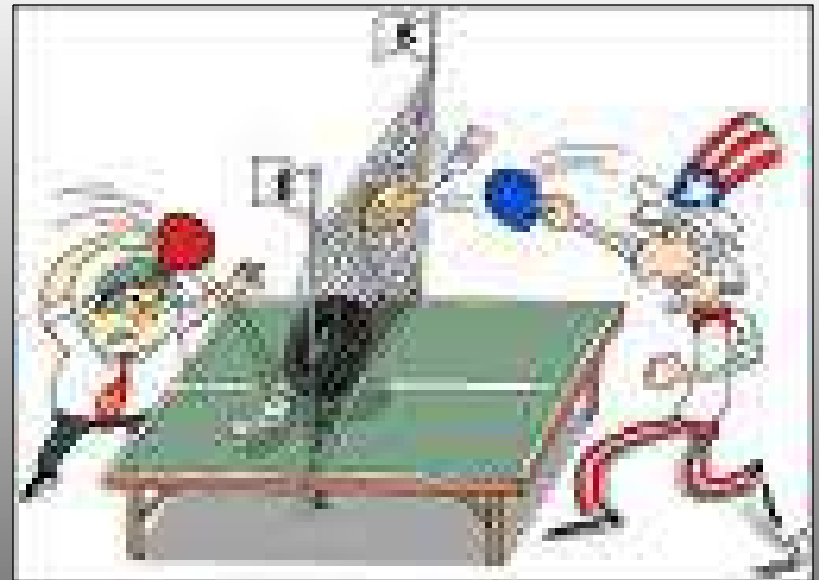


British-made cloth costs \$4.00 a roll.

A 25% tariff of \$1.00 is added to the price.

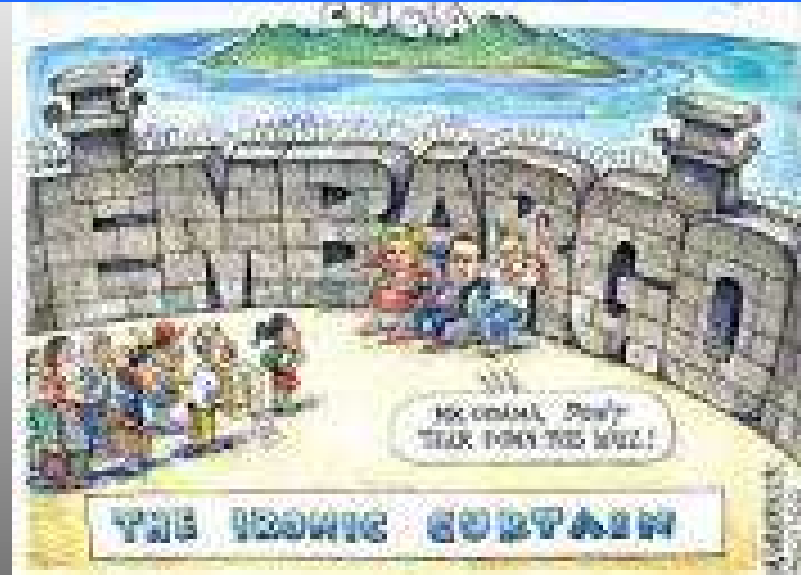
- A tax on imports

What is a tax?



# Embargoes

- Government order to stop trading with another country.
- Embargoes often are backed by military force and are put in place to put pressure on a country.



# Embargo

“At present, the embargo, which limits American businesses from conducting business with Cuban interests, is still in effect and is the most enduring trade embargo in modern history. Despite the existence of the embargo, the United States is the fifth largest exporter to Cuba... However, Cuba must pay cash for all imports, as credit is not allowed.

On September 2, 2010, President Barack Obama extended the embargo through September 14, 2011, determining that the embargo "is in the national interest of the United States.”

# Affects of the Embargo

Cuba says: “The embargo, fully in place since 1962, has done \$108 billion in damage to the Cuban economy, but also has violated the constitutional rights of Americans and made a market of 11 million people off limits to U.S. companies.”

United States says: “Clean up your government and human rights”



# Trade Barriers: Good or Bad?

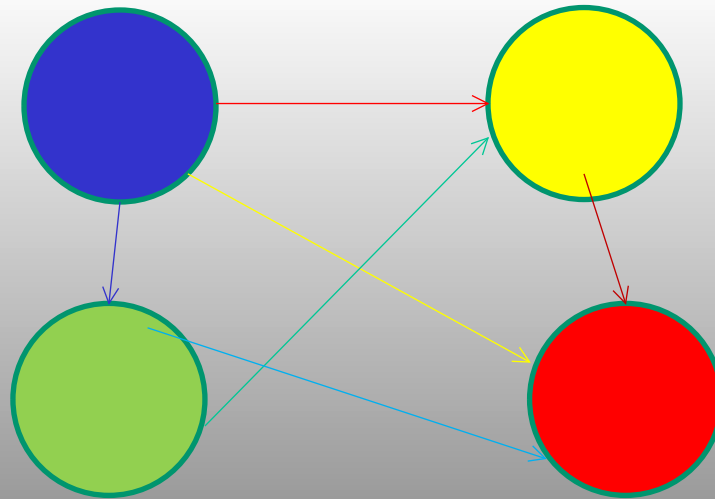
- Consider: if you can buy a pencil made in China for .03 or buy a pencil made in USA for .12, which one would you buy?
- Option 2: What if your parent was employed at the pencil factory in USA, what happens when everyone buys pencils from China?



# Free Trade Zone

- Free Trade Zone: An area where there are no tariffs among participating countries

What is the term for when countries work together to support one another?



# Comparison

## **European Union (EU)**

- EU is a large Free Trade Zone
- Goods can be bought for a lower price across member countries

## **Russia**

- Russia has many tariffs on imports
- Russia's government hopes that tariffs help Russian workers and businesses

# Currency

- Money used in a particular country to buy goods and services



Mexican Peso



Cuban Peso



# Types of Currencies in Europe

- Euro: the currency of the European Union
- Rubles: The Russian currency
- Great Britain: British Pounds

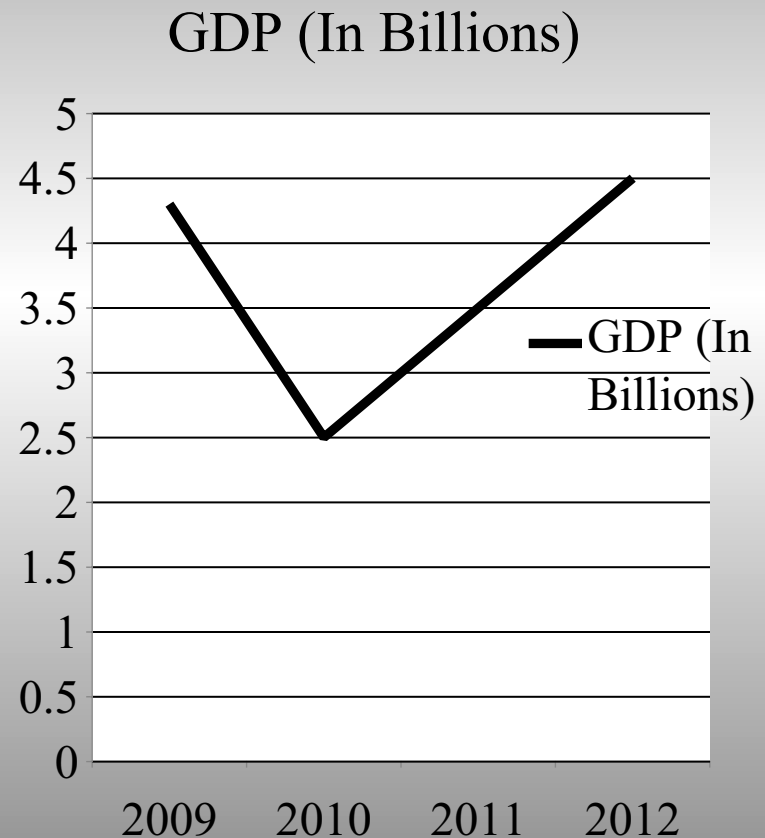


# Economic Growth

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# Gross Domestic Product

- GDP
- Total value of all the goods and services produced in a country in one year
- Tells whether a country is getting richer or poorer



# Standard of Living

- Economic level of citizens in a country
- Access to education, healthcare, and technology indicate a high standard of living



# Standard of Living

## Developed Countries

- Industrialized countries
- Depend more on manufacturing than farming
- Higher literacy rate and standard of living
- **Which kind of economy would most likely be found here?**

## Developing Countries

- Third world countries
- Depend on farming
- Lower literacy rate and standard of living
- **Which kind of economy would most likely be found here?**



# Human Capital

- Workers of a business or country including their education, training, skills, and health



# Physical Capital

- Factories, machines, technologies, buildings, and property needed for a business to operate



# Entrepreneur

- One who risks his or her own money, time, ideas, and energy to start and run a business

