

Name _____ Date _____

Economics Unit 5: International Trade Review

1. What 2 reasons are the basis for countries to engage in international trade?

2. Number Produced

	Coffee	Cattle
Argentina	15	15
Brazil	20	10

Is this an Input or Output problem? _____

Which country has the Absolute Advantage in Cattle? _____

Which country has the Absolute Advantage in Coffee? _____

Which country has the Comparative Advantage in Coffee? _____

Which country has the Comparative Advantage in Cattle? _____

3. Why would a lawyer hire a secretary even though the lawyer can out-type the secretary?

4. Define Comparative Advantage.

5. When determining Comparative Advantage, you look not for absolute cost of a product, but for _____.

6. Today most trade takes place because of _____ in the production of a good or service. (HINT: it's one of those ADVANTAGES...)

7. What are the 2 main reasons governments use trade barriers?

8. What is a tariff?

9. What are the 2 types of tariffs? Explain the purpose of each.

10. What does an embargo call for? What is the main reason that embargos are put into place? Can you give a specific example?

11. What is a quota?

12. What is an "infant" industry?

13. Give 2-3 reasons for protectionists' policies. Are you a protectionists or pro-free trade? Briefly support your stance!

14. What is another term for a Trade Bloc?
15. What do the following initials for trading agreements stand for:
 - (a) NAFTA
 - (b) EU
 - (c) ASEAN
16. What 3 countries make up NAFTA, and what was the purpose of the trade agreement?
17. What is the primary purpose of the WTO? What does it stand for, and is this organization based on Protectionist policies or pro-free trade?
18. What are bought & sold in Foreign Exchange Markets?
19. What method of currency comparison is used today?
20. What is the value of the euro, the dollar, and peso is based on today?
21. When nations engage in international trade, what are they really purchasing from each other?
22. A “weak” dollar has what effect on American exporters and importers?
23. A “strong” dollar has what effect on American exporters and importers?
24. What is another term for a “weak” currency?
25. What is another term for a “strong” currency?
26. What is it called when China sneakily decides to devalue its currency (yuan)? What effect does this have on Chinese exports?
27. What effect does this have on Chinese consumers of American exports?
28. How can you tell if the USA has a trade deficit?
29. What is the difference between **balance of trade** and balance of **payments**?
30. What signifies a Favorable Balance of Trade?
31. What about an Unfavorable Balance of Trade?
32. **Draw a FOREX Graph** showing trade between the U.S. and Mexico based on the current value of each countries currency. Then explain what will eventually happen based on the fixed rate of exchange.

