



# Trade Barriers

Tariff, Quota, & Embargo



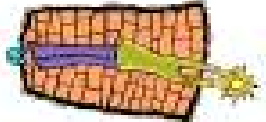
# Standards

**SS6E6 The student will analyze the benefits of and barriers to voluntary trade in Europe.**

- a. Compare and contrast different types of trade barriers such as tariffs, quotas, and embargos.

\*This file is generic and can be taught with any area of the world. It was designed to teach the trade barriers standard for both 6<sup>th</sup> & 7<sup>th</sup> grade Social Studies in Georgia.

# Trade Barriers



**Directions:** While discussing the *Trade Barriers* presentation, please fill in the chart below.

	Definition	Example	Illustration
Physical Trade Barrier			
Economic Trade Barriers			
Tariff			
Quota			
Embargo			

# International Trade

- This involves the exchange of goods or services between countries.
- International trade is described in terms of:
  - **Exports:** the goods and services sold to other countries
  - **Imports:** the goods or services bought from other countries
- Countries trade goods because no country has all the resources necessary to efficiently produce everything its people need.

# Free Trade Vs. Trade Barriers

- With **free trade**, nothing hinders or gets in the way of two nations trading with each other.
- Countries sometimes set up **trade barriers** to restrict trade because they want to produce and sell their own goods:
  - Trading is difficult because things get in the way.
- There are costs and benefits related to free trade as well as trade barriers.

# Trade Barriers

- Trade barriers keep products from being bought and sold between countries.
  - They hinder (stop or slow down) global trade.
- There are 3 major types of economic trade barriers:
  1. **Tariff**
  2. **Quota**
  3. **Embargo**
- Most barriers to trade are designed to prevent imports from entering a country.

# Physical Trade Barriers

- Natural barriers can slow down trade between nations by making it harder and more expensive to move goods from place to place.
- Example: The Swiss Alps make it difficult for northern Italy to trade with Switzerland. The countries are building tunnels through the mountains to help make trade easier.
- Example: The Sahara Desert makes it extremely hard for countries in Northern Africa to trade with the rest of the continent.





**Tariff**



# What is a Tariff?

- A **tariff** is a tax put on goods imported from other countries.
- The effect of a tariff is to raise the price of the imported product.
- It makes imported goods more expensive so that people are more likely to purchase lower-priced items produced domestically.

# Tariffs

- Tariffs are taxes charged for goods that leave or enter a country.
  - In order to get a product from another country, you have to pay extra for it.
  - It is the same concept as sales tax that is put on items your purchase at the store.
  - Example – two products are the same (apples) but one is more expensive because it is from another country.
- Think of how many goods the United States imports.
  - How do you think tariffs might affect the economy?
  - How do you think this affects world trade?





Quota



# What is a Quota?

- A **quota** is a restriction on the amount of a good that can be imported into country.
- Putting a quota on a good creates a shortage, which causes the price of the good to rise.
  - Consumers are less likely to buy this good because it's now more expensive than the good produced in the home country.
- Quotas encourage people to buy domestic products, rather than foreign goods (boosts country's economy).

# Quota

- A quota is when a country limits the amount of a product that can be imported from another country.
  - Example: A country might limit the amount of cars imported from other countries to 500,000 per year.
- What do you think happens when the country reaches the import limit? Where will the rest of the cars come from?
- How do you think this quota impacts the country's economy?





Embargo



# What's an Embargo?

- Trade embargoes forbid trade with another country.
- The government orders a complete ban on trade with another country.
- The embargo is the harshest type of trade barrier and is usually enacted for political purposes to hurt a country economically.

# Embargo

- An embargo is when one country completely refuses to trade with another country.
  - Example – The US had an embargo with South Africa during apartheid.
  - Example – The US has an embargo with Cuba that has lasted over 50 years.
- This is usually done between two countries that are disagreeing over political issues.
- How do you think embargoes affect world trade?

# Benefits of Trade Barriers

- Trade barriers provide many benefits:
  - They protect homeland industries from competition.
  - They protects jobs.
  - They help provide extra income for the government.
  - They increase the number of goods people can choose from.
  - They decreases the costs of these goods through increased competition.



# Costs of Trade Barriers

- Tariffs increase the price of imported goods.
  - The tax on imported goods is passed along to the consumer so the price of imported goods is higher.
- Less competition from world markets means there is an increase in the price of goods.
- With quotas, there is a smaller variety of goods available for consumers to choose from.

# Your Task:

- If you could invent anything, what would it be?
- Draw your invention on your paper—name & color it!
- Answer the questions on the following slide about your product.

# Product Questions

1. Would you want to sell this product in other countries? Why?
2. Why wouldn't you want quotas when selling this product?
3. Why wouldn't you want tariffs when selling this product?
4. Why wouldn't you want an embargo when selling this product?
5. Why might you want embargoes when selling this product?



# Role Plays

- You will work with a group of three for this activity.
- Choose one of the economic trade barriers.
- Create a role play that depicts a scenario where the trade barrier is in action.