

The background of the slide is a detailed still life illustration of autumn harvest. It features several pumpkins of different sizes and colors (orange, yellow, and green), gourds, and baskets filled with various fruits like apples and pears. The scene is set against a warm, golden-yellow background with a subtle grid pattern. The text is overlaid on this background in a large, white, sans-serif font.

International Economics Test November 17th SSEN11- SSEN13

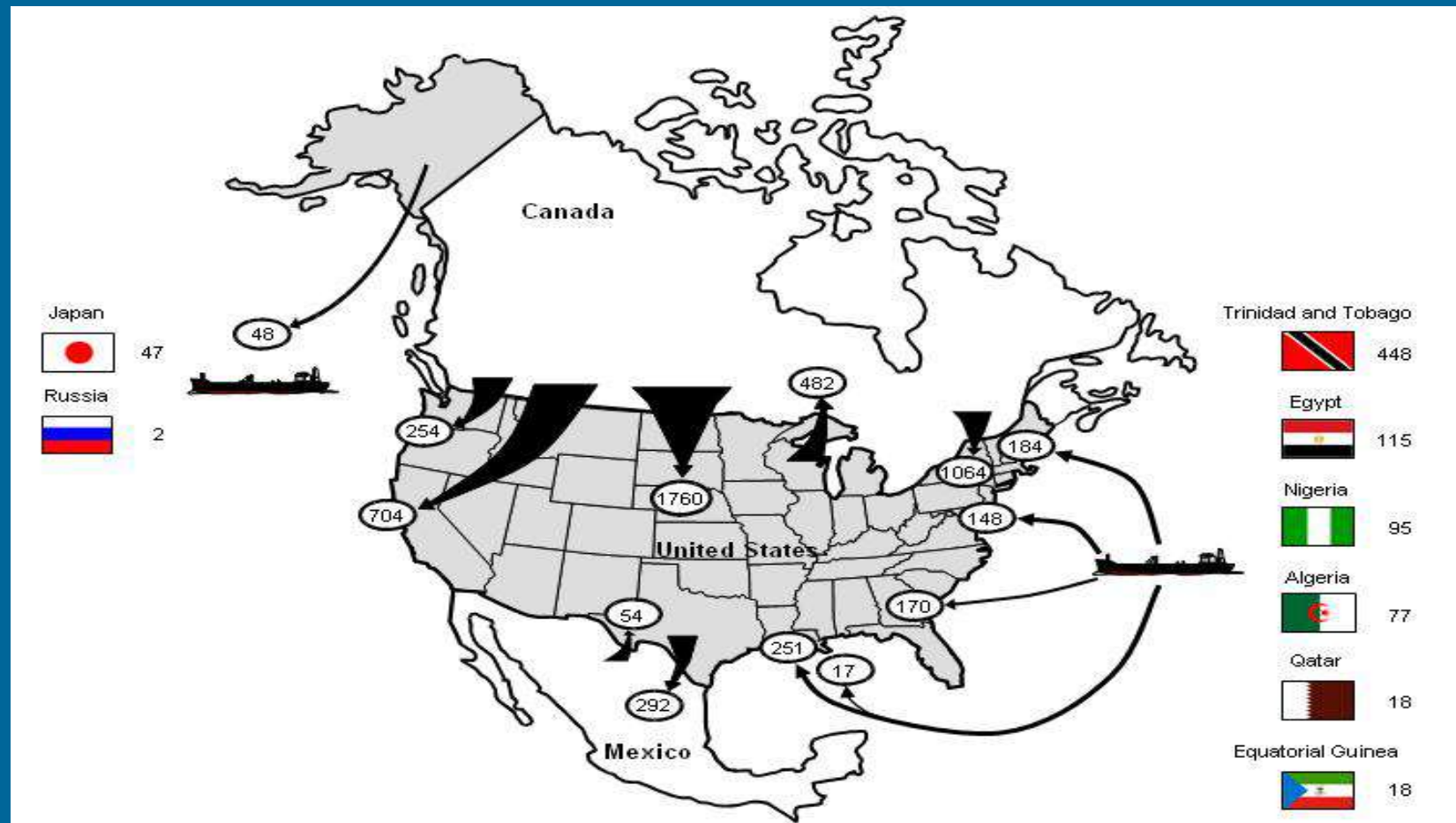
International Economics:

- The study of how economics in other countries and regions of the world affect one another.

Int. Trade

- The buying and selling of goods and services across national borders.

Imports



■ Goods that nations
buy from another
country

Exports



■ Goods that a nation
sells to other
countries.

SSEIN1

- Explain why individuals, businesses, and governments trade goods and services.

SSEIN1:a

- Define and distinguish the between absolute advantages and comparative advantages.
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Absolute Advantage

- The ability to produce a good using fewer inputs than other producers
- A country can produce a product using less resources than another country.

Comparative Advantage:

- A country has comparative advantage when it can produce a good a lower *opportunity cost* than another nation or/in compared to another country.

Opportunity Cost:

- Is *what* a person, business, or government gives up when it allocates its resources one way instead of another.

Absolute Advantage Chart:

	Japan	USA
Cars	25	60
Computers	100	46

Absolute Advantage

- Takes fewer resources to produce than another.
- The Best!

Comparative Advantage

- Opportunity cost to produce or perform a task is lower than someone else.
- Lower Opportunity Cost!

Comparative Advantage:

- Is good because a country can produce the good at a lower opportunity cost compared to another country.

- Explain that most trade takes place because of comparative advantage in the production of a good or service

■ Trade takes place most often because of differences in comparative advantages

Think about it.....

- By producing goods for which it has the lowest opportunity cost, Countries can consume beyond the Production Possibilities of their own country. Specialization allows countries to allocate resources to their best possible use and create greater economic efficiency

SSEIN1: c

- Define Balance of Trade, Trade Surplus, and Trade deficit

Balance of Trade

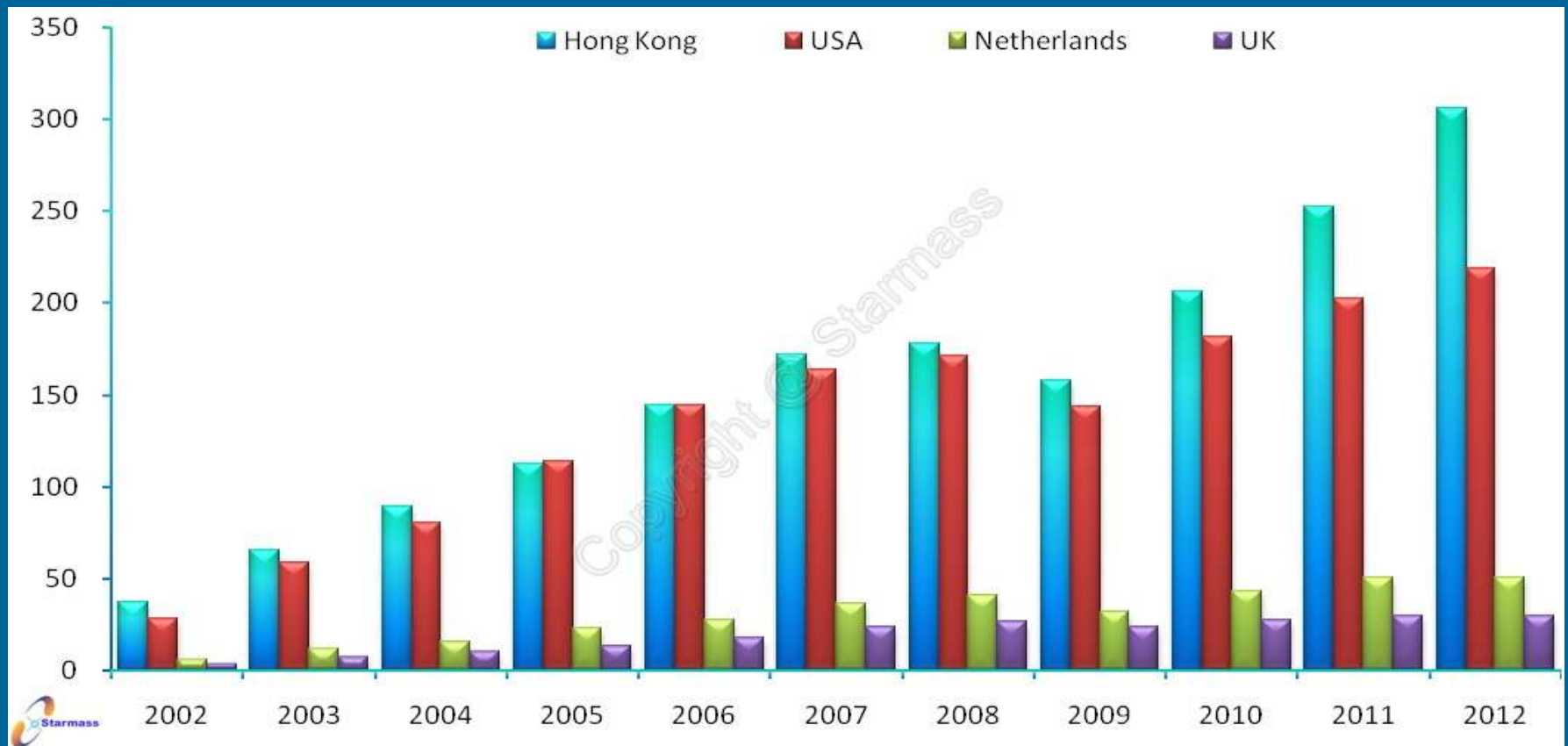
- A nation's B. of T. is the difference between the *value* of its exports – (minus) the value of its imports in a given year

More explanation:

- Value of all money coming and going into the country thanks to exports, minus all of the money going out of the country as it pays for imports.
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Trade Surplus

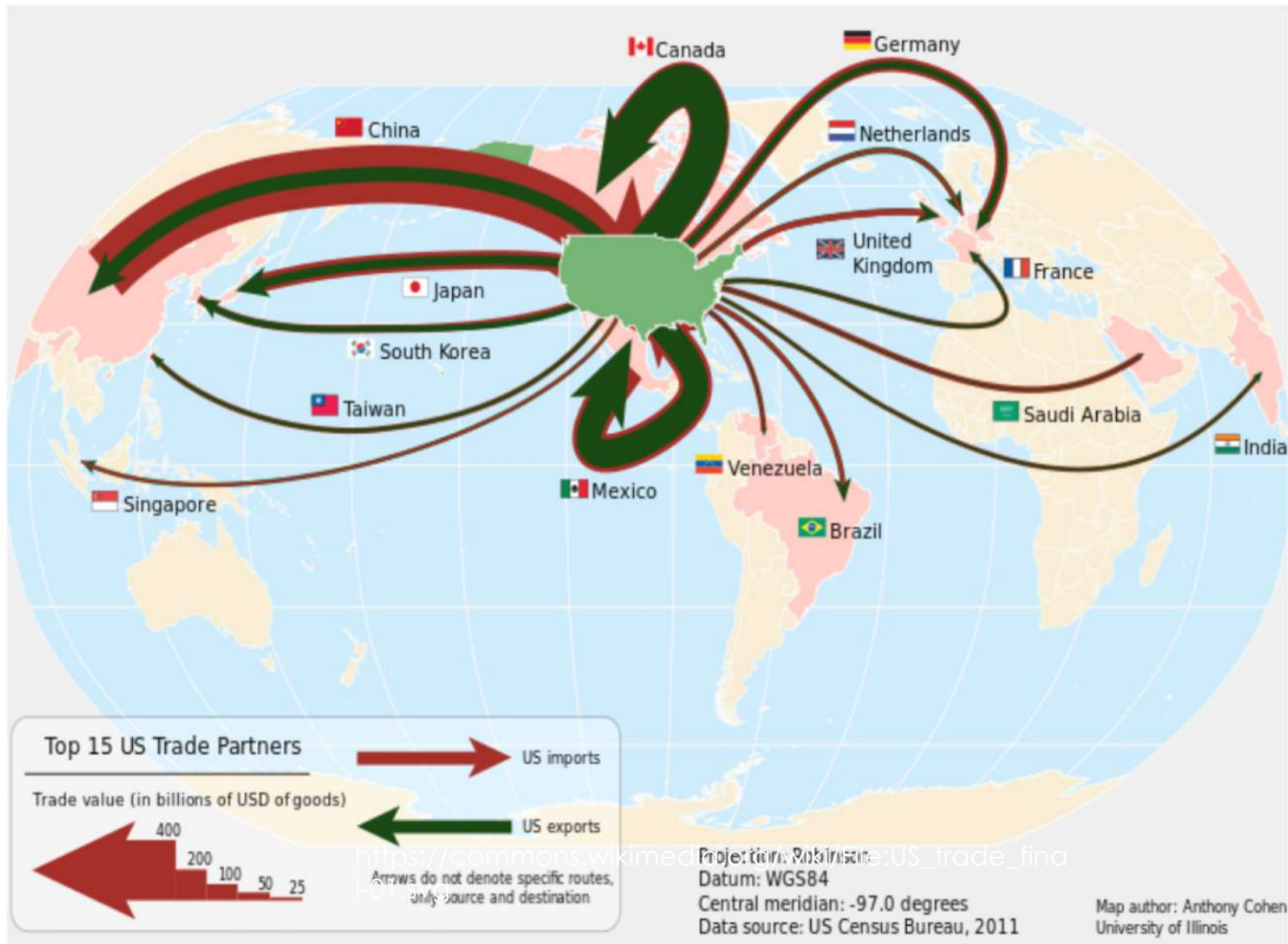
- If the Value of a country's exports exceeds the value of its imports....Surplus



Trade Deficit

- If the value of a country's export fall short of the value of its imports, the country has a deficit





SSEIN2:

-]explain why countries sometimes erect trade barriers and sometimes advocate free trade.
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SSEIN2:a

- Define *trade barriers* as tariffs, quotas, embargoes, standards, and subsidies.

Trade Barriers

- Imposed to improve the balance of payments and to protect businesses in certain domestic industries and nations.

-
- Limit the flow of goods, services, and productive resources between countries.
-

Tariffs

- A tax on certain imported goods.
- Tariffs make imported goods more expensive to buy, because the costs is passed on the consumers.
- What do you think the tariff is on goods from China?

- Tobacco -- 350% tariff
 - French jam, chocolate, and ham -- 100% tariff
 - European meats, truffles, and Roquefort cheese -- 100% tariff
 - Miscellaneous ship parts -- 50% tariff
 - Leather shoes -- 37.5% tariff
 - Canned tuna -- 35% tariff
 - Most auto parts -- 25% tariff
 - Most vegetables -- 20% tariff
-

Tariffs

- Paper clips retail for less than one cent. Tariffs on Chinese paper clips can reach as high as 126%



Quotas:

- A Limit on the number of certain products that can be imported from another nation.
- *“Limit of 1 million tons of sugar to be imported”*

■ Business owners lobby for quotas, because barriers increase their revenue!

□ What are some examples?

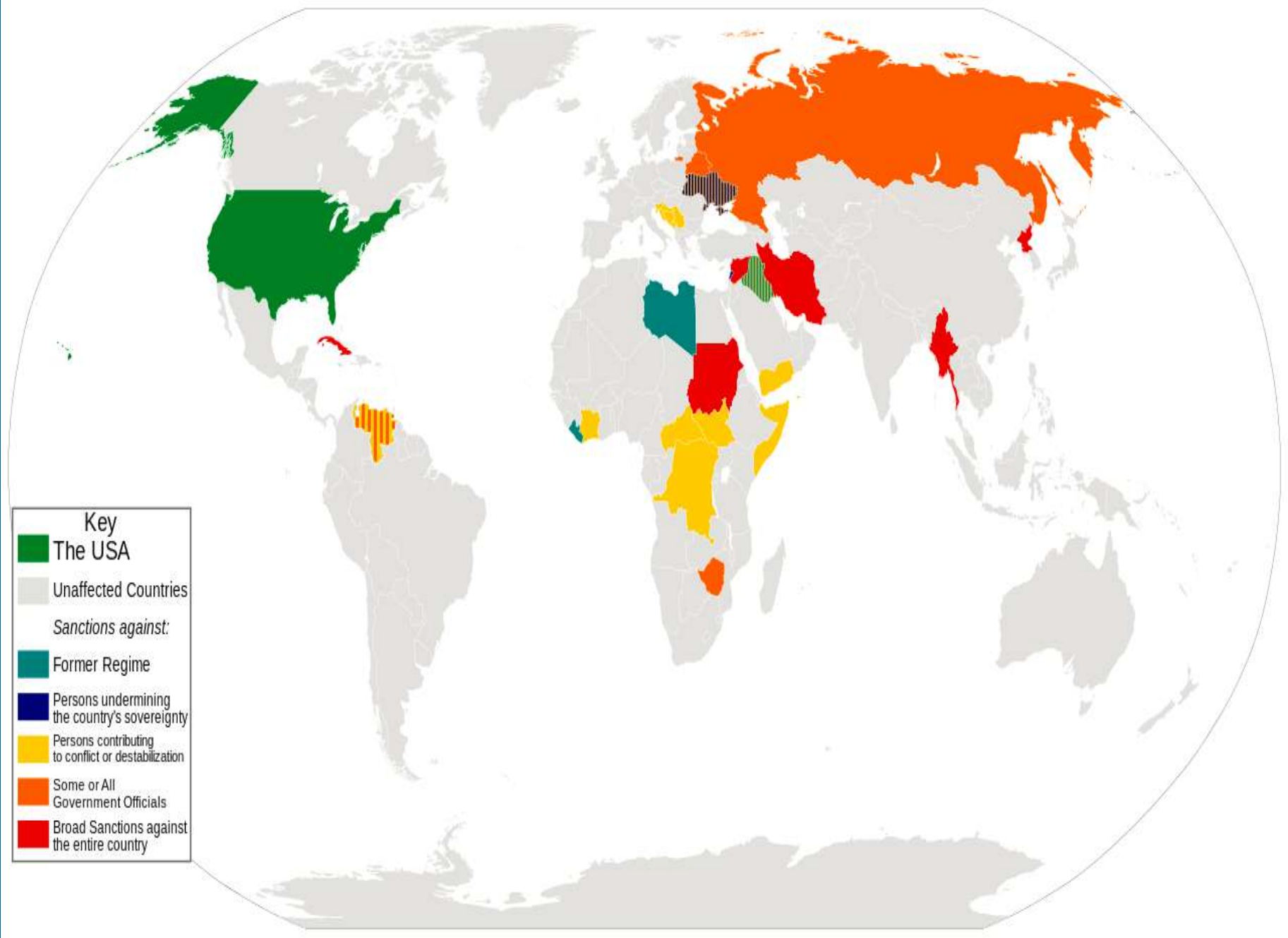
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- Sugar and products with more than 65% sugar content
 - Tobacco
 - Peanuts and peanut butter
 - Many specific dairy products (e.g. powdered milk, baby formula)
 - Cotton
 - Beef
 - Animal feed
 - Anchovies
 - Wire rod
 - Ethyl alcohol
 - Olives
 - Mandarin oranges
 - Tuna
-
- Brooms

Embargoes

- When a country imposed economic sanctions
- The most severe trade barrier
- A total ban on one or more products from a particular nation.

■ “Mexican imports
abolished”

■ 1979: Us stopped
shipping grain to the us
after soviet invaded
Afghanistan!



■ Why is an embargo used in situations where countries have severe political differences?

■ What can Embargoes create?

■ What did America create in Russia when it stopped shipping grain to America?

Subsides

- A payment from the government to businesses. Trade Barriers increase the likelihood of Subsidy payments!

- Involve direct financial aid, often through tax credits or tax deductions, to certain domestic industries. (Protecting Domestic firms)

DRAW BACK to Subsidies:.....

■ Higher Taxes!!!!

BUT, Subsidies are....

■ Beneficial to both
domestic producers
AND Domestic
Consumers of a good.

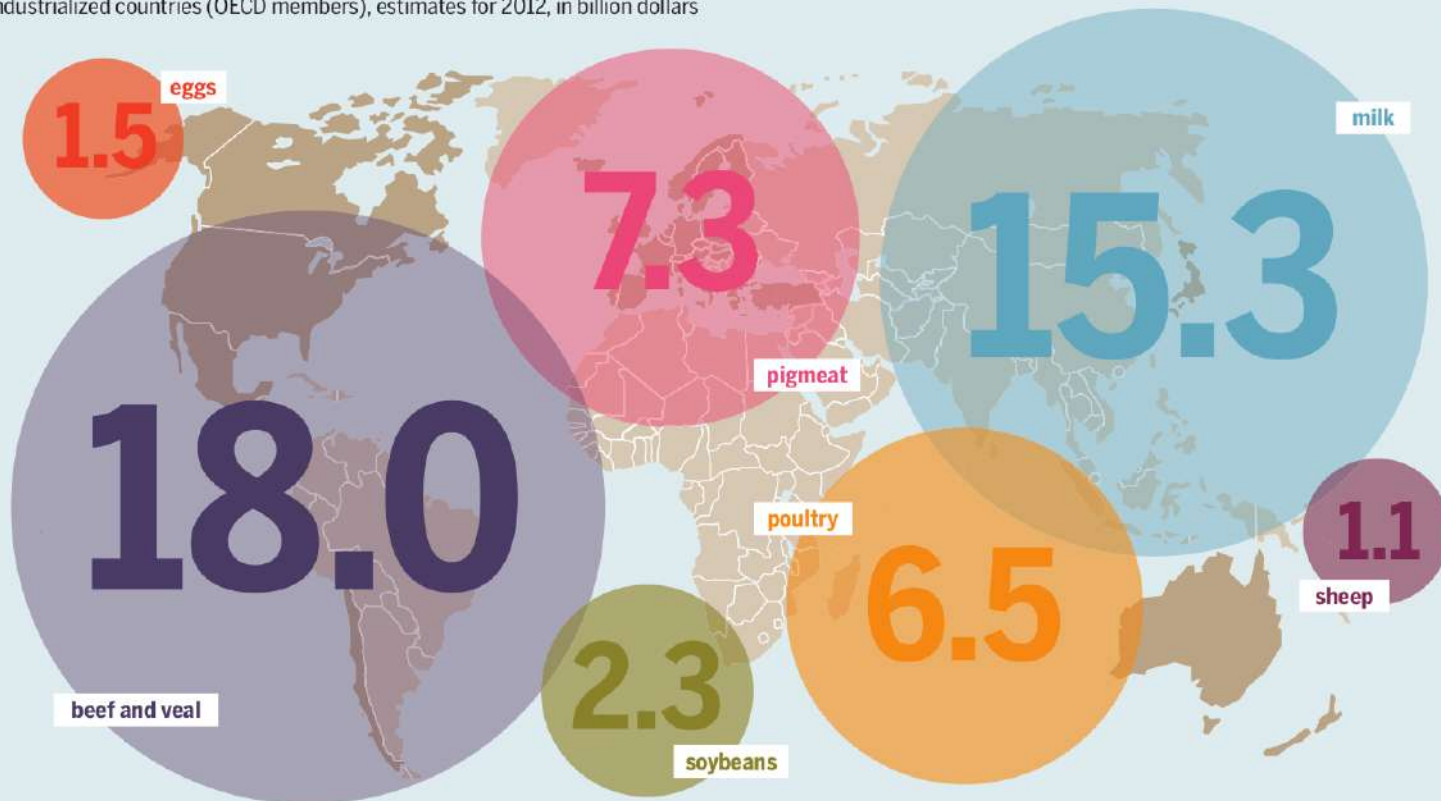
■ “US producers of wheat get big
payday from congress.”

Subsidies

Direct subsidies for animal products and feed

Industrialized countries (OECD members), estimates for 2012, in billion dollars

OECD



In the end.....

- Government payments transferred exporting companies allowing the companies to compete with other nations at the international market price without having to incur the costs associated with selling at the lower price
-

Standards

- A means to regulate trade and provide specific guidelines on goods coming into the country. In the following way:

- rules concerning the quality of imported goods to meet health standards.
- Goods that do not meet the standards are not accepted into the country



- Identify costs and benefits of trade barriers over time.

Benefits to trade Barriers

- Help Domestic businesses compete at home
- Protect domestic jobs
- Maintain standards of safety in the market place
- Help poorer nations that are still trying to develop economically and compete with wealthier nations.

Costs to Trade Barriers

- Limit the number of goods in the market place driving up the prices
- Tariffs
- “Usually result in people having to pay more for things they want...”

SSEIN2:c

- Describe the purpose of trading blocs such as EU, NATA, AND ASEAN.
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Trading Blocks

- Refer to free trade agreements among countries in a region.

EU: European Union

- Trading union consisting of 25 European nations that facilitates trade and commerce as it seeks to create a unified regional, rather than national, economy. = Promotes free trade

ASEAN Member Countries



ASEAN: Association of Southeast Asian Nations

- International organization that aims to accelerate economic growth, social progress, and cultural development among its members = free trade...has almost eliminated all tariffs with in its countries.

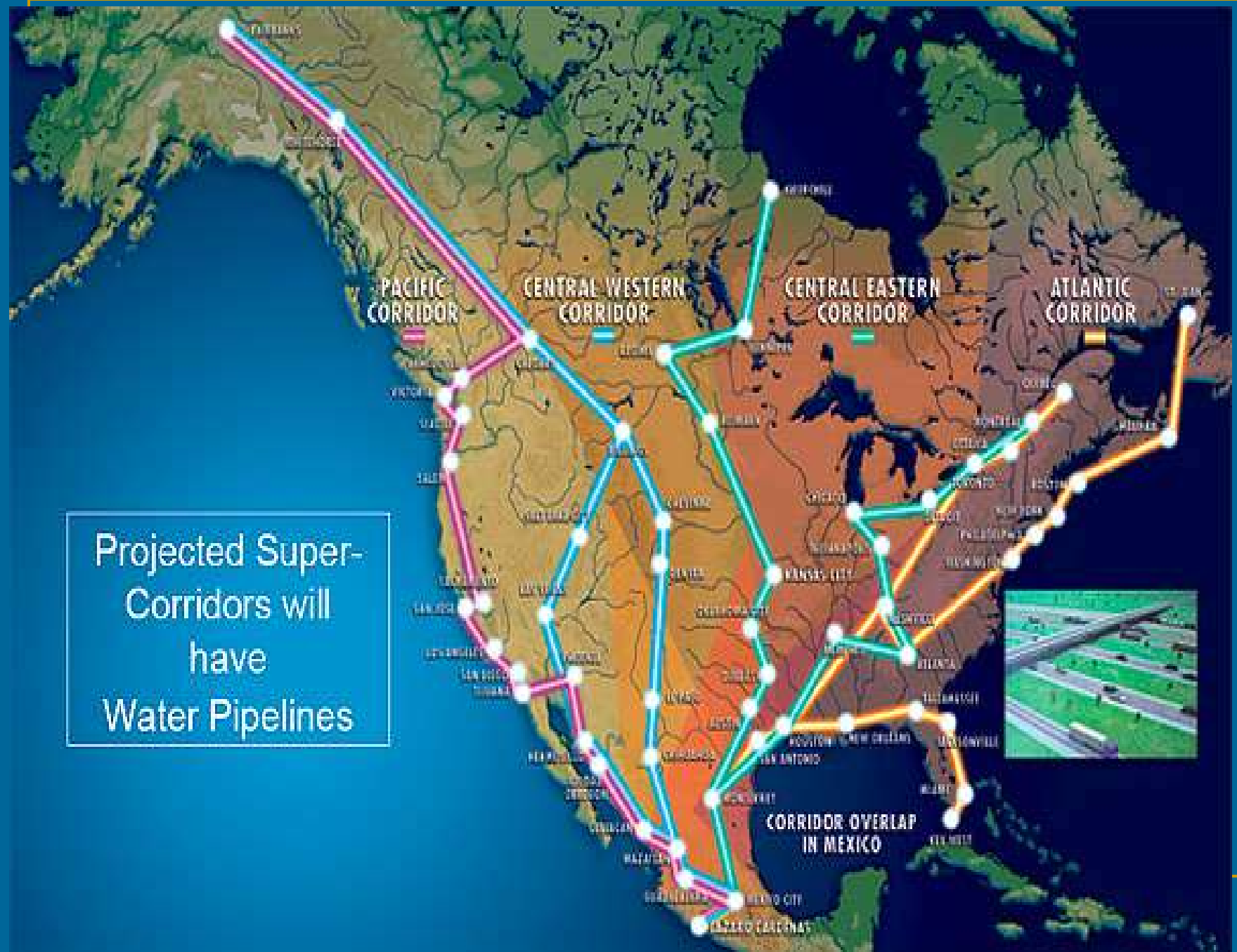


NAFTA: North American Free Trade Agreement (NAFTA)

- Trade agreement ratified during the Clinton administration, which lowered trade barriers between the U.S., Canada, and Mexico. It caused concerns in the US as

- Some feared it would result in the loss of US jobs. Proponents of the agreement argued, however, that NAFTA would benefit the economy by allowing U.S. businesses greater access to foreign markets. = Promotes free trade.

Projected Super-Corridors will have Water Pipelines



SSEIN2:d

- Evaluate arguments for and against free trade.

FREE TRADE:

- Open trade between nations without any barriers to imports.

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- People who oppose strong tariffs and quotes could argue that the barrier will lead to higher prices and fewer imported goods.
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Arguments for Trade Restrictions

1. Protecting National Security/ Defense Argument

- - for defense reasons, the US should produce certain items we may not have comparative advantage in (aircraft, chemicals, weapons, etc)

2. Protecting Infant-Industry Argument

- - new industries can not compete with multi-national industries
- - trade should be restricted until they mature and can compete on the same level

3. Anti-Dumping Argument

- free trade would allow countries to sell goods in other countries at a price that's lower than their cost to drive out business in the domestic country

4. Foreign-Export-Subsidies Argument

- similar to dumping, but the government helps companies sell their goods at a price lower than cost

5. Protecting workers in developing countries from unfair Labor practices...Low-Foreign-Wages Argument

- Industrialized countries can't compete with other countries because they do not have the wage restrictions

6. Saving-Domestic-Jobs Argument

- because of some of these other reasons (low foreign wages, export subsidies) domestic producers will go out of business and those domestic jobs will be lost
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SSEIN3









- The student will explain how changes in exchange rates can have an impact on the purchasing power of individuals in the U.S. and in other countries.

- Define exchange rates as the prices of one nation's currency in terms of another nation's currency.

Exchange Rates

- Relative values of different currencies are expressed as an exchange rate, the price of one nation's currency in terms of another nation's currency.

Exchange Rates

Symbol	 USD	 EUR	 GBP	 AUD
 USD	1	0.7582	0.6292	0.9728
 EUR	1.3192	1	0.8299	1.2829
 GBP	1.5896	1.2049	1	1.5459
 AUD	1.0283	0.7794	0.6468	1

Fixed Exchange Rate

- Establishes a price for a foreign currency that is tied to a stable currency of a developed country.

Ex. China, Belize, and Panama

Floating Exchange Rate

Is Determined by supply
and Demand Rate

Ex. US, Japan,
Canada, and Romania

Appreciation

- Refers to an increase in the value of a currency in relative to another

Depreciation

- Refers to a decrease in the value of one currency relative to another

- Interpret exchange rate in regards to appreciation and depreciation of currency

	1 YEN	1 US DOLLAR	1 EURO
YEN	1	96.86	125
US DOLLAR	.03	1	1.22
EURO	.0024	.78	1

SSEIN3:c

- Explain why, some groups benefit and other lose when exchange rate change

Appreciation and Depreciation

- Some Americans benefit from a strong dollar, while others benefit from a weak dollar.

Strong, Appreciate Dollar

- Imports increase and are cheaper from consumers to buy
- Travel abroad is cheaper for American Tourists
- U.S. Exports decline
- U.S. trade deficit increase

Weak or depreciated dollar:

- U.S. exports increase and the prices of exports go up
- Travel abroad is more expensive for American tourist
- U.S. imports decline and the price of imports increase
- Foreign investment in U.S. businesses increase.

- Imports will increase and exports will decrease if the US dollar becomes stronger relative to other currencies.

Depreciation

- Who benefits when a currency Depreciates?
- Hint: Countries will devalue its currency if the trade deficit is high. Why?

- Foreign governments with US Treasury Bonds benefit when the US dollar depreciates against other currencies explain...