

# GUIDED READING Activity 18-1

For use with the textbook pages 473-477

## THE BENEFITS OF WORLD TRADE

### RECALLING THE FACTS

**Directions:** Use the information in your textbook to answer the questions.

- 1. How important are imports and exports to the United States economy?

Imports:

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Exports:

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- 2. Why do nations benefit from world trade?

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- 3. What factors support the high-tech economy of the United States?

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- 4. What is absolute advantage?

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- 5. How does specialization work to determine imports and exports?

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- 6. What is a comparative advantage?

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- 7. When does the principle of comparative advantage benefit two trading countries?

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# GUIDED READING Activity 18-2

For use with the textbook pages

## **F**INANCING WORLD TRADE

### **OUTLINING**

**Directions:** Locate the heading in your textbook. Then use the information under the heading to help you write each answer.

**I.** Introduction

**A.** What is the exchange rate?

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**B.** What is the purpose of foreign exchange markets?

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**II.** Fixed Exchange Rates

**A.** What is a fixed rate of exchange?

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**B.** What were the advantages of a fixed rate of exchange?

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**C.** What is devaluation?

\_\_\_\_\_

**D.** Why did fixed exchange rates prove to be impractical?

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**III.** Flexible Exchange Rates

**A.** What forces are at work to set the price of various currencies today?

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**B.** What is depreciation of a nation's currency?

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**C.** How does political or economic instability affect a nation's currency?

\_\_\_\_\_

**IV.** Balance of Trade

**A.** What is a balance of trade? \_\_\_\_\_

**B.** When does a positive trade balance exist? \_\_\_\_\_

**C.** What is a trade deficit? \_\_\_\_\_

**D.** How has the trade deficit benefited the United States?

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# GUIDED READING Activity 18-3

For use with the textbook pages 486–489

## R

# RESTRICTIONS ON WORLD TRADE

### FILLING IN THE BLANKS

**Directions:** Use your textbook to fill in the blanks using the words in the box. Some words may be used more than once.

embargo	revenue tariff	protectionists
protective tariff	General Agreement on Tariffs and Trade (GATT)	tariff
barriers	import quota	World Trade Organization (WTO)
quota system	national economic security	imports and exports
comparative advantage	North American Free Trade Agreement (NAFTA)	European Union (EU)

**Introduction/Three Ways to Restrict Imports**

There are three major barriers to world trade: the **1** \_\_\_\_\_, the quota, and the embargo. A **2** \_\_\_\_\_ is used primarily to raise income without restricting imports. While a **3** \_\_\_\_\_ is designed to raise the cost of imported goods and thereby protect domestic products. An alternative method for restricting imports is the **4** \_\_\_\_\_. An **5** \_\_\_\_\_ restricts the number of units of a particular good that can be brought into the country. An **6** \_\_\_\_\_ is a complete restriction on the import or export of a particular good.

**Arguments Against Free Trade**

Since World War II, the trend has been to relax **7** \_\_\_\_\_ to world trade. However, **8** \_\_\_\_\_ want trade restrictions, based on the arguments of job security, **9** \_\_\_\_\_, and the protection of new industries.

**Arguments for Free Trade**

People who want free trade believe that **10** \_\_\_\_\_ should not be restricted. The three main arguments for free trade are improved products, export industries, and specialization and **11** \_\_\_\_\_. Under the **12** \_\_\_\_\_, countries met to negotiate tariff reductions that were advantageous to all members. The **13** \_\_\_\_\_ replaced GATT; it constitutes the most far-reaching global trade agreement in history. The **14** \_\_\_\_\_ increased trade between the United States, Mexico, and Canada. Yet, under the **15** \_\_\_\_\_, many countries in Europe eliminated most restrictions on trade and began putting into place a common currency.

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