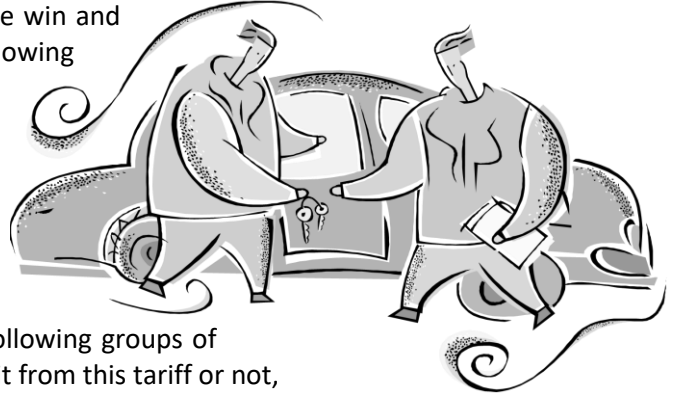


TRADE CASES: WHO WINS AND WHO LOSES?

Governments may impose several types of policies that either encourage or discourage free trade between nations. For example, they may impose or reduce tariffs and quotas, or they may sign or fail to sign free trade agreements. In each case, some people win and some people lose from the policy. Complete the following exercise to help you to identify some of the winners and losers from a hypothetical example involving a tariff, a tax on imports.



Say that the United States is considering imposing a tariff on cars imported into the United States from foreign countries. This tariff would result in raising the price on all imported cars by \$500. For each of the following groups of people, **IDENTIFY** whether you think they would benefit from this tariff or not, and **GIVE REASONS** for your answer.

- A. Workers living in Detroit employed by a United States auto manufacturer, making cars that are sold primarily in the United States.

- B. Young couples and other consumers in the United States saving to buy a new car. They have been comparison shopping in order to find a car that best suits their needs and limited incomes.

- C. California farmers producing agricultural goods that are exported to foreign countries. A good portion of these exports are bought by countries that export cars to the United States.

- D. Stockholders and workers in United States companies that deal in imports and exports. For example, a salesperson for a car dealership that sells cars imported from Europe.

TRADE POLICIES: MIX AND MATCH

MATCHING

Match each of the trade policy terms with the correct definition.

- | | | |
|-------|----------------------|---|
| _____ | Boycotts | A. A nation's attempt to control people outside of its territorial limits. |
| _____ | Domestic Policy | B. Countries place limits on how much of a good can be brought into a country through this. |
| _____ | Domino Effect | C. Happens when countries retaliate against each other with trade policies (like tariffs or embargoes). |
| _____ | Embargoes | D. Laws and regulations designed to help protect domestic markets. |
| _____ | Extra-Territoriality | E. Limiting trade of certain products for political reasons. |
| _____ | Foreign Policy | F. Policy decisions that affect how we interact with foreign nations. |
| _____ | Free Trade | G. Policy decisions that affect issues inside a country. |
| _____ | Protectionism | H. Policy that promotes the exchange of goods & services between countries... leads to more competition and variety of products. |
| _____ | Quotas | I. Providing money to domestic producers to allow them to sell goods more cheaply than their foreign competitors. |
| _____ | Sanctions | J. Taxes that raise the price of a good when it is brought into another country. |
| _____ | Subsidies | K. The actions of people, not governments, to restrict the purchase of products from unfriendly nations. |
| _____ | Tariffs | L. The chain reaction of events resulting from one trade policy decision. |
| _____ | Trade War | M. Totally blocking trade with a country for political reasons. |

WHAT ARE THEY TALKING ABOUT?

Using the list of terms above, identify the main topic(s) in each of the statements below.

1. "We should limit the number of cars coming into this country." _____
2. "The U.S. is always trying to control what other countries do." _____
3. "I'm going to stop buying Swiss cheese because I hate Switzerland." _____
4. "The government provides money to farmers to keep them competitive." _____
5. "Don't block imports of Chinese goods, because they will turn around and block imports from the U.S., and on and on..." _____
6. "We should just make it more expensive for people to buy imports." _____
7. "If the Canadians don't behave themselves, we should stop buying some or all of their weird Canadian stuff." _____