

# Chapter Summary

## International Trade And Economic Systems

### Lesson 1 *Why and How Nations Trade*

- Nations solve the problem of scarcity by importing products from other countries and exporting products to other countries (trade).
- Depending on resources, some countries can produce goods at a lower opportunity cost (comparative advantage).
- Importing low-cost products has a negative effect on domestic businesses because they cannot sell the same products at the same low price.
- The government protects U.S. businesses by limiting imports through the use of tariffs, import quotas, and subsidies.
- The United States, Canada, and Mexico created the largest free trade zone in the world with the North American Free Trade Agreement (NAFTA).
- The World Trade Organization oversees trade agreements and settles trade disputes for its 153 member nations.
- Nations that export more than they import have a positive balance of trade, or a trade surplus. Nations that import more than they export have a negative balance of trade, or a trade deficit.
- Exchange rate is the value of one country's currency in relation to the value of another country's currency.

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### Lesson 2 *Economic Systems and Development*

- In a market economy, private individuals decide the basic economic questions: what to produce, how to produce, and for whom to produce.
- In a command economy, the government decides the basic economic questions: what to produce, how to produce, and for whom to produce.
- The United States has a mixed-market economy, in which the government makes regulations such as minimum wage and safe-workplace laws.
- Worldwide, 35 countries are considered developed, which means that they have plentiful goods and high-quality health care.
- Countries such as India and China have taken steps toward development (newly industrialized countries) but still have low per capita GDP and poor standards of living.
- Obstacles to development include a high rate of population growth, trade barriers, location (especially landlocked countries), war, national debt, and corruption.