

Vocabulary Practice - Trade

Absolute Advantage (Adam Smith) = Specialization of labor & production

Comparative Advantage (David Ricardo) = Lowest mathematical opportunity cost

Import = goods/services in – Cash out

Export = goods/services out – Cash in

Free Trade = unrestricted trade across borders allowing lower prices for consumers.

Protectionist = desires restrictions on trade (tariffs, trade quotas, licensing regulations, etc.) to “protect” jobs and balance trade.

NAFTA Success and Advantages

(Member-countries: U.S. Mexico, and Canada)

- NAFTA has eliminated trade barriers, increased investment opportunities, and established procedures for resolution of trade disputes in member-countries.
- It has increased the competitiveness of the member-countries on the global marketplace: This has become especially important with the launch of the European Union.
- In 2007, the EU replaced the U.S. as the world's largest economy but NAFTA remains the largest world economy.
- Each member-country boasts unique advantages that allows it to produce certain goods or services more cost-efficiently than other countries.
- By eliminating tariffs, NAFTA allows member-countries to focus their productive efforts on their natural advantages.
- Consumer prices for imported goods are kept under control within member-countries because import prices are not artificially inflated by tariffs.
- This allows importers to purchase more goods and services, which in turn allows the exporters to produce more, increasing their nation's Gross Domestic Product. (GDP)
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NAFTA Failures and Costs

- Since labor is cheaper in Mexico, many manufacturing industries moved part of their production from the high-cost of manufacturing in the United States. Between 1994 and 2002, the U.S. lost 1.7 million jobs, gaining only 794,000, for a net loss of 879,000 jobs. Nearly 80% of these jobs were in manufacturing. California, New York, Michigan and Texas were hit the hardest because they had high concentrations of the industries that moved plants to Mexico. These industries included motor vehicles, textiles, computers, and electrical appliances.
- Not all companies in these industries moved to Mexico. Many used the threat of moving during union organizing drives. When it became a choice between joining the union or losing the factory, workers chose keeping the factory open (not joining the union). Without union support, the workers had little bargaining power. This suppressed wage growth. Between 1993 and 1995, 50% of all companies in the industries that were moving to Mexico used the threat of closing the factory. By 1999, that rate had grown to 65%.
- The 2002 Farm Bill subsidized U.S. agribusinesses up to 40% of net farm income. When NAFTA removed tariffs, U.S. corn and other grains were exported to Mexico below cost. At the same time, Mexico reduced its subsidies to farmers from 33.2% of total farm income in 1990 to 13.2% in 2001. Most of those subsidies went to Mexico's large farms. Many small Mexican farmers were put out of business.
- In response to NAFTA competitive pressure, Mexico agribusinesses used more fertilizers and other chemicals, costing \$36 billion per year in pollution. Rural farmers expanded into more marginal land, resulting in deforestation at a rate of 630,000 hectares per year. The cost to Mexico's environment is enormous.
- Many Mexican border town workers were exploited. NAFTA expanded the maquiladora program, in which U.S.-owned companies employed Mexican workers near the border to cheaply assemble products for export to the U.S. This grew to 30% of Mexico's labor force. These workers have "no labor rights or health protections, workdays stretch out 12 hours or more, and if you are a woman, you could be forced to take a pregnancy test when applying for a job," according to Continental Social Alliance.
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North American Map Activity (NAFTA)

1-Highlight the borders of US/Canada and US/Mexico in yellow marker. (2 pts)

2-Draw 2 actual routes for trucks or railroads to and from major cities in Mexico and Canada through the U.S. Label the highways with their numbers. (4 pts)

3-Research 4 major industries/products that benefit from NAFTA. Use symbols to show where these industries/products are located or originate. Make a legend for the map showing what these symbols mean. (4 pts)

4-Research 4 major manufacturing border cities in Mexico. Locate and label these cities on the map. (4 pts)

5-Locate and name 2 ocean ports that would be important to NAFTA trade. (2 pts)

6-Identify 2 border obstacles that challenge NAFTA on the back of the map. (4 pts)

Total _____ (20 pts)

Answer Key North American Map Activity

- 1- US/Canada and US/Mexico
- 2- Follow an Eastern route from Mexico City, Monterrey and thru San Antonio and Dallas splitting up to Chicago, Detroit, Toronto and Montreal, and the 2nd split to the Northeast US and into Montreal.
- 3- Varied Answers: Canada: Oil Shale, Grains, Lumber, Iron Ore, Gold, Silver. US: Oil, Coal, Copper, Lumber, Grains, Cotton, Rice. Mexico: Agriculture (fruits/vegetables), tourism, Copper, Oil.
- 4- Varied Answers: Cities South of California, Arizona, New Mexico and Texas.
- 5- Varied Answers: Maya and Baja (Mexico), New Orleans, Houston/Galveston, Mobile (US)
- 6- Varied Answers: Homeland security, drug trafficking, human trafficking, illegal alien labor, lower standards (inspection/safety) in the trucking industry, environmental violations, border pollution, border crime, poverty and slums.

Europe Map Activity (EU)

- 1- Color (yellow) and label the original 15 members of the EU. Be sure to indicate what yellow means in your map legend. (3 pts)
- 2- Color (orange) and label the rest of the current 27 members of the EU. Be sure to indicate what orange means in your map legend. (5 pts)
- 3- Of the original 15 EU Nations, which three have not adopted the Euro Zone. Put a star on these countries. Be sure to indicate what a star means in your map legend. (3 pts)
- 4- Based now on your map what four European Countries are not in the EU? Color (green) and label these countries. Be sure to indicate what green means in your map legend (4 pts)
- 5- Based now on your map which five countries possibly could be future candidates to join the EU? Put a circle on these countries. Be sure to indicate what a circle means in your map legend. (5 pts)
- 6- At the present time, viewing your map, what are two EU members that require seaports to facilitate trade? (2 pts)

- 1- Belgium, France, Germany, Italy, Luxembourg, Netherlands, (original 6-1959) United Kingdom, Ireland, Denmark, (1973) Greece, (1981) Spain, Portugal, (1986) Austria, Finland, & Sweden. (1995)
- 2- The European Union is composed of 27 sovereign Member States: Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom.
- 3- United Kingdom, Denmark, Sweden
- 4- Four Western European countries that are not EU members have partly committed to the EU's economy and regulations: Iceland (a candidate country for EU membership), Liechtenstein and Norway, which are a part of the single market through the European Economic Area, and Switzerland, which has similar ties through bilateral treaties.
- 5- There are five official candidate countries, Croatia, Iceland, Macedonia, Montenegro and Turkey. Albania, Bosnia and Herzegovina and Serbia are officially recognized as potential candidates. Kosovo is also listed as a potential candidate but the European Commission does not list it as an independent country because not all member states recognize it as an independent country separate from Serbia.
- 6- United Kingdom, Ireland, Sweden (although an 2-lane auto bridge connects with Denmark), Finland, and Greece (Although round about land via Austria, Hungary, Romania, and Bulgaria.)