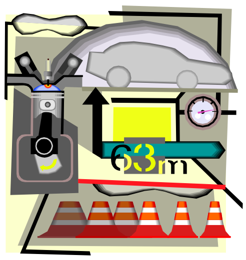


Trade is the buying and selling of goods and **services**. The products that are **exchanged** are things that people grow or make, like food to eat, machines to work with or clothes to wear. **Services** are things that people do for others, like working in bank, caring for old people or teaching pupils.

WHY DO WE TRADE?

Trade happens because people need or want things that they don't have. We also trade for work that we cannot do ourselves. Trade between countries happens for the same reason. Some countries, for example, have natural **resources**, like coal, oil or wood which other countries might want to buy. They try to sell the goods, products or services that they have too much of to other countries. They earn money from these **sales** and then can buy the things that they themselves need and cannot produce **on their own**.

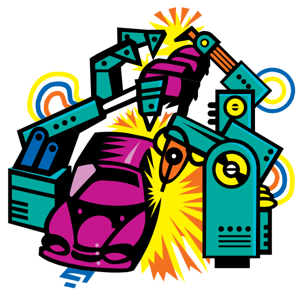
Both producers and **consumers** profit from international trade. If countries can produce **goods** more cheaply than others because they specialize on them why not let them. They make more money on one side and **consumers** in other countries can buy goods that are cheaper.

Even though many nations have a lot of different goods to export there are countries that **depend** only on one or two products to get money. Saudi Arabia, Kuwait and other countries of the Middle East **depend** on oil exports, because it is pretty much the only thing that they can sell. Poor countries in Africa **depend largely** on the export of tropical farm products to get money.

Each year goods and **services** worth about 11 **trillion** dollars ($ 11 000 000 000 000) are traded all over the world. The biggest exporting nations are The United States, France, Germany, the United Kingdom, Canada and Japan.

The difference between what a country exports and what it imports is called the **balance of trade**. If a country exports more than it imports we call this a trade **surplus**. And if a country pays more for its imports than it gets for its exports it has a trade **deficit**.

HOW TRADE IS LIMITED



In some countries the government controls all trade and in others it allows companies and firms to trade freely. **However** all governments control trade in some way.

Sometimes a government **forbids** companies to buy or sell dangerous or **illegal** products, or military technology. When companies **expand** and get bigger they often **take over** others and form a **monopoly**. Governments pass **laws** to **prevent** companies from becoming too strong and powerful and from controlling the market.

Many governments try to help their own industries by making it more difficult to import **foreign** products. They put import **taxes** on **foreign** goods to make products more expensive and their own products cheaper. A government may also **limit** the number of products that it will buy from another nation. European countries, for example, may **limit** the number of cars that are imported from Japan or the USA. They want their people to buy European cars. We call this strategy **protectionism** because governments want to **protect** their companies and industries.

HISTORY OF TRADE

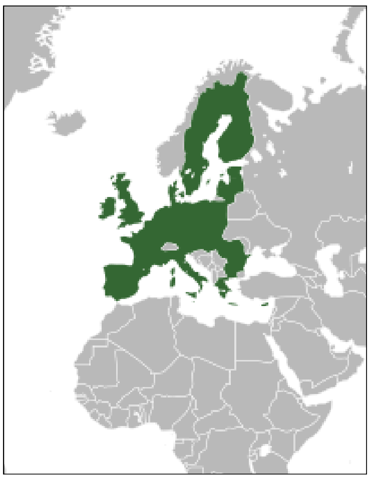
Trading is as old as **mankind**. The early civilizations of Mesopotamia or Egypt traded among themselves and with other people. **Gradually, trade routes developed** over land and sea. These were used to transport **spices**, salt, minerals and **jewels** over great **distances**.

In the 15th **century** Europeans started **exploring** the seas to find new **trade routes** to Asia. The Portuguese **explored** the coast of Africa, the Spanish, English and French **set across** the Atlantic and **founded** colonies in the New World.

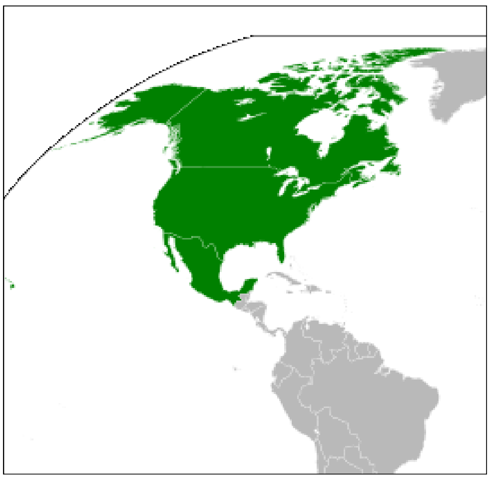
In the 1700s the Industrial Revolution began in Great Britain. During the following two **centuries** it became the most powerful trading nation in the world. The British sold goods to its colonies and **received** raw **materials** from them.

During this **era** governments did not **interfere** much with free trade. As a result many **owners** became very rich. They kept all the money themselves and paid workers badly. In the first half of the 20th century World War I and the **Great Depression** led to the **decline** of world trade. Many governments **introduced** new plans to help their own companies workers.

After the Second World War the big countries of the free world tried to **improve** free trade. Some have formed **trading blocs** that trade freely. The biggest of them are the European Union, NAFTA and South America's Mercosur. About 150 countries are members of the World Trade Organization, an institution that **sets up rules** for world trade.



The European Union



NAFTA—The United States, Canada and Mexico

<u>WORDS</u>

- **balance of trade** = the difference in value between the goods that you buy an the goods that you sell
- **century** = a hundred years
- **consumer** = a person who buys something
- **decline** = to go down
- **deficit** = to have less than you need
- **depend on** =here: to need something very much
- **distance** =how far away something is
- **era** = time
- **even though** =while
- **exchange** = to give and get something in return
- **expand** = to get bigger
- **explore** = to travel around an area in order to find out something about it
- **forbid** = not allow
- **foreign** = from another country
- **found** = to setup, start
- **gradually** = slowly
- **Great Depression** = the economic problems that followed the Wall Street crash of 1929; it started in the USA and spread to Europe and the rest of the world; many banks and companies had to close down and people lost their jobs
- **however** =but
- **illegal** = against the law
- **improve** = to make better
- **interfere** = to get involved in
- **introduce** = to show for the first time
- **jewel** = a valuable stone or rock
- **largely** = very much
- **law** =the system of rules that a country has
- **limit** = control, regulate , reduce
- **mankind** = all the humans as a group
- **monopoly** = a large country that controls all the sales of a product
- **owner** = a person who has something
- **prevent** = to stop something from happening, not to let something happen
- **protectionism** = when a government tries to help its own industries by putting a tax on products that it imports
- **raw materials** =things that exist in nature and that people use, like wood, coal or oil
- **receive** = get
- **resources** = same as "*raw materials*"
- **rule** =an instruction that says how something must be done
- **sale** = when you sell something
- **services** = the work that someone does for another person or organization
- **set across** = here: sail across
- **set up** = make
- **spice** = a kind of powder that you take from plants ; you put it into the food that you cook to give it a special taste
- **surplus** = to have more than you need
- **take over** = to control
- **tax** =money that the government collects from people and uses for services
- **trade route** = a way across land or sea used by traders in the past
- **trading bloc** = a group of countries that trade freely with each other
- **trillion** = a number with twelve zeros