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**Trade Barriers and Economics**

1. How would a tariff help business in your country?
2. How would quotas help businesses in your country?
3. Why would a country implement an embargo against another country?
4. Explain how exchanging currencies makes trade with other countries expensive?
5. How would eliminating trade barriers (like tariffs, quotas, and embargos) affect international trade (trade between countries)

6. Write a paragraph that compares and contrasts quotas, Embargos, and tariffs.

**Directions: Take on the role of a government official in United Kingdom. Draft a letter to other European countries about the effects that trade barriers have on Europe (since there are so many countries in such a small area. The letter should propose a solution to the problem of trade barriers in Europe. You must use all vocabulary terms to receive full credit for this assignment.**

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Countries sometimes set up trade barriers to restrict trade because they want to sell their own goods to their own people. They don’t want foreign competition to come in with lower prices! Just about every country has some restrictions on foreign imports. Trade barriers include:

* Tariffs are taxes placed on imported goods. Tariffs cause the consumer to pay a higher price for an imported item, increasing the demand for lower-priced item purchased from the home country.
* Quotas are restrictions on the amount of a good that can be imported into a country. Quotas can cause shortages that cause prices to rise.
* Trade embargos forbid trade with another country.

Because every country does not use the same type of money, international trade requires a system for exchanging currencies between nations. Money from one country must be converted into the currency of another country. This system is called foreign exchange. The exchange rate of 5 Euros to the dollar means that five euros are worth the same as one dollar.

Banks will exchange currency from foreign country, but they charge a fee to do this. This means that purchases across countries wind up costing more money if people must exchange currency.