

# Barriers To Trade Lesson 2 Activity 51 Answers

## Unit 6 Macroeconomics LESSON 2

### *Government Intervention in International Trade*

#### **Introduction and Description**

The last lesson demonstrated the benefits of trade among nations, showing that total output increased. Nevertheless, most nations attempt to create barriers to trade using tariffs, quotas or regulations. Trade barriers limit the gains from trade and tend to reduce competition and economic efficiency.

Activity 51 presents a simple, single-graph model to analyze barriers to trade. The students work through the graphical analysis to determine the effects on the domestic economy.

#### **Objectives**

1. Define tariffs, quotas and regulations to limit trade.
2. Describe policies that are intended to protect the domestic economy from the effects of international trade.
3. Explain the effects of tariffs, quotas and subsidies on domestic production and the prices domestic consumers pay.
4. Explain the arguments for and against protectionist policies.

#### **Time required**

One class period or 45 minutes

#### **Materials**

1. Activity 51
2. Visual 6.3

#### **Procedure**

1. Review the definitions of tariffs, quotas and regulations to limit trade. Discuss some examples. For example, the United States imposes a tariff of more than 10 percent on imports of textiles and shoes. A good example of a quota is the voluntary export restraint (VER) Japan agreed to in the 1980s limiting the number of cars it exported to the United States. An example of a

regulation to limit trade is the Federal Drug Administration's test requirements on pharmaceuticals imported into the United States.

2. Project Visual 6.3. Work through the imposition of a tariff to be sure the students understand the graph. Add the line "Total Supply with Tariff" to the graph between the "Domestic Supply" line and the "Total Supply" line. Discuss the total impact of the tariff on the quantity supplied by foreign companies and the quantity supplied by domestic firms. Emphasize that, for domestic consumers, the price is higher and the quantity available is smaller than under free trade.
3. Discuss the arguments in support of limitations on trade: the national defense argument, the infant industry argument, the "dumping" argument, preservation of domestic jobs, maintenance of a diverse and stable economy, and prevention of exploitation. Most of these arguments do not stand up to scrutiny. Limitations on trade fundamentally allow domestic producers to be inefficient and increase the costs to domestic consumers.
4. Review the history of tariffs in the United States. Make the following points:
  - With the Smoot-Hawley Act of 1933, tariffs reached a high average rate of 20 percent.
  - Over time, the United States has attempted to reduce tariffs using trade agreements such as the North American Free Trade Agreement. In the Uruguay Round (1986 to 1994) of World Trade Organization negotiations, the United States negotiated its lowest rate ever.
5. Have the students start Activity 51 and complete it for homework.
6. Review Activity 51.

**Barriers to Trade Lesson 2 Activity 51 Answers** are crucial in understanding the complexities of international trade and the various factors that can inhibit or facilitate the exchange of goods and services between countries. Trade barriers can take various forms, including tariffs, quotas, subsidies, and non-tariff measures. This article will explore these barriers in depth, discuss their implications on trade, and provide insights into the answers for Lesson 2 Activity 51, focusing on identifying and analyzing different types of trade barriers.

# Understanding Trade Barriers

Trade barriers are government-imposed restrictions that can affect the flow of goods and services across international borders. These barriers are designed to protect domestic industries from foreign competition, but they can also lead to increased prices for consumers and limited choices in the marketplace.

## Types of Trade Barriers

Trade barriers can generally be categorized into two main types: tariff barriers and non-tariff barriers.

1. **Tariff Barriers:** These are taxes imposed on imported goods, making them more expensive compared to domestic products. Tariffs can discourage imports by increasing the cost for consumers.
2. **Non-Tariff Barriers:** These include a variety of restrictions that do not involve tariffs. Some common non-tariff barriers include:
  - **Quotas:** Limits on the quantity of a specific good that can be imported or exported during a given timeframe.
  - **Subsidies:** Financial support provided by governments to local businesses, allowing them to compete more effectively against foreign imports.
  - **Standards and Regulations:** Requirements related to health, safety, and environmental standards that foreign goods must meet to enter the market.
  - **Administrative Procedures:** Bureaucratic processes that can delay or complicate the importation of goods.

## Impacts of Trade Barriers

The implementation of trade barriers can have significant consequences for both domestic economies and global trade dynamics. Understanding these impacts is essential for comprehensively addressing the answers to Lesson 2 Activity 51.

## Positive Impacts

1. **Protection of Domestic Industries:** Trade barriers can shield local businesses from foreign competition, allowing them to grow and maintain jobs.
2. **National Security:** Certain industries critical to national interests can be protected through trade barriers.
3. **Development of New Industries:** By limiting foreign competition, emerging industries may have the chance to develop and establish themselves in the market.

## Negative Impacts

1. **Higher Prices for Consumers:** Tariffs and quotas can lead to increased prices for goods, as the costs are typically passed on to consumers.
2. **Limited Choices:** Trade barriers can restrict the variety of products available in the market, reducing consumer choice.
3. **Retaliation from Other Countries:** Imposing trade barriers can lead to retaliatory measures from other nations, escalating into trade wars that can harm economies globally.
4. **Inefficiencies in Domestic Markets:** Protecting local industries can lead to complacency, resulting in inefficiencies and a lack of innovation.

## Analyzing Activity 51: Identifying Barriers

In Lesson 2 Activity 51, students are tasked with identifying and analyzing different types of trade barriers. The following discussion provides a framework for understanding how to approach this activity effectively.

### Steps to Analyze Trade Barriers

1. **Identify the Type of Barrier:** Determine whether the barrier is a tariff, quota, subsidy, or non-tariff measure.
2. **Evaluate the Purpose:** Understand the rationale behind the barrier. Is it to protect a specific industry, safeguard national security, or achieve another goal?
3. **Assess the Impact:** Consider how the barrier affects domestic consumers, foreign producers, and the overall economy.
4. **Consider Alternatives:** Explore whether there are alternative methods to achieve the same goals without imposing trade barriers.

## Example Scenarios

To illustrate how to apply these steps, here are some example scenarios that may be included in Activity 51:

### 1. Scenario 1: Tariff on Steel Imports

- Type of Barrier: Tariff
- Purpose: Protect domestic steel producers from cheaper foreign steel.
- Impact: Higher prices for consumers and manufacturers relying on steel, potential retaliation from other countries.
- Alternatives: Implementing quality standards to ensure domestic producers improve efficiency.

### 2. Scenario 2: Quota on Dairy Products

- Type of Barrier: Quota
- Purpose: Limit the number of dairy imports to protect local dairy farmers.
- Impact: Reduced availability of dairy products, leading to higher prices and limited choices for consumers.
- Alternatives: Providing subsidies for local producers to enhance competitiveness.

### 3. Scenario 3: Safety Standards for Imported Toys

- Type of Barrier: Non-tariff barrier (regulatory)
- Purpose: Ensure safety and health standards are met by imported toys.
- Impact: May delay imports and increase costs for foreign manufacturers.
- Alternatives: Collaborating with international standards organizations to harmonize regulations.

## Conclusion: The Importance of Understanding Trade Barriers

In conclusion, **barriers to trade lesson 2 activity 51 answers** provide valuable insights into the complexities of international trade and the effects of government policies on market dynamics. By understanding different types of trade barriers, their purposes, impacts, and potential alternatives, students can develop a comprehensive view of global trade issues.

As countries navigate the delicate balance between protecting domestic interests and fostering international trade, the lessons learned from analyzing trade barriers will be instrumental in shaping future economic policies. By critically assessing trade barriers, students can contribute to discussions on how to create more equitable trade systems that benefit both domestic and international stakeholders.

## Frequently Asked Questions

## **What are common barriers to trade discussed in lesson 2 activity 51?**

Common barriers to trade include tariffs, quotas, subsidies, and non-tariff barriers such as regulations and standards.

## **How do tariffs impact international trade?**

Tariffs increase the cost of imported goods, making them less competitive compared to domestic products, which can reduce the volume of trade.

## **What is the purpose of quotas in trade?**

Quotas limit the quantity of a certain good that can be imported or exported during a specific time period, protecting domestic industries.

## **What role do subsidies play in trade barriers?**

Subsidies provide financial support to domestic producers, allowing them to lower their prices and compete against foreign imports.

## **Can you explain non-tariff barriers?**

Non-tariff barriers include regulations, standards, and administrative procedures that countries use to control the amount of trade across their borders.

## **How do trade barriers affect consumers?**

Trade barriers can lead to higher prices and fewer choices for consumers, as they limit the availability of foreign goods.

## **What is the impact of trade barriers on global trade relations?**

Trade barriers can lead to tensions between countries, potentially resulting in trade wars or retaliatory measures.

## **What strategies can countries use to overcome trade barriers?**

Countries can negotiate trade agreements, participate in international organizations, and engage in diplomacy to reduce or eliminate barriers.

## **How does lesson 2 activity 51 suggest measuring the impact of trade barriers?**

The activity may suggest using economic indicators, trade volume statistics, and consumer price indexes to assess the impact of trade barriers.

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