



# Trade Barriers

## STANDARDS:

**SS6E8 Analyze the benefits of and barriers to voluntary trade in Europe.**

- a. Compare and contrast different types of trade barriers such as tariffs, quotas, and embargoes.

Essential Question

Why would a  
country have  
barriers to trade?

# Barriers

- Trade barriers are natural or man-made obstacles to voluntary trade.
- Natural or physical trade barriers include mountain ranges, deserts, rainforests, or lack of access to bodies of water.
  - In Europe, the Alps make it difficult for northern Italy to trade with Switzerland. The countries are building tunnels through the mountains to help make trade easier.
- Political trade barriers are policies passed by a government to regulate trade.



# Italian Alps

# Barriers

- Trade is an important part of every country's economy.
- However, countries sometimes set up trade barriers to restrict trade because they want to produce and sell their own goods in their own country.
- To limit or control trade, countries set up trade barriers, such as tariffs, quotas, and trade embargoes.

# Tariffs

- Tariffs are taxes placed on imported goods.
- Tariffs are used to protect a country's own businesses from foreign competition.
- The added tax makes an imported good more expensive, thus encouraging the country's consumers to buy domestically produced items.

# Tariffs

- When countries outside of the European Union want to sell their goods in the EU, they must pay tariffs.
- This makes the non-EU products more expensive than the products made by EU members.
  - Which would you buy?
- Example: If a US company wants to export fruit to a country in the EU, the US company must pay a tariff which makes US fruit more expensive.



# Quotas

- Quotas are restrictions on the amount of a good that can be imported into a country.
- They are used to prevent too much of a good from entering a country.
- When there is too much of a good, prices fall and businesses don't make a profit.
- Quotas limits the amount of goods available, which causes prices to rise.
- They help protect a country's own businesses from foreign competition.

# Quotas

- The European Union places a quota on the amount of steel that can be imported from certain countries.
- The effect is similar to a tariff, because it makes steel from those countries harder to get, and more expensive.
- This helps steel producers within EU sell more steel.

# Embargo

- Embargoes are a political barrier to trade--a complete ban on trading.
- In an embargo, a nation forbids trade with another country--usually for political reasons.
- Refusing to trade with another country is a way to hurt it economically.

# Embargo

- Recently, the European Union began placing embargoes on the sale of certain weapons and other technologies to Iran.
  - This was done because the countries of the EU suspected Iran was trying to build nuclear bombs.
- EU countries hope that the embargo will make it difficult for Iran to build nuclear weapons.