

NAME \_\_\_\_\_ HR \_\_\_\_\_ DATE \_\_\_\_\_

# CANADA: VOLUNTARY TRADE AND NAFTA

## SPECIALIZATION

### Why Trade?

- Voluntary trade occurs when different countries CHOOSE TO ENGAGE EACH OTHER in the exchange of goods with one another.
- Countries trade goods because no country \_\_\_\_\_ necessary to produce every single thing its people need.
- Voluntary trade is good for countries because it lets a country \_\_\_\_\_ and buy the resources it needs.

### Specialization

- Because countries cannot produce all of the goods/services that they need, they must specialize in \_\_\_\_\_.
- Specialization is an EFFICIENT WAY TO WORK, and the cost of items produced is lower.
- It increases trade because a country can get what it needs at the \_\_\_\_\_ when produced by someone who specializes in producing that item.

### How It Works

- For example, Canada's climate is too cold to grow coffee beans, so it \_\_\_\_\_. Canada also imports soybeans and rubber from Brazil. In turn, Canada \_\_\_\_\_ and turbo propellers to Brazil because Brazil had insufficient technology in place to manufacture them.
- SPECIALIZATION HELPS these two countries.

### Canada

- Canada specializes in the following exports: motor vehicles and parts, industrial machinery, aircraft, telecommunication equipment, chemicals, plastics, fertilizers, wood pulp, \_\_\_\_\_, crude petroleum, natural gas, electricity, & aluminum.
- Nearly \_\_\_\_\_ of Canada's exports are sold to the United States.

## TRADE BARRIERS

### Barriers

- Trade barriers are natural or man-made \_\_\_\_\_ to voluntary \_\_\_\_\_.
- **Natural trade barriers** include \_\_\_\_\_, deserts, rainforests, or lack of access to bodies of water.
- In Canada, the St. Lawrence Seaway is \_\_\_\_\_ for several months out of the year due to the climate. Shipping cargo is impossible during this time.
- **Political trade barriers are policies** passed by a \_\_\_\_\_ to regulate trade.

### Tariffs & Quotas

- They cause the consumer to pay a \_\_\_\_\_ for an imported item (from another country), thus increasing the demand for a lower priced-item produced domestically (made in our country).
- Tariffs are \_\_\_\_\_.
- For example, Canada could place a tariff on all imported paper products (from other countries), thus making Canadian paper products \_\_\_\_\_ (people buying paper in Canada).
- Quotas are restrictions on the \_\_\_\_\_ that can be imported into a country.

### Embargo

- Embargoes are a \_\_\_\_\_ barrier to trade.
- In an embargo, a nation \_\_\_\_\_ with another country.
- In recent years, Canada has joined the US and European Union in an economic \_\_\_\_\_ in regards to its nuclear program.

## CURRENCY EXCHANGE

### Currency Exchange

- Currency is something that is \_\_\_\_\_ and can be used to purchase goods and services in a market.
- Money from one country must be converted into the currency of another country to \_\_\_\_\_ in that country.
- What the currency of a nation is worth in terms of another country's currency is called the exchange rate.
- For example, an exchange rate of 1.34 Canadian dollars to the US dollar means that 1.34 Canadian dollars are worth the same as 1 US dollar.
- Foreign exchange makes it easier to trade all around the world.

## NAFTA

- On \_\_\_\_\_, the governments of Canada, Mexico, and the United States entered into an agreement called the North American Free Trade Agreement.
- NAFTA was written to create a Free \_\_\_\_\_ Area in North America.
- "Free Trade" means that countries may freely trade goods with each other without having to pay a \_\_\_\_\_ (tax) on those goods.
- NAFTA lowered trade barriers between the three countries and became the world's \_\_\_\_\_ zone.
- The agreement opened the door for free trade, ending tariffs on various goods and services, and implementing equality between \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_.
- NAFTA greatly \_\_\_\_\_ trade and economic integration in North America.

### Functions

- NAFTA's key functions include:
  1. \_\_\_\_\_ tariffs
  2. Removing restrictions on investments
  3. Removing \_\_\_\_\_ barriers at border crossings
  4. Establishing tough standards for \_\_\_\_\_, health, and safety regulations
  5. Improving \_\_\_\_\_ conditions

### Positives

- Free trade increases sales and profits for Mexico, Canada and the U.S., thus strengthening their \_\_\_\_\_.
- Free trade is an opportunity for the U.S. to provide \_\_\_\_\_ to Mexico by making jobs available in factories located there.

### Negatives

- Free trade has caused more \_\_\_\_\_ than gains, especially for higher-wage jobs.
- People work for lower wages and there are fewer labor regulations in Mexico, so American factories have \_\_\_\_\_.
- Factories, called maquiladoras, are built on the Mexican border and workers are hired there to make goods at a \_\_\_\_\_ than workers would be paid in the U.S.
- Mexico \_\_\_\_\_ have as strict \_\_\_\_\_ as Canada & U.S., so when factories move across the border, they are contributing to North America's \_\_\_\_\_ problem.
- Some argue that our borders should be open like the EU does in Europe, while others feel the borders should be closed.

## Today

- Trade between US, Mexico, & Canada has more than tripled since 1994.
- **Unfortunately, NAFTA still has its problems.**
- \_\_\_\_\_ in Mexico were put out of business by cheap U.S. agricultural exports.
- They were forced to move to bigger cities, \_\_\_\_\_, pollution, overcrowding, and illegal immigration to the U.S.
- The population of \_\_\_\_\_ in the U.S. in 1990 was 2 million, now it's around 11 million.
- There is major \_\_\_\_\_ in the boomtowns that have grown up around the maquiladoras.

## NAFTA 2.0

- November 30, 2018 Canada, the US, and Mexico signed the \_\_\_\_\_.

## USMCA

- Farmers have more access to Canadian \_\_\_\_\_.
- Medicine patents are now protected for 10 years.
- Intellectual Property: Copyright protection for \_\_\_\_\_ (used to be 50)
- No \_\_\_\_\_ and protects internet companies from being liable for any content that their users produce (think YouTubers)
- AUTOMAKERS: In order to have a \_\_\_\_\_, cars must have at least \_\_\_\_\_% of their parts made in North America (under NAFTA it was only 62.5%)
- The parts also have to be made by workers who make \$ \_\_\_\_\_ or more per hour.
- Will be reviewed every \_\_\_\_ years and renegotiated after \_\_\_\_\_ years.
- President Trump signed it into law on \_\_\_\_\_ after Congress voted to ratify the new agreement.