

FILL IN THE BLANK (note: some terms will not be used)

absolute advantage
balance of payments
balance of trade
bill of exchange
commercial invoice
comparative advantage
credit risk insurance

currency futures
developing country
embargo
exchange controls
exports
floating exchange rates
foreign debt

global stock index
imports
infrastructure
less-developed country (LDC)
letter of credit
quota
tariff

1. _____ exists when a country can produce a good or service at a lower cost than other countries.
2. A(n) _____ is a tax that a government places on certain imported products.
3. _____ is when a country specializes in the production of a good or service at which it is relatively more efficient.
4. A(n) _____ exists when a government stops the export or import of a product.
5. Items bought from other countries are called _____.
6. The difference between a country's total exports and total imports is called its _____.
7. _____ is the difference between the amount of money that comes into a country and the amount that goes out.
8. _____ represents the transportation, communication, and utility systems of a nation.
9. _____ is a country with little economic wealth and an emphasis on agriculture or mining.
10. _____ is a nation characterized by an improving educational system, increasing technology, and expanding industries.

THINK CRITICALLY

11. High tariffs are sometimes used by a country to protect its new and developing industries. What are two examples of new and developing industries either in the United States or in other countries? Do you think that such industries should be protected by high tariffs? If so, how long should they be protected? Give reasons for your answer.

12. What are some concerns associated with an unfavorable trade balance? What actions might be taken by a country to reduce an unfavorable trade balance?

13. Describe situations in which the financial markets of a country might affect the economies and companies of other countries.

14. To what extent should the government of a country help companies expand their exports?