

Chapter 10 Business in a Global Economy

Section 10.2 Global Competition

Section Summary with Key Terms and Academic Vocabulary

Global Competition Global competition often leads to trade disputes, which occur when nations enact barriers to trade. Three common trade barriers are tariffs, quotas, and embargoes. Countries use trade barriers, or protectionism, to protect business from world competition. One reason for protectionism is that outside competition can lower the demand for domestically made products. Free trade opens up new markets, creates jobs, increases consumer choices, and promotes international cooperation. Major trade alliances that have promoted free trade include NAFTA, the EU, and ASEAN. Free trade is good in general, but it is not without problems. Some workers get displaced after an alliance is formed. However, alliances often lead to lower-cost goods.

Key Terms _____

protectionism The practice of the government putting limits on foreign trade to protect businesses at home

tariff A tax placed on imports to increase their price in the domestic market

quota A limit placed on the quantities of a product that can be imported

embargo A ban on the import or export of a product

free trade Few or no limits on trade between countries

Academic Vocabulary _____

dispute A disagreement

restrict To confine within bounds

cooperate To act or work with another or others

controversy A discussion marked especially by the expression of opposing views