Mohamed Khider University of Biskra
Faculty of Economics, Commerce and Management Sciences
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Course: English Language.
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Grade: M1 Finance and International Commerce

3rd Course: International Trade - Imports, Exports and the GATT

Replace the underlined words and expressions in the text with the words and expressions in the box:

balance of payments	**balance of trade**	**barter** or **counter-trade**
climate	**commodities**	**division of labour**
economies of scale	**factors of production**	**nations**
protectionism	**quotas**	**tariffs**

(1) Countries import some goods and services from abroad, and export others to the rest of the world. Trade in (2) raw materials and goods is called visible trade in Britain and merchandise trade in the US. Services, such as banking, insurance, tourism, and technical expertise, are invisible imports and exports. A country can have a surplus or a deficit in its (3) difference between total earnings from visible exports and total expenditure on visible imports, and in its (4) difference between total earnings from all exports and total expenditure on all imports. Most countries have to pay their deficits with foreign currencies from their reserves, although of course the USA can usually pay in dollars, the unofficial world trading currency. Countries without currency reserves can attempt to do international trade by way of (5) direct exchanges of goods without the use of money. The (imaginary) situation in which a country is completely self-sufficient and has no foreign trade is called autarky.

The General Agreement on Tariffs and Trade (GATT), concluded in 1994, aims to maximize international trade and to minimize (6) the favouring of domestic industries. GATT is based on the comparative cost principle, which is that all nations will raise their income if they specialize in producing the commodities in which they have the highest relative productivity. Countries may have an absolute or a comparative advantage in producing particular goods or services, because of (7) inputs (raw materials, cheap or skilled labour, capital, etc.), (8) weather conditions, (9) specialization of work into different jobs, (10) savings in unit costs arising from large-scale production, and so forth. Yet most governments still pursue protectionist policies, establishing trade barriers such as (11) taxes charged on imports, (12) restrictions on the quantity of imports, administrative difficulties, and so on.

Reading Comprehension:

1/ What is the general idea of the text 1?

2/ What kind of trade are countries engaged in when they import and export?

3/ what do visible and invisible trade stand for, and what is the deference between both?

4/ what is the alternative way for countries without currency reserves to do international trade?

5/ How do we call a country that enjoys self sufficiency and is not in need of international trade?

1/ what is the main idea of text 2?

2/ What does the GATT stand for?

3/ On which principle is the GATT depends on?

4/ Point out the factors that control the advantages level in producing particular goods and services.

5/ What are the trade barriers which governments establish?