**Chapter 17 Vocabulary Notes**

* **Absolute advantage –** the ability to produce more of a given product using a given amount of resources
* **Comparative advantage –** the ability to produce a product more efficiently given all the other products that could be produced
* **Law of comparative –** the idea that a nation is better off when it produces goods and services for which it has comparative advantage
* **Export –** a good that is sold to another country
* **Import –** a good that is brought in from another country to sell
* **Trade barrier –** a means of preventing a foreign product or service from freely entering a nation’s territory
* **Import quota –** a limit on the amount of a good that can be imported
* **Voluntary export restraint (VER) –** a self-imposed limitation on the number of products shipped to a particular country
* **Customs duty –** a tax on things bought from a different country
* **Tariff –** a tax on imported goods
* **Trade war –** a cycle of increasing trade restriction
* **Protectionism –** the use of trade barriers to protect a nation’s industries from foreign competition
* **Infant industry –** a new industry
* **International free trade agreement –** agreement that results from cooperation between at least 2 countries to reduce trade barriers and tariffs and to trade with each other
* **World Trade Organization (WTO) –** a worldwide organization whose goal is freer global trade and lower tariffs
* **European Union (EU) –** a regional trade organization made of European nations
* **Euro –** the money used in the European Union
* **Free-trade zone:** region where a group of countries agrees to reduce or take away trade barriers
* **North American Free Trade Agreement (NAFTA) –** an agreement that takes away tariffs and trade barriers between Mexico, Canada and the USA
* **Exchange rate –** the value of a foreign currency
* **Appreciation –** increase in the value of money
* **Depreciation –** a decrease in the value of money
* **Trade surplus –** a nation that exports more than it imports
* **Trade deficit –** a nation importing more than it exports