Managing Strategic Growth at Sjoland & Thyselius AB

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The student will explain why individuals, businesses, and governments trade goods and services.
A. Define and distinguish between absolute advantage and comparative advantage.

- Absolute advantage is the ability of a company to produce a larger amount of goods and services than their competition while using the same amount of resources as their competitors.
- A company has a comparative advantage if they can produce something at a lower cost than their competitors.
- Absolute advantage is about productivity while comparative advantage is about the opportunity cost.

B. Explain the concept of comparative advantage.

- Almost all countries need a lot of products that they need, but they can’t produce. So they trade with each other to get the products they need at lower costs when they specialize in production.
SSEIN2 The student will explain why countries sometimes erect trade barriers and sometimes advocate free trade.
A. Define trade barriers as tariffs, quotas, embargoes, standards, and subsidies.

- A tariff is a tax on imported and/or exported goods.
- A quota is a limited amount of product that is controlled by a country's government of what can be imported or exported.
- An embargo is when a country officially refuses to trade with another country.
- Standards are regulations on the trade between countries.
- Subsidies make it cheaper to make goods domestically than in foreign countries which raises the price of foreign goods.

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C. List specific examples of trade barriers.

- On February 7, 1962, President Kennedy of the United States imposed an embargo on Cuba.
- China imposed a tariff up to 105.4% on American poultry.
- In April 2011, the USDA raised the quota of sugar-import by 325,000 short tons.

D. List specific instances of strategies such as the embargo.
B. Identify costs and benefits of trade barriers over time

- Benefits - preservation of jobs, ensuring national security by sourcing military supplies, ensuring safety of citizens by standards on food and medicine, and some countries form regional trade agreements to lower most trade barriers
- Costs - producers may not produce at full efficiency because government interceded in a market on behalf of domestic producers, consumers would pay more because there is no foreign competition

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