

Name _____

Date _____

Trade Wars - Answer Key

Use the text to answer each question below.

1. Trade is the exchange of goods and services. Individuals, businesses and nations all participate in trade. The reason? Resources, including natural and man-made resources, are unevenly distributed across the Earth. No one country has all the resources it needs or wants, so they need to trade goods and services with others. People, businesses and countries specialize in certain goods and services that they have more skills and resources to produce. They trade with other countries for goods and services that others are better at producing. An import is something a country brings in from another country. An export is something a country puts out to sell to other countries. Trade between countries has created a world of global economic interdependence. Because countries are interdependent, what happens to the economy in one country may affect many other countries.

Which of the following best represents the global economy?

A. several separated dots



B.

a web of interconnected lines

According to the passage, "Trade between countries has created a world of global economic interdependence." This interdependence is best represented by a web of interconnected lines.

C. parallel lines that never cross

D. a triangle with three equal lines

2. Sometimes countries impose trade restrictions. These restrictions limit competition from other countries. In 2018, the US became involved in a trade war with its biggest trading partner, China. Both countries are adding restrictions to each other's goods. One type of restriction applied by both the Chinese and US governments is called a tariff. Tariffs are taxes that target imported goods, making domestic goods the lower-priced option. They also make money for the government. Tariffs are used to encourage people to buy domestic products instead of foreign ones. President Trump says that making Chinese products more expensive in the US will help American companies compete more fairly against Chinese manufacturers.

Based on the passage, the US and China are

- ✓ C. applying tariffs to each other's products.
- A. no longer trading with each other.
- B. shutting down all of their factories.
- D. encouraging their citizens to buy foreign products.

According to the passage, the US and China "are adding restrictions to each other's goods. One type of restriction applied by both the Chinese and US governments is called a tariff."

3. In August 2019, Trump announced that the government will be placing tariffs on another \$300 billion of Chinese goods. Now, nearly all Chinese imports will be subject to higher taxes. This will affect consumer goods ranging from laptops and smartphones to clothing and toys. Importers typically pass on the costs of tariffs to consumers by raising prices. Washing machine prices, for example, have risen by as much as 12 percent in the past 18 months. Consumers respond to these higher prices by spending less. Some businesses may also offset the costs of tariffs by laying off employees and not giving raises. Experts worry that another recession could be on the horizon if Americans continue to spend less money.

Based on the passage, a critic of US tariffs on Chinese goods would likely argue that they will

- A. lead to layoffs.
- B. decrease Americans' spending.
- C. increase prices of consumer goods.

- ✓ D. all of the above
- According to the passage, "Importers typically pass on the costs of tariffs to consumers by raising prices... Consumers respond to these higher prices by spending less. Some businesses may also offset the costs of tariffs by laying off employees."*