Economics 2 Trade in the Global Economy

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1.	**bilateral trade agreements**	agreements made between two countries only regarding the exchange of goods and services
2.	**comparative advantage**	the idea that nations should specialise in the areas of production in which they have the lowest opportunity cost and trade, so that they maximise standard of living
3.	**dumping**	the practice of exporting goods to a country at a price lower then their selling price in their country of origin
4.	**free trade**	where governments impose no artificial barriers to trade that restrict the free exchange of goods and services between countries
5.	**opportunity cost**	the cost of satisfying one want over another want
6.	**protection**	government policies that give domestic producers an artificial advantage over foreign competitors, such as tariffs on imported goods
7.	**quotas**	restrictions on the amounts or values of various kinds of goods that may be imported
8.	**subsidies**	cash payments from the government to businesses to encourage production of a good or service
9.	**tariffs**	a government-imposed tax on imported goods for the purpose of protecting Australian industries
10.	**trade bloc**	situation in which a number of countries join together in a formal preferential trading agreement to the exclusion of other countries