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## **Main aspects of international trade**

*(дополнительные материалы к учебнику «[Learningenglish2.ru](http://Learningenglish2.ru))*

**Учебно-методическое пособие**

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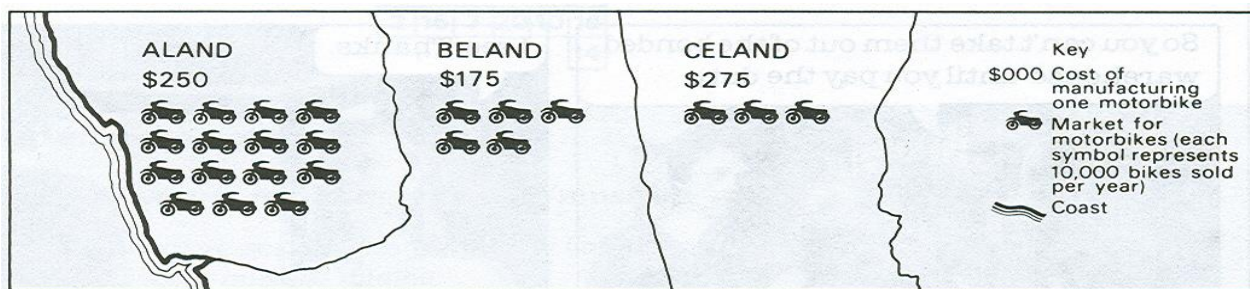
Учебно-методическое пособие «Main aspects of international trade» представляет собой органичное дополнение к теме «Международная торговля» учебника «Learningenglish2.ru» часть 2 и предназначено для аудиторной работы студентов 2 курса экономических специальностей. Данное пособие рассматривает основные понятия, используемые в международной торговле, образцы документов, а также содержит широкий спектр лексических упражнений, направленных на усвоение основной терминологии в сфере международной торговли.

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## Reading text (1.)

## Import regulations



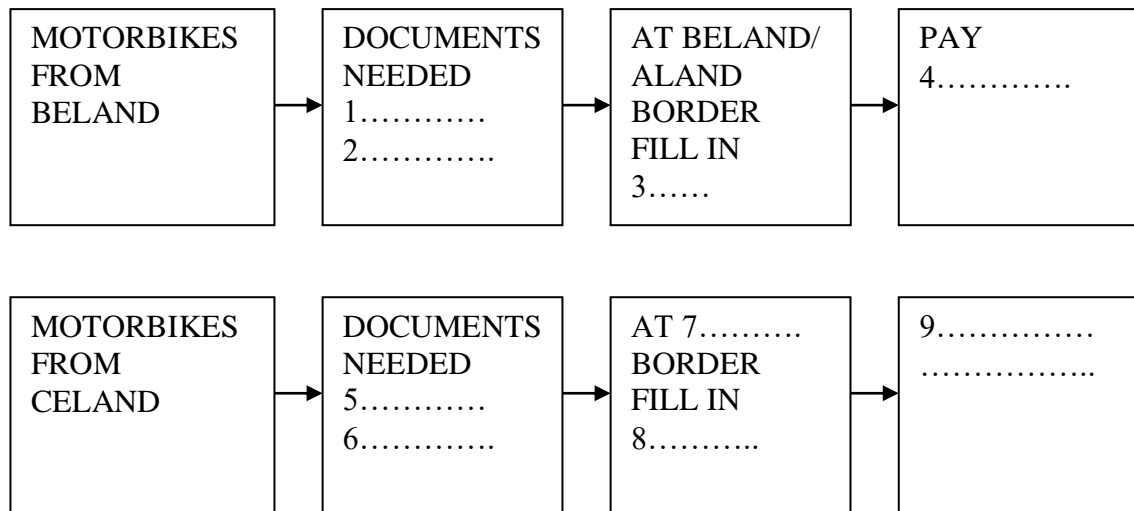
Aland, Beland and Celand all manufacture motorbikes. The biggest market for motorbikes is in Aland, so both Beland and Celand export to Aland. It is cheaper to manufacture motorbikes in Beland than in Aland, so the Beland bikes could sell at a cheaper price. However, the Aland government wants to protect its own manufacturers, so it has imposed import restrictions. The first restriction is that only a certain number of motorbikes may be imported into Aland each year, so anyone who wants to import motorbikes must have an import licence (permission to import).

The second regulation is that importers of motorbikes manufactured in Beland must pay import duty on them. There is no duty on bikes manufactured in Celand. When motorbikes arrive in Aland from abroad, the importer fills in a Customs entry form giving details of the goods and where they are coming from. These details must be the same as the details on the commercial invoice. (This is the name of an invoice for imported goods. The commercial invoice may contain charges for transport and insurance as well as giving details of the goods and price like an invoice for the domestic market.) The Customs officials use the details on the commercial invoice to calculate the duty.

When goods are imported from Beland, the Customs officials want to be sure that the details on the commercial invoice are correct. When motorbikes are imported from Beland, a special commercial invoice must be signed by a representative of Aland's government who lives in Beland. This person is called the consul and the special invoice is called a consular invoice.

Goods from Celand have to travel through Beland to reach Aland. All motorbikes from Celand have a certificate of origin to prove that they have come from Celand.

**1. Take your information from the text and write notes to replace the numbers to complete this flow chart:**



## **2. Reading comprehension**

**Give short answers to these questions about the text.**

1. Which countries manufacture motorbikes?
2. Where is the biggest market for motorbikes?
3. How much does it cost to manufacture motorbikes in each country?
4. Do Aland motorbike manufacturers need an import licence to sell bikes in Aland?
5. Who needs an import licence?
6. Which document must every importer fill in?
7. On which country's motorbikes do importers have to pay duty?
8. Why don't importers have to pay duty on Celand's bikes?
9. Why do importers need a certificate of origin for bikes manufactured in Celand?
10. Would importers want a certificate of origin for bikes manufactured in Beland?

## **3. Rearrange the letters in brackets to complete the sentences.**

1. The government has introduced new regulations on the .....of beef. (IPTMOORNTAI)
2. Do you agree with ...../.....? (EFER / RDTAE)

3. They expect free access to our market, but use ..... to guard their own! (RMCOTETSPIONI)
4. Their ..... Is terrible; just look at all this paperwork. (BRUCEAYURAC)
5. We could introduce ..... to limit the number of cars we import. (AUQOTS)
6. Fixing high ..... Would make them less attractive to potential customers. (RTFAISF)
7. Just because their products are cheap doesn't mean that they are .....goods on the market. (PUMDGIN)
8. Too many..... Are bad for the balance of trade. (TIPMOSR)
9. The explorers ..... jewellery and guns for gold and ivory. (ABRERDET)
- 10.The..... Market is also known as the home market. (OECMSIDT)

**4. Complete these sentences about types of market with a word from the box.**

**domestic competitive overseas target niche**

1. Well, we are aiming at Australians and new Zealanders of Scottish origin who still have sentimental feelings about the old country. They are our ..... market.
2. Our product only appeals to people with a specialized interest. Focusing on such a ..... market is a risk but we have customers in thirty-seven countries so far, and sales are growing all the time.
3. Most of our sales are to customers who live in this country. We focus on the ..... market.
4. It is certainly getting more difficult to survive. There are too many other manufacturers offering similar products. It's such a ..... market.
5. Over 90% of our production is for export to Europe, Asia, Latin America, and the use. We focus on the ..... market.

5. *An expert is talking about the advantages of exporting for small businesses.*

*Complete the text with words from the box.*

**overseas      delivery      risk      brochures      turnover**  
**trade fair      agent      price list      niche      domestic**

'Small business need to increase their 1..... in order to grow. If the 2..... market is too competitive, the answer is to export. This spreads 3. .... across different markets, and creates volume for specialized, 4.....products. You can increase production and achieve economies of scale. Attending a 5..... in a good way of meeting customers, or you can travel 6.....in search of customers. Another way is to appoint an 7..... to sell your goods o your behalf. Remember you may need to translate your 8..... into another other languages and your 9..... may need to be in different currencies. You will have to organize reliable forms of transport in order to respect 10..... dates. Exporting is a challenge and the learning curve is very steep: however, businesses which make the decision to export rarely regret it.'

**Reading text (2.1)**

**Sales documentation**

When you travel by train, you need a ticket as proof that you have paid. When you send a consignment of goods by rail or road you also need a receipt to prove the transport company has taken the goods. A consignment note is both a ticket and a receipt. A consignment note for goods sent by air is called an air consignment note or an air waybill. A consignment note for goods sent by sea is a Bill of Lading. A combined transport document is for goods sent by more than one means of transport.

When companies buy goods, they send an order to the suppliers. If the buyers are regular customers, the suppliers send the goods and then send an invoice. The buyers do not always pay the invoice immediately. Usually the suppliers send a statement at the end of the month which shows all the transactions between the suppliers and the buyers in that month. The buyers then pay the amount outstanding on the statement.

Sometimes when the suppliers receive an enquiry, they send a pro-forma invoice. This is a quotation which looks like the final invoice so the buyers know how much they have to pay. If the suppliers do not know the buyers, the buyers might pay in advance against the pro-forma when placing their order.

These questions refer to the words in italics in the text:

1. Which ones are requests for payment?
2. Which ones are a sort of ticket for transporting goods?
3. Which two mean exactly the same thing?
4. Which one is a request for goods?
5. Which ones are receipts for goods?
6. Transworld in Manchester is a regular customer of 80S in London. 80S usually sends goods by train. Which documents will be used when they do business?
7. Household Designs in Manchester sent goods to a customer in Liverpool by trailer. This was the first time the customer had bought anything from Household Designs. Which documents do you think were used?
8. Household Designs sent goods by air to a regular customer in France. Which documents do you think were used?

***1. Decide which sentence on the right refers to which word in italics and rewrite the sentences, like this:***

*Anne sent an order to House Designs.*

*Anee sent an order, which is request for goods, to Household Designs.*

*Jane made out an air waybill.*

*Jane made out an air waybill, which is the ticket and receipt for goods sent by air.*

- |  |   |
|--|---|
| 1. GLM paid <i>the pro-forma invoice</i> before they received the goods. | It is a receipt for goods in transit.<br>It is a request for goods. |
| 2. Transworld received a <i>statement</i> .                              | It showed what the goods cost.                                      |
| 3. Anne gave <i>the invoice</i> to Liz in the accounts department.       | It is the consignment note for goods sent by sea.                   |
| 4. Kevin asked for <i>the Bill of Lading</i> .                           | It showed all their transactions.                                   |



- |  |  |
|--|--|
| 5. BOS usually send goods by rail with a <i>consignment note</i> . | It is used for goods sent by more than one means of transport. |
| 6. Jane made out the combined <i>transport document</i> .          | It is the ticket and receipt for goods sent by air.            |
|  | It is a request for payment.                                   |

## I. Reading text (2.2)

### Bill of Lading

A Bill of Lading is a receipt signed by the captain of a ship for the cargo he has received on board.

It is an essential document in international trade. It provides an acknowledgement that the goods have arrived on the board the ship in good condition. If the shipowners agree that the goods were received on the board in good condition, the Bill of Lading is described as 'clean'. If the goods are not shipped on board in good condition, the Bill of Lading is described as 'unclean' (or 'dirty'). A Bill of Lading is sometimes 'claused', which means that the shipowners are not satisfied with the condition of the goods or the packaging.

The Bill of Lading states that the captain has inspected the goods after loading. It gives the following details:

The name of the shipper.	The quantity.
The name of the ship.	The type of packing.
The consignee.	The description of the goods.
The port of loading.	The weight.
The port of discharge.	The measurement.
The marks and numbers.	

The Bill of Lading is used as a legal document. It is the legal title to ownership of the goods. If an importer holds the Bill of Lading he can take possession of the goods which are named on it the consignee (ie the buyer or importer) can get his goods only when he presents the Bill of Lading to the shipping company when the ship arrives.

It is used in finance since banks usually require the Bill of Lading (as well as the commercial invoice and the certificate of insurance) before they issue credit.

A Bill of Lading is a convenient document in many ways. First, it is a negotiable document, that is, by transferring the document to someone else, you can transfer ownership. An importer can endorse (ie sign on the back of) a Bill of Lading and sell goods in this way, even before they arrive. Using a Bill of Lading which is negotiable means that the goods can be transferred to another buyer simply by handing the endorsed Bill of Lading to him.

The captain of the ship signs the Bills of Lading and the shipowners keep a copy. The other copies are sent to the exporter. He will then send a copy to the bank. The exporter sometimes sends copies to the importer by separate mails to make sure he receives at least one. The importer can then present the Bill of Lading to the shipping company at the port of discharge, and can then take delivery of the goods.

***1. Now answer the following questions:***

1. What is the definition of a Bill of Lading given in the above text?
2. Describe the main functions of a Bill of Lading.
3. Which details must be printed on a Bill of Lading?
4. There is a description of types of bills of lading in the text. Describe these types.
5. Describe the main uses of the Bill of Lading.
6. Can you describe any special characteristics (convenience, safety, acceptability, etc.) of a Bill of Lading?
7. Describe the method by which a Bill of Lading operates.
8. Describe how a Bill of Lading is negotiable.

***2. Decide which numbers these bits of information replace on the Bill of Lading below:***

a 8 CASES MICRO-  
PROCESSORS

b GLM ENGINEERING LTD  
10 OAK WAY  
HALIFAX

c LIVERPOOL

g MELBOURNE

h BJT (Pty)

OUTBACK STREET  
MELBOURNE

i GLM/ BTJ MEL 1/8

j 139.2K

k X2053

1 1.16 cu.m

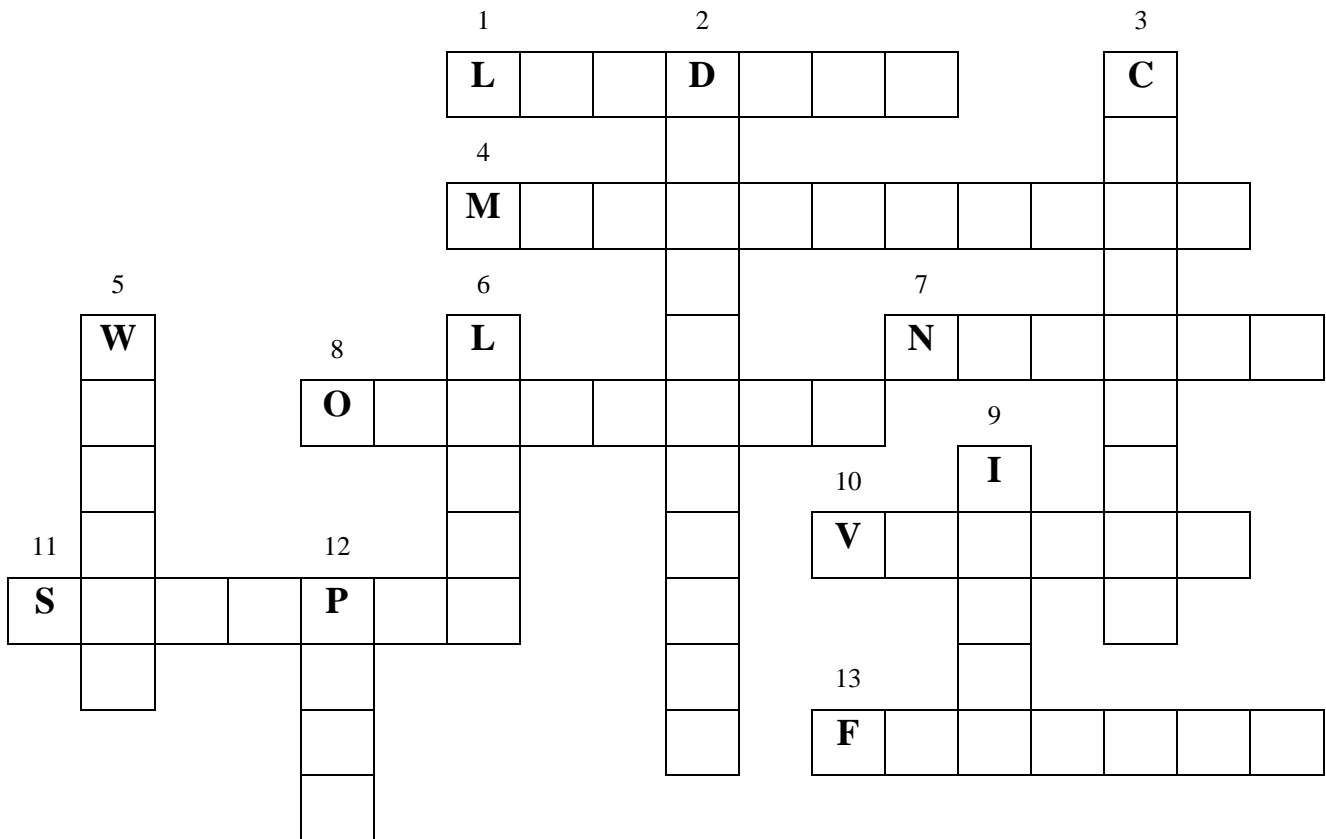
## in 'AUSTRALIAN QUEEN'

[illegible]

### 3. Word puzzle

*Use the clues to help you fill in this vocabulary puzzle. All the words are taken from*

*the Bill of Lading.*



**Clues**

- |                                       |   |
|---------------------------------------|---|
| 1. Putting goods on board ship        | 9. To write or give out                       |
| 2. The place things are going to      | 10. A ship                                    |
| 3. The company the goods are going to | 11. The exporter, the company sending goods   |
| 4. How big something is               | 12. A town on the coast where ships can visit |
| 5. How heavy something is             | 13. Goods the cost of transporting goods      |
| 6. A ship                             |   |
| 7. To tell                            |   |
| 8. A top copy                         |   |

**II.**

**An invoice.**

*1. Give short answers to these questions about the invoice below.*

1. What is the name of the supplier?
2. What is the name of the buyer?

3. What date was the invoice sent?
4. How many chairs did Transworld buy?
5. How much did one chair cost?
6. If Transworld paid the invoice on 10 May 1983, how much did they pay?
7. If Transworld paid the invoice on 20 April 1983, how much did they pay?
8. When Transworld paid, what number did they send with the payment?

INVOICE

Invoice no: 0455/0004

Order no: 009762

Date: 05/04/83

TO: Transworld Freight plc

74 Dockside

Manchester M15 7BJ

HOUSEHOLD  
DESIGNS & CO LTD

22 High St Manchester M1 2BL

Tel: (061) 763 2555

Telex: 668542 HODES

Cables/telegrams: HODES MANCHESTER

Qty	Description	Unit price	Amount
5	chairs ref C299432B (blue)	£66	£330
5	chairs ref C299432G (green)	£66	£330
10% discount for payment received within one calendar month	Please quote invoice number when submitting payment	TOTAL	£660

## 2. Word Puzzle

The words in this puzzle are the full form of the abbreviations and symbols in the invoice, eg *no* in the invoice is *number* in the puzzle. Each number in the puzzle always stands for the same letter, eg 8=E. What do the other numbers stand for and what are the words?

				4	9	13	10	1	11	1	6								
						10													
5	14	9	10	15									5			3			
				9					1					9			14		
7	11	16	11	1	8	15					12			16					
				12					7					7			5		
18				8					8					11			13		
1				2					5	8	2	<div></div>	3	8	10	1			



	2					17			6
	8					14			
2	8	19	8	2	8	10	3	8	
	1					8			

### III. An order.

*Using the example of an order below decide which information from invoice do you need to draw the order. Draw the order you think Transworld sent.*

<b>SATEX S.p.A.</b> Via di Pietra Papa 00146 Roma				
<b>ORDER FORM</b>				
Date: <u>5 May 19 —</u>				
Name of company: <u>Reiner GmbH</u>				
Order No: <u>W6164</u>				
Telephone: <u>05 41/7/98 25 21</u>				
Fax: <u>05 41/3 82 21</u>				
Telex: <u>2918176</u>				
Address for delivery: <u>Wessumerstrasse 215-18, D-4500 Osnabrück</u>				
Authorized: _____ (D. Faust)				
Quantity	Item description	Cat No.	Price c.i.f.	Total
Amount due: _____				
Terms of payment: _____				
Requested delivery date: _____				

### IV. An air waybill

*1. Give short answers to these questions about the air waybill below.*

1. Which company is selling the goods?
2. Which company is buying the goods?
3. Which airport are the goods leaving from?
4. Which airport are they going to?

5. How many boxes are the goods in?
6. What is the total volume of the boxes?
7. How much does each box weigh?
8. There are different markings on each of the boxes. What are they?
9. How many copies of the waybill are there?
10. Is this the top copy?
11. What currency is used in the waybill?
12. What is the cost per kilo to send the goods by air?
13. What are the other charges for?
14. How much must the buyer pay when the goods arrive?

COPY/SUBSTITUTE  
OF  
ORIGINAL AIR WAYBILL

125 - 4828 - 76321

125 - 4828 - 76321

Airport of Departure		Execution Date		TC	Chgs	Currency	For Carrier use only	
MANCHESTER							Flight/Day	Flight/Day
MANCHESTER							BA/AZ912	19/5/83
Airport of Destination		Flight/Day		Flight/Day				
MILAN								
<p><b>British airways</b> <b>Air Waybill</b> (Air Consignment note) Issued by Not negotiable</p>								
1 To By First Carrier		BA		To By To By				
2 Consignee's Account Number		Consignee's Name and Address						
		<p>CASOLO-GINELLI SPA VIA MANTONI 25 MILAN 20121 ITALY</p>						
3 Shipper's Account Number		Shipper's Name and Address						
		<p>BOS LTD 17 CEDAR STREET MANCHESTER M2 6HD UK</p>						
4 Issuing Carrier's Agent, Account No.		Issuing Carrier's Agent, Name and City						
		<p>TRANSWORLD FREIGHT 74 DOCKSIDE MANCHESTER M15 7BJ</p>						
Agent's IATA Code		399 - 1 - 1113						
5 Currency		Declared Value for Carriage		Declared Value for Customs				
UK£		N.V.D.		N.V.D.				
Weight Charge and Valuation Charge		All Other Charges at Origin		Accounting Information				
Prepaid		Collect		Prepaid		Collect		
XX		XX		REF. 10129		MIL 65281		
No. of Packages		Actual Gross Weight		Rate Class		Chargesable Weight		Nature and Quantity of Goods (Incl. Dimensions or Volume)
RCP		kg/lb		Commodity Item No.		Rate/Charge		
3		120 X				120 2.065		247.800
								3 CASES STATIONERY 1m x 1m x 1.5m
7 Prepaid Weight Charge		Prepaid Valuation Charge		Due Carrier		Total other Prepaid Charges		Due Agent
247.800		V		C 3.000		A 1.250		P 252.050
R		Other Charges (except Weight Charge and Valuation Charge)						
S								
T		Total Charges						
8 Collect Weight Charge		Collect Valuation Charge		Due Carrier		Total other Collect Charges		Due Agent
V		C				A		
9		3 CASES BOS/ CAS. GIN/ MILAN 1 - 3						
		Handling Information						

T334(12th)

Copied at ..... By ..... 125 - 4828 - 76321



## 2. Synonyms

*Which words on the left are synonyms of (mean the same as) which words on the right?*

- |                 |                         |
|-----------------|-------------------------|
| 1. air waybill  | a. carrier              |
| 2. buyer        | b. top copy             |
| 3. exporter     | c. case                 |
| 4. airline      | d. consignee            |
| 5. charge       | e. dimensions           |
| 6. description  | f. shipper              |
| 7. measurements | g. rate                 |
| 8. box          | h. air consignment note |
| 9. original     | i. nature               |

## 3. Arranging a consignment

In pairs, act out a telephone conversation as if you were consignee and the airline clerk. Arrange to send the consignment in the air waybill above. The flight leaves at 10.35 and arrives in Milan at 13.45 local time.

## 4. Customs documentation

*What do you think these are called? Prepare a short talk (about a minute) on what each document is used for. In small groups, take it in turns to name another student and say which document he/ she should talk about.*

**1 Republic of Deland**  
All the goods mentioned in this document have been wholly manufactured in Deland.  
Date 11/11/11  
Signature [Signature]

**2 Federation of Geland**  
GLM Engineering Ltd  
The above named importer is permitted to import the following goods  
250 Motorbikes  
signed [Signature] date 11/11/11

**3 Customs and Excise**  
Warning: There are heavy penalties for making a false declaration.  
Marks & Nos. Description Qty  
[Handwritten Data]

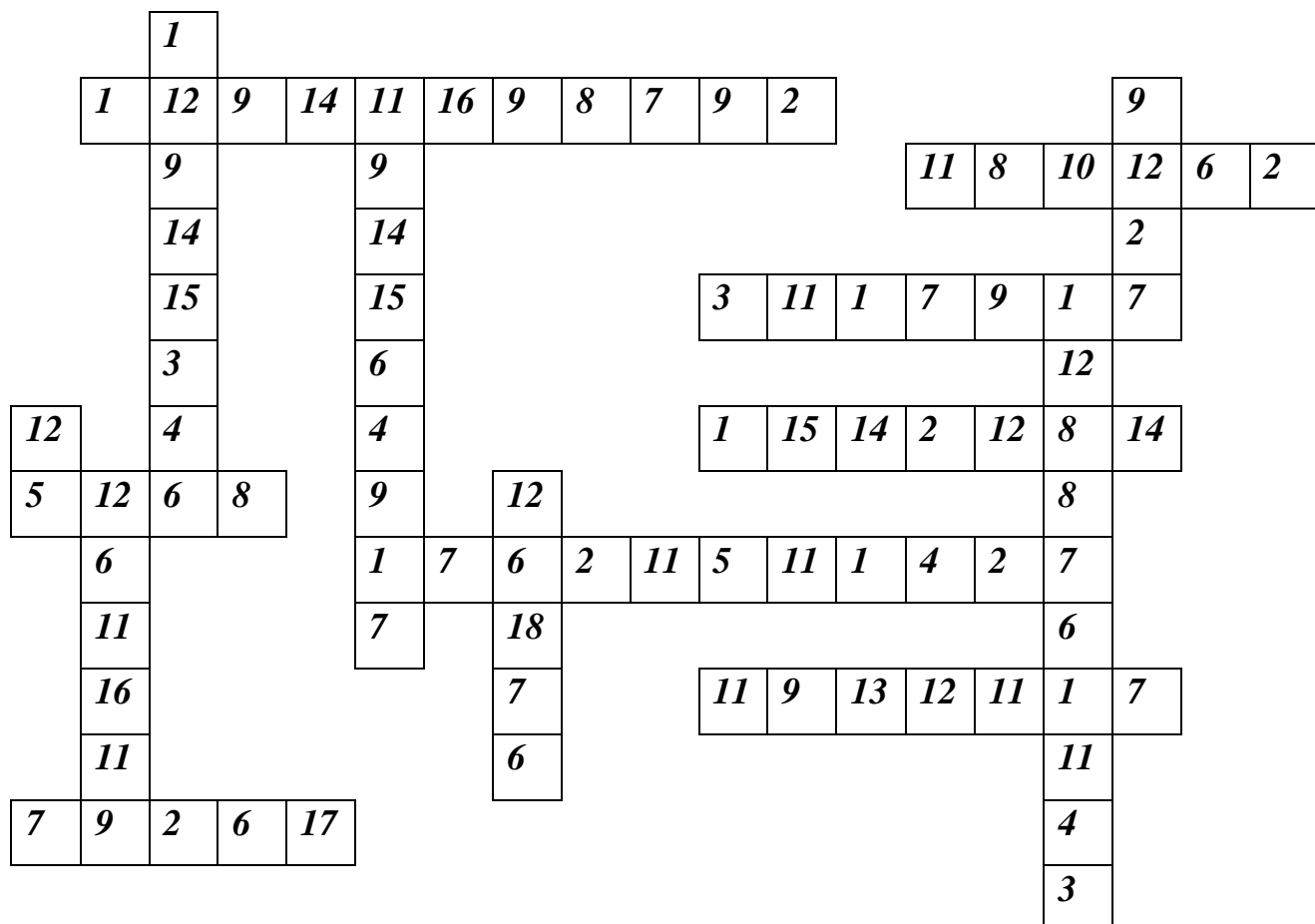
**4 GLM Engineering**  
Date 11/11/11  
Qty Description Unit price Price  
[Handwritten Data]  
Marks & Nos. [Handwritten Data]  
Terms of payment [Handwritten Data]

**5 Efland**  
GLM Engineering  
Qty Description Unit price Price  
[Handwritten Data]  
Official Stamp of Efland  
I certify the details in this document are true Signed [Signature]

*Write a paragraph describing the use of two of the documents.*

## 5. A consignment

*Hidden in this puzzle are eight documents which might be involved in sending a consignment abroad by trailer. What are they? Each number always stands for the same letter, eg 1=C.*



1. C.... O.... O....

2. C.... E.... F....

3. I.... L....

4. O....

5. C.... N....

6. I.... C....

7 C.... I....

8 C.... I....

## Reading text (3.1)

### Visible and invisible imports and exports

Goods, such as cloth and televisions, are visible (you can see them). Goods you sell abroad are visible exports. When you sell visible exports, money will come into your country. When you buy visible imports, money will leave your country. Some

imports and exports are invisible. For example, if an engineering expert from country a goes to country b to help them improve their engineering industry, he will earn money from b and bring it back to a. The expert is providing a service (which is his knowledge or expertise). For b this is an invisible import (because money leaves the country), but for a it is an invisible export (because money comes into the country).

***Consider these situations and decide whether you are talking about visible imports, visible exports, invisible imports or invisible exports.***

1. V sells computers to S. For V this is . . . . .
2. V sells computers to S. For S this is . . . . .
3. S sells meat to X. For S this is . . . . .
4. Tourists go from Y to X. For X this is . . . . .
5. Tourists come to X from V. For V this is . . . . .
6. Y sells insurance to S. For S this is . . . . .
7. X pays insurance premiums to Y. For Y this is . . . . .
8. V buys oil from W. For W this is . . . . .

### **Reading text (3.2)**

#### **Balance of trade and balance of payments**

The difference between the amount a country spends on visible imports and the amount it receives for visible exports is its balance of trade. The difference between the total amount a country spends, on imports (both visible and invisible) and other payments abroad, and the total amount it receives, from exports (both visible and invisible) and other receipts, is its balance of payments.

#### **1. International trade figures**

This table shows the trading figures between five countries for the year ending April 2003. The figures show the amount each country spent in thousands of pounds (eg S spent £225,000 on computers). The year each country started buying the goods or services is shown in brackets (eg V started selling computers to S in 2000).

***In pairs imagine you are journalists interviewing government ministers and talk about when the countries started trading, like this:***

***P: Minister S. Could you tell us when tourists from your country started going to X?***

*R: In 1981. Two years ago.*

*P: Minister W. Could you tell us the value of your exports to S?*

*R: Two hundred thousand pounds.*

*P: Minister V. Could you tell us when your country started trading with S?*

*R: In 1965. Eighteen years ago.*

V	S	X	Y	W
<b>sells computers to</b>	(2000) 225	-	(2001) 100	(1998) 600
(1985) 300	<b>exports meat to</b>	(1995) 100	-	-
(1999) 100	(2001) 100	<b>tourists come from</b>	(2002) 50	(2000) 300
(1998) 100	(1988) 25	(1997) 25	<b>sells insurance to</b>	-
(1997) 600	(1998) 200	(2000) 300	(1999) 100	<b>exports oil to</b>

**2. Take your information from the table 1 and work out which figures are missing from the chart below (to replace the letters a to n.) Describe the situation in the country as in example:** Country S spent £225,000 on computers and £200,000 on oil, so its total visible imports were £425,000. It sold meat worth £300,000 to V and worth £100,000 to X, so its total visible exports were £400,000. S spent £100,000 on tourism and £25,000 on insurance, so its invisible imports were £125,000. It has no invisible exports.

COUNTRY	VISIBLE		BALANCE OF TRADE	INVISIBLE		BALANCE OF PAYMENT
	IMPORTS	EXPORTS		IMPORTS	EXPORTS	
V	+900	+925	+25	-200	-	-175
S	<b>a</b>	<b>b</b>	-25	+ 125	<b>c</b>	-150
X	<b>d</b>	<b>e</b>	-400	<b>f</b>	<b>g</b>	+ 125

Y	<b>h</b>	-	-200	<b>i</b>	<b>j</b>	-100
W	<b>k</b>	<b>i</b>	+600	<b>m</b>	<b>n</b>	+300

### 3. *Favourable and unfavourable balances.*

In pairs, discuss the economy of each country, like this:

P: *Is V's balance of trade favourable or unfavourable?* R: *It's favourable.*

P: *Does V have a balance of payments surplus or deficit?* R: *A deficit.*

### 4. *A mix-up*

Transworld are sending four different consignments to companies in four different countries by four different means of transport. Unfortunately all the papers are muddled up. From this information, can you work out what is going where by which means of transport?

Work in pairs and discuss your ideas as you work through the information, like this:

P: *Oh, so ADP can't be in France.*

R: *No. And GBD must be importing shoes.*

COMPANY	ADP			
COUNTRY				
CONSIGNMENT	furniture	cutlery		
MEANS OF TRANSPORT		train		

1. ADP is importing furniture.
2. The company which is importing stationery is in France.
3. The cutlery is travelling by train.
4. The Greek company is called *GBD*.
5. The ship is going to Spain.
6. The Italian company is called *XLN*.
7. The shoes are being flown to Greece.
8. The trailer is delivering goods to *TJM*.

### Reading text (4)

***Before reading the text fill in the missing words. One word is missing from each gap.***

### **Customs and Excise**

Representatives of a country's .....

Found at ..... and .....

- to ..... and collect ..... on imported goods (only dutiable goods)
- to issue ..... and export licences for restricted goods
- to prevent ..... in forbidden goods
- to collect ..... and ..... figures

Use figures to ..... the country's ..... of .....

***Now read the short talk about the Customs and check your answers.***

I'd like to tell you a bit about the Customs. Basically, the Customs, or Customs and Excise to give them their full title, are representatives of a country's government. They're a government department really. They're found at ports and airports, the places where people bring goods into the country. Now, they have four main functions. The first is to calculate and collect the duty on imported goods which are dutiable. You don't have to pay duty on all goods, remember. The second function is to issue import and export licences for registered goods. Three: to prevent trade in forbidden goods. That's to stop people trading in certain drugs, wildlife, that sort of things. And their other, fourth function is to collect import and export figures. They use these figures to calculate the country's Balance of Trade.

So, remember their four main functions. One: to calculate and collect duty on imported goods (but only on dutiable goods). Two: to issue import and export licences for restricted goods. Three: to prevent trade in forbidden goods. And four: to collect import and export figures.

Now, are there any questions?.....

#### ***1. Match the terms with their definitions***

- |         |  |
|---------|--|
| 1. Duty | 1. Building where imported goods are stored until the duty is paid |
|---------|--|

- |                     |   |
|---------------------|---|
| 2. Warehouse        | 2. Cost of keeping the goods in a warehouse       |
| 3. Customs official | 3. Another word for tariff                        |
| 4. Tariffs          | 4. Say what goods you are importing               |
| 5. Bonded warehouse | 5. Building where goods are stored                |
| 6. Declare          | 6. Person who collects the duty on imported goods |
| 7. Storage charges  | 7. Money paid to the government on imported goods |

## **2. Definitions**

***Rewrite these definitions and say which words they define.***

Eg: Goods are stored in this building.

*A building where goods are stored is called a warehouse.*

This document is used when goods are sent by air.

*A document which is used when goods are sent by air is called an air waybill or an air consignment note.*

This person collects duty on imported goods.

*A person who collects duty on imported goods is called a Customs official.*

1. Goods are stored in this building until the duty is paid.
2. This money is paid to the government on imported goods.
3. This person imports goods.
4. This document is used for sending goods by sea.
5. Goods are produced in this building.
6. This person sells goods abroad.
7. This company arranges transportation and documentation.
8. These goods are being sent by sea.
9. Goods are being sent to this place.
10. Goods are loaded on to ships in this place.

## **Reading text (5)**

## **Transportation**

Kevin Hughes arranged for the transportation of a consignment of machinery by rail and sea. The place of departure was Beeton and the destination was Norton. The cargo (the freight) was 10 cases of machinery. The measurements of each case were 10 m by 2m by 1.1 m, so the volume of the whole consignment was 220 cubic

**1. Use the clues to help you fill in this puzzle. All the words are in the text.**

- Hidden word:** moving goods from one place to another









container ships. There are 5. . . . . containers specially designed to fit in aeroplanes. At his place of business the exporter packs the goods into a container which is not opened until it arrives at its destination. 6. . . . . fewer goods are stolen and fewer goods are damaged when they are sent in containers.

Wage bills are lower 7. . . . . you need fewer men to handle the goods. 8. . . . . more people are out-of-work. There is more unemployment. 9. . . . . the special equipment for handling containers is very expensive and most ports are still not specially adapted for container traffic.

**2. Write a summary (a shorter version) of this text. Leave out all the examples and all repetition of ideas (the same thing said in a different way). Make sure you keep all the important information.**

### 3. Note-taking

**Draw a table like this and write in the advantages and disadvantages of containerisation and conventional cargo in note form.**

	<i>CONVENTIONAL CARGO</i>	<i>CONTAINERISED TRANSPORT</i>
<i>ADVANTAGES</i>		<i>quicker</i>
<i>DISADVANTAGES</i>	<i>slower</i>	<i>more unemployment</i>

**Discuss the advantages and disadvantages, like this:**

*Eg: On the one hand containerised transport is quicker, but on the other hand there is more unemployment.*

*Although containerised transport is quicker, there is more unemployment.*

### Text (7)

### Insurance

Mr Bean wanted to insure his shop. He wanted 1..... against fire and theft. He filled in the 2.....and sent it to his 3 .....who arranged the insurance with an 4..... Mr Bean had to pay quite a high 5..... each year, but it was worth it because a lot of goods were stolen. Mr Bean put in a 6 .....for 7.....

Unfortunately, the 8..... refused to pay him the full amount. Mr Bean had not read the 9..... in his 10..... properly.

**1. Find out (use a dictionary) which definition on the right matches which word on the left. Decide which word goes in which gap in the passage above.**

a premium	1. A person who advises on insurance
b underwriter	2. A document which proves you are insured
c insurance company	3. Payment for insurance
d broker	4. Insurance protection
e claim	5. A form you fill in when you apply for insurance
f compensation	6. An insurer at Lloyd's of London
g small print	7. A limited liability company selling cover
h policy/insurance certificate	8. The conditions and clauses in a document of insurance, usually in small writing
i proposal form	9. You are paid. . . . when your insured property is damaged
j cover	10. A request for payment when your insured property is damaged

## 2. Phrasal verbs

*Decide which phrasal verb replaces the more formal verbs in italics in these sentences.*

**take out      fill in      turn off      put in      work out      take off      look up**

- 1 To *submit* a claim
- 2 To *deduct* the discount
- 3 To *complete* the form
- 4 To *calculate* the premium
- 5 To *find* the word
- 6 To *stop* the photocopier

*In pairs, use the phrasal verbs with nouns and with pronouns,*

Eg: To effect insurance cover

P: I'm going to take out insurance cover.

R: Let me take it out for you.

**3. Using a word from column A and a word from column B, complete each sentence with a phrasal verb which means the same as the word or phrase in brackets.**

<b>A</b>	<b>B</b>
take	in
take	out
do	down
fill	on
back	over
turn	up
work	without
make	off
make	out
cut	up

1. Find out what the real sales figures for last year were. You can't just \_\_\_\_\_ them \_\_\_\_\_ ! (invent)
2. Please \_\_\_\_\_ the cheque \_\_\_\_\_ to the M&G Pensions and Annuity Company. (write down the name of the payee)
3. We can't afford to employ temporary staff for two days; you will just have to \_\_\_\_\_ a secretary until Monday. (manage without)
4. The small company, which had suffered from bad management, was \_\_\_\_\_ by a larger one, and all the directors were fired. (gained control of)
5. We offer all our agents extensive advice, and \_\_\_\_\_ them \_\_\_\_\_ with a full range of financial services. (support)
6. We must \_\_\_\_\_ their offer to act as agents for us, because they have not been in business long enough. (refuse)
7. The company was expanding, so they decided to \_\_\_\_\_ a hundred new workers. (employ)

8. It's going to take a few days to \_\_\_\_\_ all the details of the contract. (calculate)
9. Please \_\_\_\_\_ he enclosed application form and return it to us. (complete)
10. We were talking on the phone and we were suddenly \_\_\_\_\_ so I'll have to ring him back. (disconnected)

### **CASE STUDY**

**I. Work in groups of three or four. Read about the three trading problems below and possible ways of dealing with them. Discuss how you would react in each case, if you were your country's Minister for Trade and Industry.**

**1.** An exporter of perfumes in your country is complaining that the authorities in Westland have refused to allow imports of its perfumes because they do not satisfy their safety and packaging regulations. The exporters say that exactly the same products are exported to other countries without similar problems. Your country imports \$100m worth of hi-tech products from Westland each year.

- a.** Westland has the right to change or enforce its packaging regulations. Tell the perfume manufacturer that it should make any necessary changes.
- b.** Speak unofficially to the trade minister for Westland. Ask them to make a special case for your perfumes.
- c.** Make life difficult for exporters from Westland through similar actions, such as setting unrealistic health or packaging regulations.
- d.** Go directly to the WTO and accuse Westland of protectionism.

**2.** A domestic manufacturer of kitchen appliances and microwave cookers is complaining because cheap imports from Southland are killing their business. Supermarkets are selling imported microwave ovens for just \$25; it costs the domestic manufacturer \$40 simply to make them. The domestic company employs more than 6,000 workers. According to reports, the same microwaves sell for \$30 in Southland where salaries are much lower.

- a. Accept it. This is what the free market is all about. Consumers will benefit from lower prices for kitchen appliances. The factory must make its own decisions about its products and its market position.
- b. Accuse Southland of trying to kill domestic producers by dumping its products. Ask Southland to agree to limit its exports of these appliances.
- c. Encourage supermarkets and distributors to buy products from domestic producers.
- d. Set tariffs and quotas to raise the price of imports and protect the domestic manufacturer.

3. One of your country's specialties is Globdi, a delicious dish made from raw fish and unpasteurized milk. This is exported in tins and is popular with men and women from your country who live in other countries around the world. However, after some serious cases of food poisoning, countries in your trading group insist that your country should comply with the food agreement you have signed. This sets out regulations for health hygiene in the production of food and drink products imports of Globdi until these conditions are met.

- a. Make sure that Globdi is made under the new regulations.
- b. Tell the other countries that Globdi is a traditional dish and part of your national heritage and that the food poisoning cases were rare and isolated.
- c. Point to examples of dangerous foods from your trading partners' countries.

II. When your group has agreed on the action you would take, tell another group what you decided and state your reasons.

**III. Justine Savage is the presenter of Spotlight, a current affairs programme which lets members of a studio audience ask politicians questions and debate important topics. Today's programme is going to discuss three important topics:**

*1 Westland Perfume scandal*

*2 Problems caused by cheap microwave imports*

*3 Globdi.*

***Work in groups. Each member chooses one of the roles below. Make notes on comments to make and questions to ask. Then role-play the programme and discuss the topics above.***

**Justine:** Your role is to chair the programme. For each topic follow this procedure.

- |   |   |  |   |
|---|---|--|---|
| <b>1.</b> Begin by inviting the minister to give his / her point of view. | <b>2.</b> Allow the opposition politician the opportunity to reply. | <b>3.</b> Invite members of the audience to give their opinions. | <b>4.</b> If possible, summarize the discussion and move it on to the next topic. |
|---|---|--|---|

**Minister:** Your role is to explain your government's policies for trade and industry.

**Opposition politician:** Your role is to disagree with everything that the minister says.

**Member of the audience:**

<b>1</b> a citizen of Westland who thinks exporters should respect your local laws and trading standards	<b>4</b> a senior manager from the supermarket business who believes that the supermarket should offer consumers products at the lowest possible price	<b>6</b> a member of the Globdi Producers Co-operative who believes that Globdi is a traditional food that the rest of the world will enjoy if they follow the preparation instructions
<b>2</b> an exporter who is angry that Westland expects to export their products freely, but wants to protect its own markets by inventing unfair laws	<b>5</b> a doctor who thinks that Globdi is a dangerous health risk and that it should be banned	<b>7</b> other audience members
<b>3</b> employee(s) from the microwave factory in your country who are angry because they could lose his /her/ their jobs		

## BOARD GAME

*This is a board game for 2 to 6 players. All the players are car manufacturers who sell on their domestic market and export by sea to one other country:*

Player A lives in Dollardy and exports to Newpoundland.

Player B lives in Dollardy and exports to Yenland.

Player C lives in Yen land and exports to Newpoundland.

Player D lives in Yenland and exports to Dollardy.



Player E lives in Newpoundland and exports to Yenland.

Player F lives in Newpoundland and exports to Dollardy.

*Each player chooses a different exporter and plays with a different counter or coin. Throw a die in turns and move that number of squares. If you land on a square with writing, decide whether the information is important for your firm. If it is good news, move forward one square. If it is bad news, move backwards one square. If it makes no difference to you, stay where you are. If you move forward or backward on to a square with writing, you should also decide whether that information is important to you. You must reach the final square by throwing the correct number.*

Start here by throwing the dice.		Yeland devalues its currency		Newpoundland puts up its import duty
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>16</b>	World sales of cars fall	The Dollardy government gives its car manufacturers a tax free allowance	<b>19</b>	<b>6</b>
Newpoundland devalues its currency	A ship sinks with some of your cars	Congratulations you are named 'Exporter of the year'	World steel prices rise	Sea freight rates rise
<b>15</b>	<b>24</b>	<b>25</b>	<b>20</b>	<b>7</b>
<b>14</b>	<b>23</b>	A new shipping company charges lower freight rates	Your firm produces the world's best selling car	A dock strike delays all goods coming into or going out of Dollardy
		<b>22</b>	<b>21</b>	<b>8</b>

Yenland imposes import restrictions on cars		Dollardy lifts all import restrictions		A rival company goes into liquidation
13	12	11	10	9

## TEXTS FOR ADDITIONAL READING

### Reciprocal tariffs really mean chaos for global trade

America has tried reciprocity before, and discovered its flaws

United States President Donald Trump peers over two Executive Orders signed in the Oval Office at the White House, Washington DC, USA.

What happens when you ditch the principles that underpinned global trade for three-quarters of a century? Donald Trump hopes to find out. He wants to levy “reciprocal” tariffs, which match the duties American exports face abroad, plus charges to offset any policy he deems unfair. A stable multilateral trade system which has, for all its flaws, fostered miraculous rises in global prosperity would give way to arbitrary judgments made in the Oval Office.

After the Second World War America built a system of global commerce that sought to treat countries equally. The operating principle was the “most-favoured nation” (MFN) clause, which means that members of the World Trade Organisation must levy the same charge on a given good, no matter where it comes from (except within deep free-trade agreements, such as that between America, Canada and Mexico). As a consequence, in any given market, American firms trade on the same terms as most other foreigners. This acts as a brake against lurches towards protectionism or lobbying for special favours, because changing tariffs for one trading partner would mean changing them for everyone.

MFN has led to asymmetries. Countries can protect powerful producers, so long as the external tariff is uniform. It also permits imbalances in average tariffs, because countries differ in their willingness to liberalise. America levied a simple average tariff of just 3.3% in 2023, lower than 5% in the EU and 3.8% in Britain. Poor countries tend to have higher levies.

That does not mean America is a victim. Its consumers benefit from cheap imports and its companies from cheap parts. In the 20th century free trade increased

global stability. Still, perhaps reciprocity could nudge others to lower trade barriers, in order to increase their own access to America's market.

The problem, however, is that Mr Trump's policy would be fiddly, arbitrary and more likely to ratchet up instead of down. The administrative effort needed to implement it would range from gruelling to gargantuan, depending on how reciprocity was defined. At the very least, for each good a single tariff would be replaced by hundreds of possible bilateral levies and things would get fiendishly complex for products with supply chains spanning many countries. In the late 19th and early 20th centuries America pursued reciprocity only to conclude that constant bargaining was cumbersome and unpredictable, leading Congress to adopt unconditional mfn in 1922.

The unpredictability would be aggravated by Mr Trump's desire to be the judge of whether a country's trading practices are unfair. His order cited value-added taxes (vats), which are levied in most rich countries, as one such discrimination; America has no vat, only state and local sales taxes. Yet vats are fair, because they apply equally to imports and local goods.

Including vats in reciprocity would lead to hefty increases in tariffs. Goldman Sachs, a bank, says that if America adopted only mirror-image tariffs without retaliation, its levies would rise by an average of two percentage points. Many European vat rates exceed 20%.

But there probably will be retaliation, so tariffs are likely to spiral upwards. The mere possibility of that will deter businesses from relying on trade. Because Mr Trump's reasoning on vat is nonsense, who knows what grievance he will dream up next? And reciprocity is only one component of his plans. If he also whacks duties of 25% on some goods, as he continually threatens to, you have a recipe for retaliation and a full-scale trade war. That might suit Mr Trump, but it would be a blow to the American and world economies alike.

### **Why Britain has so far dodged Donald Trump's tariffs And why it may continue to do so**

Donald trump's trade officials are run off their feet. China was just the beginning. Since the start of February, the president has announced levies on global imports of aluminium and steel. Reciprocal tariffs, which will charge countries according to their own duties on American goods, and "non-tariff barriers" are set to follow. Allies have been menaced as much as adversaries. America's closest neighbours, Canada and Mexico, have been bludgeoned by the threat of 25% levies, for the moment postponed after both agreed to boost security at the border.

Imagine for a moment that you were one of those exhausted officials. It might cross your mind that another friendly country—one often said to have a “special relationship” with America—ticks many of the same boxes as neighbours already caught in the cross-hairs.

A trade surplus with America? Check. Britain thinks it ran one of about £71bn (\$88bn) in 2023, according to its Office for National Statistics (ONS), little different from Canada’s. Counting on American trade? Check. Like Canada and Mexico, Britain’s largest trading partner is the United States. Headed by a maga-sceptic? Check. Mr Trump’s praise that Sir Keir Starmer is doing a “very good job” will fool no one that the two have much in common. And since the wider maga-crowd find plenty to grumble about politically regarding Britain, tariffs might be seen as a useful cudgel. In his recent speech to European leaders assembled in Munich, J.D. Vance, America’s vice-president, accosted Britain for inadequately protecting free speech outside abortion clinics.

Yet when it comes to trade, Republicans are routinely enthusiastic about the Anglo-American partnership. Robert Lighthizer, the US Trade Representative during Mr Trump’s first term, called relations with Britain “how trade is supposed to work”. The man nominated for the post this time, Jamieson Greer, testified to Congress in 2023 that Britain was on his list of trading partners to focus on building market access with. The president himself is characteristically mercurial but tends to suggest it can all “be worked out” with America’s partner across the Atlantic.

British politicians might like to credit political nous if friendly ties with Washington continue. David Lammy, the foreign secretary, is replete with praise for the president—no longer a “deluded, dishonest, xenophobic, narcissistic” man, Mr Trump is now one of “incredible grace”, says Mr Lammy. Peter Mandelson, famed for his political “dark arts” (and, as a former EU trade commissioner, no stranger to trade negotiation), has been installed as ambassador in Washington. Skilful diplomacy can no doubt help. But so, too, can economic fundamentals.

Start with the obvious. Anglo-American trade in goods is broadly balanced—and goods deficits are what seem to enrage Mr Trump. He blames them for hollowing out America’s industrial heartlands. The two countries have alternated between surplus and deficit (one of the reasons Mr Lighthizer said the trading relationship “may be the healthiest one in the world”).

Still, a hefty deficit of any kind is typically anathema to MAGA tariff hawks. Here Britain is, unusually, helped by America’s bureaucrats. Due to the intricacies of totting up trade, the numbers calculated by each side differ. Whereas Britain’s ONS calculates a healthy trade surplus for the Brits, the Americans’ sums show the opposite. Its Bureau of Economic Analysis calculates a \$14.5bn American surplus in total trade with Britain in 2023 (see chart 1). Unsurprisingly, when the

topic of trade arises, Sir Keir and Rachel Reeves, the chancellor, are happy to echo Yankee wisdom rather than touting the numbers from their own mandarins.

Even without a focus on Britain, of course, Mr Trump's broader policies may well do damage. A global levy on steel, set to begin in March, might cause minor ructions unless Britain can get an exemption (the ONS reckons it has a small bilateral surplus in that commodity). And if Mr Trump makes good on threats to impose charges on imports of cars, semiconductors and pharmaceuticals, they would hurt carmakers and drug firms, of which Britain has plenty. Worst of all is the Trump administration's review of reciprocal tariffs. If it wrongly concludes that value-added tax, a consumption charge Britain levies at 20% on domestic and imported goods, should be viewed as a tariff, as Mr Trump has argued, Britain could be hit with retaliatory tariffs of 20% or more.

Suppose British efforts to win exemptions fail. It would probably still not be the disaster faced by some of those near the top of Mr Trump's tariff hit-list. Whereas a 25% tariff could shrink Mexico's economy by 2-4% this year alone, and do almost as much harm in Canada, similar tariffs would affect Britain less. The impact of a 20% tariff on all British goods would be less than 1% of GDP, calculates the Centre for Inclusive Trade Policy, a British think-tank. Exports would fall by around £22bn, a mere 2.6% of Britain's total exports.

Geography matters. All else being equal, trade tends to decline with distance, as transport costs and other barriers grow. And nestled between America and continental Europe, Britain (unlike Canada and Mexico) has easy alternative markets for its goods. Britain sends only 13% of its exports to the United States, compared with over 75% for Canada and Mexico, according to the UK Trade Policy Observatory (see chart 2). The share of those exports which the UKTPO counts as "vulnerable"—where over half are sent to America—is just 7%. The exhausted trade official might reluctantly conclude that the relationship is somewhat special after all.

### **Why Latin America is the world's trade pipsqueak Its geography hinders commerce. But so does policy**

Follow a lorry laden with Brazilian-made cars as it inches down the hairpin bends of the Paso Internacional Los Libertadores (pictured) into Chile and the challenges of trade within Latin America become clear. Four times the lorry grinds to a halt as workers repair the road ahead; snow, ice and avalanches will soon smash it up again. The delays are so long that drivers hop out to smoke, staring up at the surrounding peaks. There is at least one crash a week, reckons a border official. This is the busiest trade crossing between Argentina and Chile, but treacherous ice means

in winter it operates for just 12 hours a day. For about 40 days of the year, smothered in snow, it shuts altogether.

Latin America's international trade, measured as exports plus imports as a share of GDP, has crept up over the past two decades, but it still trails most emerging markets. Strip out Mexico's super-strength in manufacturing for export to the United States and the picture is even worse. In South America trade in goods is worth less than 30% of GDP. In other emerging markets it is worth around 50%.

Latin American countries are even worse at trading with each other. The region is far richer than sub-Saharan Africa, but intraregional trade accounts for a mere 7% of GDP in both places. Measured differently, only 14% of Latin America's total goods trade occurs within the region, the lowest figure anywhere in the world.

Low trade in general is a problem. Richer places tend to trade more and international trade has been a powerful engine of development everywhere from Europe to Asia. Whether low regional trade is a worry, however, is disputed. Beyond Mexico, Latin America's trade growth in recent years has been based on surging Chinese demand for commodities like copper, soyabeans and lithium. Plenty of governments are still eager to focus on that opportunity, rather than on boosting trade with neighbours. But the strained relationship between the United States and China poses a risk. If tensions over Taiwan boil over, for instance, Latin America might struggle to maintain trade relationships with its two most important partners.

Some Latin Americans see an opportunity for nearshoring, the idea that multinational firms can expand production in the region so as to avoid exposure to China. Janet Yellen, the US treasury secretary, talks of "tremendous potential benefits". That is optimistic. There is little sign so far of a wave of foreign investment. Mexico aside, exports to the United States were flat last year. If nearshoring is under way, but not yet showing up in export statistics, you would expect to see increased foreign direct investment (FDI). That is not happening either. As a share of GDP, inward FDI is not perceptibly higher than the long-run average in most parts of Latin America. Compare that with South-East Asia, also seeking to benefit from firms fleeing China, where inward FDI is surging.

Boosting intraregional trade could cushion Latin American economies from slowing Chinese demand as well as superpower tensions. It could also help make Latin America more competitive globally. If parts and products could be made in the bits of the region where it is cheapest to do so, then traded, combined and sold, they would form so-called regional value chains, and boost exports. Why, then, are Latin American countries so bad at trading with each other?

Some reasons are structural. "We don't trade with each other because we want to consume things that we do not produce," says Ricardo Hausmann of Harvard University. Low intraregional trade is, in part, due to a failure to make sophisticated

products. Worse, Latin American countries often produce the same things: commodities. Chile's biggest export is copper. So is Peru's. Neither is ever going to sell much of it to the other. Geography matters too. South America covers almost 18m square kilometres, four times the size of the European Union. The world's longest mountain range and its largest tropical forest make much of the continent impassable for all but condors and jaguars.

These factors constrain the potential for intraregional trade, but only partially account for its paucity. The IMF reckons that Latin American goods trade is 40% lower than would be expected when comparing it with other parts of the world with similar economic and geographic challenges. The similarity of countries' export baskets explains more of the difference, but exports can and do change over time.

Intraregional trade could improve if governments addressed the basics. Building better infrastructure would ease the headaches of geography. Argentina, for example, ranks 73rd on the World Bank's logistics performance index, a measure of physical infrastructure quality and customs efficiency. The IMF estimates that reducing the gap between Latin American and rich-country infrastructure by half could lift exports by 30%.

### **Aconcagua Base**

Every few years the notion of digging a vast, long tunnel through the Andes re-emerges. But that remains a pipe dream. Meanwhile truckers such as Ricardo Emmanuel, a 38-year-old from Mendoza in Argentina, continue hauling goods up and down dangerous, slow routes. "On that side it never gets repaired," he complains, gesturing down the road towards Argentina from atop the Paso Internacional Los Libertadores. He praises Chile's sleek customs complex perched high in the Andes, but says the Argentines sometimes open just one of their many checkpoints, backing up lorries. Why? "They don't want to work!" he shouts in frustration.

Better trade policy would also help. At first glance it looks good; nearly 90% of intraregional trade is already tariff-free. But those numbers flatter to deceive. There are two big problems. First, there is no proper preferential-trade agreement between Mexico, the region's second-largest economy, and Brazil and Argentina, the largest and third-largest. Second, much of the free trade is based on a spaghetti bowl of bilateral agreements. That matters because most of those agreements push producers to use inputs almost exclusively from their home country, rather than from potentially cheaper third countries in the region. "This is a huge impediment to the creation of regional value chains," says Antoni Esteve of Georgetown University. He reckons the rules are equivalent to an extra tariff of about 15%.

Some Latin American leaders simply do not want freer trade. Brazil and Argentina are the two most protectionist emerging markets in the world, says Marcel

Vaillant of the University of the Republic in Uruguay. With a population of over 200m, Brazil is the continent's largest market but protectionism means that for many firms in Latin America sales into the country are limited. Argentina currently levies a tax of 17.5% on purchases of foreign currency for most imports. And it directly taxes vast swathes of its exports. (Export taxes are also popular in Kazakhstan, but are seen as madness in rich countries.) Non-tariff barriers are rife across the region. Chilean producers of everything from avocados to salmon have to do separate food-safety processes for every market they export to. "That's time and money," points out Ignacio Fernández Ruiz, the head of ProChile, the country's export-promotion agency.

This protectionism has also scuppered high hopes for Mercosur, the customs union between Argentina, Brazil, Paraguay and Uruguay. Instead it both has high tariff walls to the world and is riddled with internal barriers. Mercosur briefly boosted trade between its members, but trade within the group is now no better than among other countries in the region. Trade between Mercosur and the rest of Latin America is miserably low.

Political volatility is another headache. The Pacific Alliance, a free-trade deal between Chile, Colombia, Mexico and Peru, was launched by four centre-right leaders in 2011. They hoped it would be a model for how regional integration could also boost global trade. But the election of leftist leaders in Colombia, Chile and Mexico sapped the organisation's momentum. Mexico refused to pass the rotating leadership of the Alliance to President Dina Boluarte of Peru, claiming her appointment was illegitimate after she took over from her impeached predecessor. The Pacific Alliance is at its lowest point since it was founded, says Felipe Lopeandía, formerly Chile's chief trade negotiator, now at Deloitte, a consulting firm.

Still, it is easier to fix these problems than to move the Andes. And even the two structural impediments to trade within Latin America—geography and the fact its countries produce similar goods—look different from the perspective of the part of global trade that is expanding fastest: services. The Amazon does not block Ecuadorian consulting firms from selling advice in Brazil. For Chilean mining-engineering firms, the fact that Peru also produces copper is a tremendous opportunity. Latin America's intraregional services trade is still low, but the potential is obvious.

Chile's service exports are also small, but last year they grew by 51%, mostly within Latin America. The potential for more excites Mr Fernández Ruiz, who has brought dozens of large firms from across Latin America to meet Chilean service providers. Not for the first time, the region might learn from pro-trade Chile.



## **America and China's trade war will rock the world**

***Countries that had previously managed to sit out the spat will be dragged into it***

By Mike Bird, Asia business and finance editor, The Economist

The trade war which began with tit-for-tat tariffs between Washington and Beijing in 2018 has now been raging for nearly seven years. With the re-election of Donald Trump in America, it will intensify in 2025. But the trade war is also spreading geographically. The number of countries being dragged into spats over trade with China is increasing, posing difficult decisions for governments.

Mr Trump has proposed tariffs of 10% or 20% on imports from around the world. Those from China face an even steeper suggested duty of 60%. That makes the average American tariff already in place, at around 12%, look modest. Quintupling the tariff on Chinese goods would make a broad swathe of products too expensive for American buyers. Chinese exports to America amounted to around \$500bn in 2023. That could drop by as much as 85% if the tariffs were implemented in full, according to one analysis.

But as well as affecting trade between the two superpowers, the commercial turmoil will spill over to the rest of the world in the year ahead. China's policymakers are likely to permit—or engineer—a fall in the yuan to blunt the impact on its manufacturers. That will drive down the cost of Chinese goods all over the rest of the world. Countries that once preferred to sit out the superpowers' trade tussle are already being pulled into the fight. In 2025 they will feel even more pressure to respond with their own trade restrictions.

### **Chinese cars could be banned from American roads**

Decisions by China's government are also raising the stakes. Investment in property fell by 10.1% between January and September 2024, compared with the same period in 2023. The crisis in the property market, once one of China's main engines of growth, has now been going on for more than three years.

In late September, Chinese stockmarkets began to surge, driven by hopes for more stimulative economic policy from Beijing. But so far, few policies that might revive consumer spending have been announced, and exports have been a more reliable source of recent economic growth. Investment in manufacturing rose by 9.2% in the first nine months of the year, helping to offset the pain. The combination of a moribund economy at home, and an American market which is being closed off to Chinese producers, means that surge of investment is producing industrial goods destined for other overseas destinations.

Around the world, electric vehicles (EVS) have already emerged as one of the foremost sources of tension, and one that looks likely only to grow. Back in 2018, China exported around 1m cars, which played very little role in the early trade

tussles. That figure surged to 5m in 2024, and China has emerged as the world's largest car exporter, thanks in large part to its expertise in producing low-cost EVS.

Some countries have already raised steep walls against imports of Chinese cars. A proposal by America's Department of Commerce to prohibit the use of Chinese software in cars would in effect ban Chinese cars from American roads. In August the Canadian government imposed 100% tariffs on Chinese-made EVS. In Europe, the issue is still a matter of political discord. A proposal by the European Commission for tariffs of up to 45% on Chinese EVS faced opposition from the governments of Germany and Hungary, though those of France, Italy and Poland supported the new levies. Germany's car industry opposed the move, given the risk of retaliation from China, the industry's largest foreign market.

But the tensions are rippling out beyond the rich world. Many middle-income countries are weighing the pros and cons of accepting cheap Chinese goods and Chinese investment on the one hand, and protecting their own domestic producers on the other. Brazil, Chile and Mexico raised tariffs on Chinese steel imports in April. Countries in South-East Asia are also being dragged into the fray. In July, Indonesia's trade minister threatened tariffs of up to 200% in areas including ceramics, textiles and footwear. Malaysia's government is reviewing its anti-dumping duties against Chinese steel.

For countries around the world, both rich and poor, the effects of the trade war will become more and more difficult to avoid, particularly if the incoming Trump administration raises an almighty tariff wall. Sitting out the conflict is no longer much of an option.

## **China and the EU risk a trade war**

### **Massive Chinese overcapacity in electric cars is a giant political risk for Europe**

China and the European Union could not have set expectations much lower for their summit on December 7th in Beijing. Before Xi Jinping hosted Charles Michel, president of the European Council, and Ursula von der Leyen, head of the European Commission, EU officials warned that substantive agreements on trade, climate change or geopolitical differences were unlikely.

The EU visitors were expected to raise China's closeness to Russia and to ask about alleged sales by Chinese companies of dual-use items, such as semiconductors or drone parts, that help Russia's war effort in UKraine. Alas, China's line on UKraine has hardened in recent months. Chinese officials have left Western diplomats with the impression that they expect Vladimir Putin to avoid a humiliating defeat, and to see Western unity crumble, making a frozen conflict a likely outcome. Just in case China's indifference to moral pressure was not clear enough, on

December 4th Mr Xi hosted Alexander LUKashenko, the president of Belarus, for the second time this year. Mr Xi spoke of strengthening political trust with Mr LUKashenko, a Putin ally and pariah in EU circles.

Arguably, the China-EU summit was not as urgently needed as last month's meeting between Mr Xi and President Joe Biden in California. For months the Chinese government had severed channels of communication with America. In contrast China-EU dialogues and working groups never stopped. That said, recent high-level China-EU contacts are described as "talking about everything, without concrete results".

Yet the lack of drama should not be mistaken for calm. A giant confrontation over trade looms. Tensions are high because, as so often before, Chinese state planners and local officials have subsidised overcapacity in a promising sector. Over the years, Europe's industrial landscape has been reshaped several times by China opening far more firms and factories than markets need. Whereas in the past the threat involved basic commodities such as steel, lately China has achieved dominance in advanced sectors which European firms once led, like wind turbines or solar energy.

Another such sector is cars, an industry with a powerful grip on public hearts and minds. China has focused on battery-powered electric vehicles. Even after consolidation in the sector, over a hundred firms still produce such cars. A few brands are world-class. Most are cheaper than Western rivals. Chinese firms became dominant through a mixture of subsidies and coercive transfers of foreign technologies, but also hard work and foresight, as they leap-frogged slow-to-change foreign firms. Between them they make far more cars than China's market demands.

Some European governments are ready to resort to crude protectionism. In October the European Commission launched an investigation into Chinese electric vehicles and whether their makers receive subsidies that break international trade laws and harm EU firms. The probe could see punitive tariffs imposed. It has already angered China. German carmakers—whose China operations remain huge, though less profitable than before—are anxious about retaliation. In a recent speech, Ms von der Leyen retorted to German politicians that Europe faces unsustainable competition. "There is clear overcapacity in China, and this overcapacity will be exported. Especially if overcapacity is driven by direct and indirect subsidies," she said. "This will worsen as China's economy slows down, and its domestic demand does not pick up."

In early December Chaguan attended the Stockholm China Forum, a private gathering in Singapore of American, Chinese and European officials and scholars convened by the German Marshall Fund, a think-tank, and Sweden's foreign

ministry. One theme was Chinese overcapacity in manufacturing and its potential to disrupt European attempts to “de-risk” relations with China.

When considering the European perspective, it helps to think about EU goals as sides of a triangle. On one side is the bloc’s determination to embrace green, low-carbon technologies. On another is its desire to end damaging dependencies on Chinese products and inputs. And on the third side is its goal of preserving industrial jobs. As of now, Europe cannot have all three sides of its triangle.

### **Hard to square**

The EU could prioritise the first goal, focusing on the environment by importing Chinese-made electric vehicles and other clean tech. But that would ignore fears about lost businesses and jobs. European officials worry that millions of subsidised Chinese cars could be dumped on its markets each year, especially as tariffs and other rules close American markets to batteries from China. Of course, guarding European jobs and businesses by blocking Chinese vehicles would raise the opposite problem: Europe would be less green than it wants to be. Such protectionism would also harm drivers.

A bigger challenge pertains to the second side of the triangle. China is determined to keep the EU reliant on its supply chains. Indeed, in 2020 Mr Xi called such dependencies a “powerful counter-measure” for controlling foreigners. Since then China has imposed export controls on critical minerals, including a form of man-made graphite that European firms need to make advanced batteries. The EU could work to avoid dependencies on Chinese technologies while trying to keep factories humming at home. But without Chinese minerals, for instance, those same factories cannot produce electric cars or batteries at scale, forcing Europe to forgo or delay its low-carbon revolution. For years to come, then, Europe must choose between the planet, independence from China and shielding industry at home.

China, for its part, continues to invest heavily in manufacturing. Chinese officials appear to believe that their country’s market power and control of clean technologies will force Europe to back down. They hope that Ms von der Leyen’s commission lacks support from key EU governments. Perhaps they are right. If they are wrong, this could end with a trade war.

## **An onslaught of protectionism will change global trade**

### ***But it will not diminish it***

By Cerian Richmond Jones

What’s going on with global trade? 2023 should have been a disaster. America and China entered an all-out trade war, with export bans, import tariffs and investment restrictions. Europe agonised over a riposte to the Inflation Reduction Act

(ira), America's plan to kickstart manufacturing with \$1trn in subsidies and tax incentives. India threw up import bans of its own. War in UKraine played havoc with grain supplies and shipping. The World Trade Organisation, enfeebled by America's disengagement under Donald Trump, looked on in horror. Predictions about the death of trade came thick and fast.

And yet the world ended up buying more from China, relative to the country's GDP, in the first nine months of 2023 than in the same period in any previous year. As a portion of its GDP, China bought just as much from the rest of the world as it did in 2022. India's manufacturing share of GDP rose for the first time in five years. Including intermediate goods, America bought as much as from China relative to its GDP as it had in the previous five years. In 2024, policy and reality will continue to diverge. Though protectionism will continue to flourish, firms and countries will carry on adapting, not retreating.

For a start, expect more intermediated trade. Tensions over Taiwan, the source of 65% of the world's semiconductors, as well as concerns about military uses of ai and a battle over the supply of rare-earth metals, make an economic thaw between the West and China unlikely. But laws to scrub China from supply chains will make Western companies nervous and eager to find alternatives. Chinese firms are looking for ways to skirt the West's trade barriers. Both will settle on countries friendly to both but allied to neither. More goods made in China, or by Chinese companies, will be traded via countries like Vietnam, which is already prospering as a result.

Firms and countries will adapt, not retreat

The race to build the hardware of the green revolution will add to the need to adapt. In 2023, Indonesia banned the export of bauxite, necessary to make aluminium, after a similar ban in 2020 on nickel, a crucial component of green batteries. In 2024, other countries will follow suit, though few foreign firms will want to go to unstable countries.

In June, policymakers in Washington, dc, carved out green minerals from the ira's tariff regime, as long as the exporting country has a free-trade agreement with America. More developing countries could start negotiating similar arrangements. Should China's economic slowdown continue to cool its demand for green commodities, the West could benefit from lower global prices (though poor producers such as Turkmenistan and Zambia, which rely heavily on exports to China, could suffer).

Many things will not change. China has long protected its chipmakers and car industry, but trade has continued. The West's new industrial policies will take years to pay off. Europe's desire to reduce its reliance on Chinese cars, particularly EVS, will take time. It will be a while before new factories in America's rustbelt start

producing chips and EVS. That is good news for trade in 2024. But it also means that the logic of national security will drive trade for years, regardless of the economic merit of the argument.

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