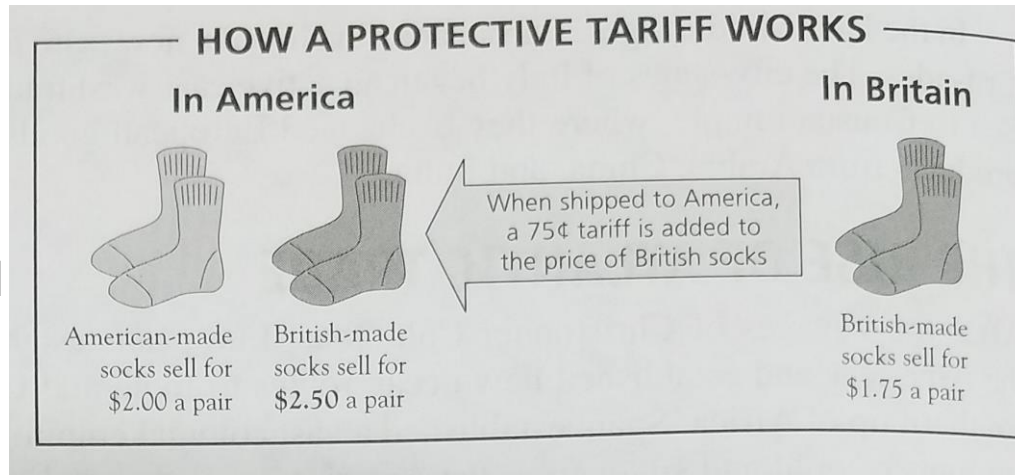


The background features a dynamic, abstract design with flowing, wavy bands of color. The top band is a vibrant red that transitions into a bright yellow towards the right. Below this, there are more complex, layered waves in shades of red, orange, and yellow, creating a sense of movement and depth. The overall aesthetic is modern and energetic.

TRADE BARRIERS

And the collapse of Trade Barriers

Tariff-
tax on
goods
imported
into a
country



Quota-
Limits on # of
imported goods that
can come into a
country in a certain
time period.

What cause the collapse of trade barriers?
How do they work?

THE COLLAPSE OF TRADE BARRIERS

In the early twentieth century, the world experienced the Great Depression and two world wars. Countries often put up **high tariffs** or **quotas** as barriers to trade. After World War II, leading countries created rules and organizations to promote world trade.

In 1947, the **General Agreement on Tariff and Trade (GATT)** was signed by 23 nations to promote world trade and to remove trade barriers. This later led to the **World Trade Organization**, created in 1995. Today, membership in the WTO has grown to over 150 members, representing more than 97% of total world trade. Other WTO functions include overseeing the administration of trade agreements and providing a forum for negotiations and for settling disputes.

Free Trade Zones. Several groups of countries have also created free **trade associations**. In these associations, member countries create **free trade zones** with no tariffs or quotas. For example, in the 1990s, the United States, Mexico and Canada formed the **North American Free Trade Association (NAFTA)**. Tariffs between these three countries are gradually being eliminated.

European Union. European countries created the European Economic Community, which later became the **European Union (EU)**. Members of the EU can live and work in any member country without restriction. There are no customs duties or other restrictions on goods moving from one member country in the EU to another member country.

Most members in the European Union also use a common currency, the Euro. Since the **Euro** entered circulation in 2002, it has replaced each of the EU countries' former national currencies. The Euro has grown to become the second most widely held international currency after the U.S. dollar.

The Euro is the currency of the European Union.

