

Men own 50% more of the world's wealth than women and control over 88% of corporations.



**UNIT 01**

# **ECONOMIC** ACTIVITY

**M** **MAKE IT!** There are approximately 2 billion five-euro notes in circulation at the moment. They often last for less than a year before they get ripped and need to be replaced. They can change hands hundreds of times in their short lives. You are going to create a story of a five-euro note as it changes hands over the course of a day.

Decide on the events in your story. Who has the note at the beginning? What do they do with it? How does it change hands and why? Where does it end up? (It must change hands at least five times.) Draw a comic strip telling the story. Share the story with your classmates.



## S | SAY IT!

### MONEY MAKES THE WORLD GO ROUND

**Look at the saying. What do you think it means? Do you think it's true? Why or why not? Do you think it's possible to live without money? If so, how?**

---

**P** **POST IT!** You are going to find out how some people live without money. Choose one of the groups in the first box. Find an example for the group you've chosen. Answer as many of the questions as you can from the second box. Write a summary of your findings. Choose photos or draw diagrams to illustrate the main points. Write a short blog post.

individuals in modern society / communities in developed countries / past civilisations / indigenous tribal groups today

Who are/were they? Where do/did they live? How do/did they get the essentials to live? (food, clothes, etc.) Do/Did they use barter or exchange? If so, how does/did the system work? Do you think their system can work on a larger scale? Why/Why not?

# 01

# HUMAN NEEDS AND PRODUCTION

The purpose of **economic activity** is to meet human material needs through the production of goods and services. The main economic activities can be classified in three groups.

- **Production** consists of the creation of **goods** and **services**, such as food produced by a farmer.
- **Distribution** involves transporting goods from the producer to the consumer, such as the transportation of food from farms to shops.
- **Consumption** is based on using the goods and services produced, such as when a household consumes food.

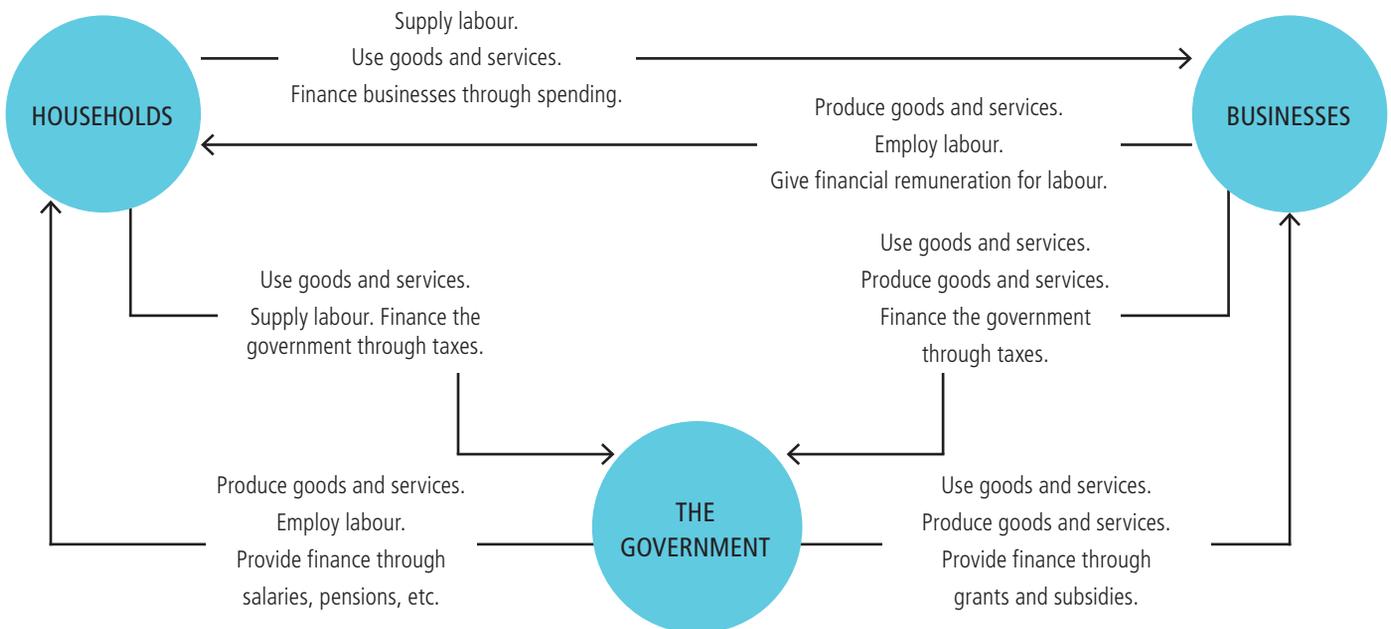
## 1 ECONOMIC AGENTS

The main economic agents are households, businesses and the government.

- **Households** meet their needs by using the goods and services offered by businesses and the government. Households also supply labour when they work for them. In exchange, they receive a financial remuneration, which they spend to meet their needs.
- **Businesses** employ labour to produce goods and services. They do this to meet the needs of households and the government. Businesses receive money when the other two agents spend it.
- **The government** (central government, public sector firms, etc.) produces and uses goods and services, such as healthcare products to give to public hospitals. It also produces goods and services that benefit the general public, such as schools. The government collects **taxes** from households and businesses to pay for these services.

### \* NEED IN ECONOMICS

In economics, *need* is a very general term. It covers everything from primary needs, such as housing, to secondary needs, such as mobile phones. Meeting a need usually involves creating a new need. For example, buying a car creates the need to take it regularly to a garage for repairs.



## 2 FACTORS OF PRODUCTION

**Factors of production** are the resources involved in producing goods and services. These are: natural resources, capital and labour.

### NATURAL RESOURCES

**Natural resources** are raw materials found in nature. They are used in the consumption or manufacture of products, and as energy sources. They can be regenerated in different ways.



Renewable resources can be consumed without being exhausted, because they regenerate faster than they are consumed. Some can be almost limitless, such as water and wind. Others need a period of time to regenerate, such as flora and fauna.



Non-renewable resources regenerate more slowly than they are consumed. Their capacity to renew themselves is low. As a result, they can run out if we overconsume them. Examples include oil, coal and iron ore.

### CAPITAL

**Capital** is made up of the different elements involved in the production process.

- **Human capital:** the labour that workers contribute.
- **Physical capital:** raw materials, facilities, tools and machinery, etc.
- **Financial capital:** the money needed to pay for physical capital and human capital.

### LABOUR

**Labour** is a concept that includes both physical and intellectual labour. Labour can be carried out using different types of technology, tools and machines. The **role of labour** is to produce goods or provide services to receive financial compensation. A **wage** or **salary** is the payment which employees receive for their labour and determines the amount of goods they can purchase.

### PURCHASING POWER

The **purchasing power** is the amount of goods or services that an amount of money can buy. The purchasing power of a wage or salary depends on the **cost of living**. If a wage or salary goes up, but the prices of goods and services increase even more, purchasing power decreases.

## S SPEAK

Play a guessing game about renewable and non-renewable resources. Think of a natural resource and describe it to your partner, saying what it's used for. When your partner guesses the resource, it's their turn.

### KEY STRUCTURES:

This natural resource is used for ...; It's a living / non-living thing; We need to ... to use it; It can be found ...

## 02

## ECONOMIC SYSTEMS

Societies create rules, institutions and procedures for producing goods and services. Systems are based on how these elements are organised. They deal with the **basic economic issues**: what to produce, how to produce it and for whom.

## 1 TRADITION-BASED ECONOMIC SYSTEMS

In the past, people developed economic systems based on **beliefs, customs** and **laws**. For example, in feudal Europe, artisans in cities formed **guilds**. These organisations regulated and established rules of production for each trade. They also determined how the trade should be carried out.

In present-day society, production is constantly changing due to technological innovations. Tradition-based societies experienced little **change**. **Preserving the community** was more important than incorporating new practices that would lead to more economic growth.

An example of this is what occurred in some Spanish mountain communities several centuries ago. Livestock farming was the main economic activity, and the municipalities or town councils owned most of the pastureland, also known as the 'common pastures'. The municipality's residents were responsible for managing the land. It was, therefore, in their best interest to assure that the natural resources used for production did not run out.

Therefore, in these societies, production was strictly defined by rules from very old customs (*the how*) in order to benefit the community (*the who*). And *the what* depended on the resources in each region or on the power of the market to give an incentive for an activity. For example, in the case described above, a large portion of the products obtained from livestock, such as wool, meat, milk and cheese, were sold in cities which were in need of these goods.

Nowadays, despite the power of globalisation, there are groups of people in the Arctic Circle, the Amazon, Africa, Southeast Asia and Oceania whose economic activities are still based on tradition, or at least in part.

Tradition-based systems only allow for very limited economic growth. In many cases, production is restricted to **self-consumption** and **subsistence**. This means that households essentially follow these principles:

- They purchase very few goods and consume only what they produce.
- They generate very little surplus. This means that their production is limited to achieving self-sufficiency.



- In Valencia, the *Tribunal de las Aguas* still exists. It judges, according to tradition, the conflicts between the farmers that irrigate the land.

## \* THE MARKET

We can define the market as a set of procedures and rules that govern commercial exchange.

There have been many different types of market throughout history. For example, under the feudal system in medieval times, supply and demand took second place to traditional customs and the needs of the privileged social classes: the nobility and the clergy.

## IT'S A FACT!

**TRADE UNIONS ARE ORGANISATIONS OF WORKERS WHO UNITE TO ACHIEVE common goals, such as better working conditions. Guilds can be considered as the precursor to trade unions.**

## S

**SPEAK** In groups, prepare a product presentation.

Decide on your product, say how it's made, why it's useful and how much you think you can sell it for. Present your ideas to the class or to another group.

## KEY STRUCTURES:

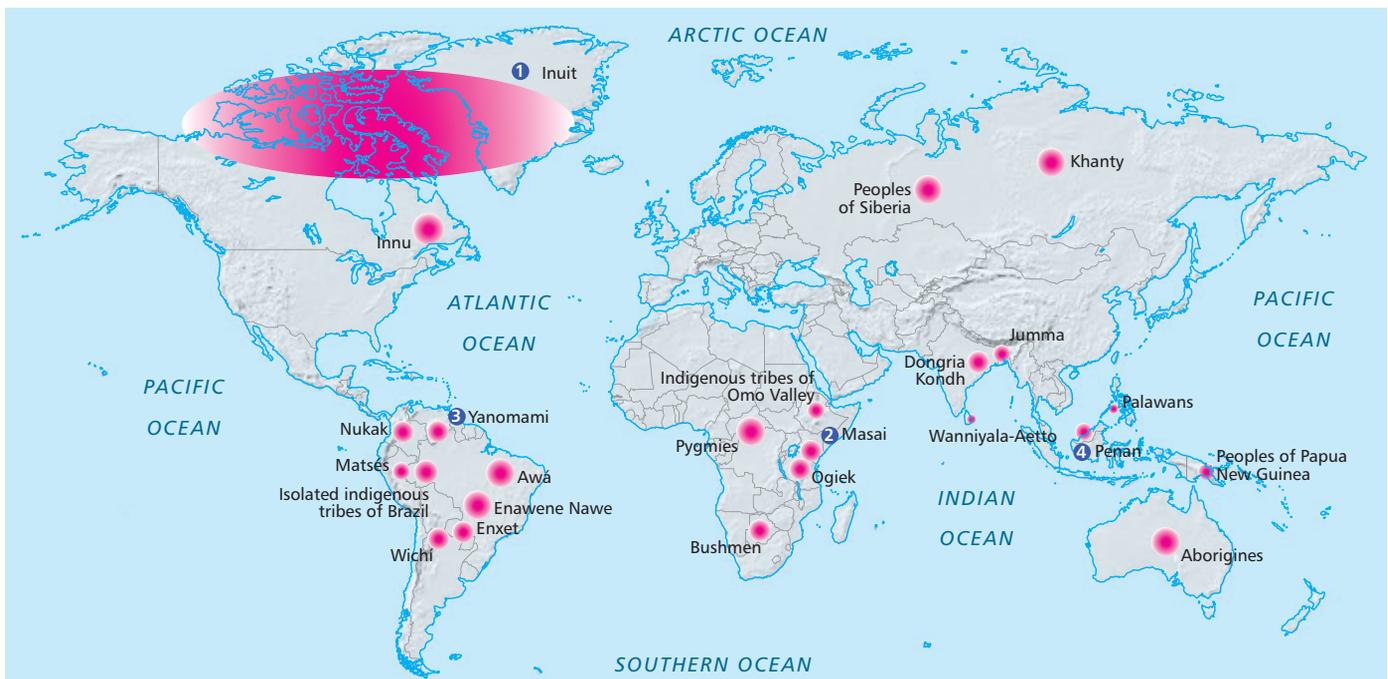
Our product is called ... and it's made from ...; It's useful / We need it because ...; It costs ... and we think people will buy it because ...; In the future we plan to ...

**1 INUIT**

The Inuit are nomadic people. Their way of life is based on hunting and fishing. Each member of the family has a specific role.

**2 MASAI**

The Masai have a hierarchical system based on age and sex. They are mostly nomadic livestock farmers. They move with their herds looking for water and fields for grazing.

**3 YANOMAMI**

The Yanomami consist of a series of communities in which the men hunt and the women farm.

**4 PENAN PEOPLE OF MALAYSIA**

The Penan people live in the jungles of Borneo. They are hunter-gatherers who share everything they obtain equally.

**2 CAPITALISM AND THE FREE MARKET SYSTEM**

**Capitalism** is a socioeconomic system based on the following factors:

- **Private ownership** of the means of production, which includes physical and financial capital.
- **Investment of capital** in economic activity in order to maximise potential profits.
- The decision regarding what to produce is determined by the economic agents through the **free market**.

The free market regulates the production and sale of products and services based on the prices established by supply and demand.

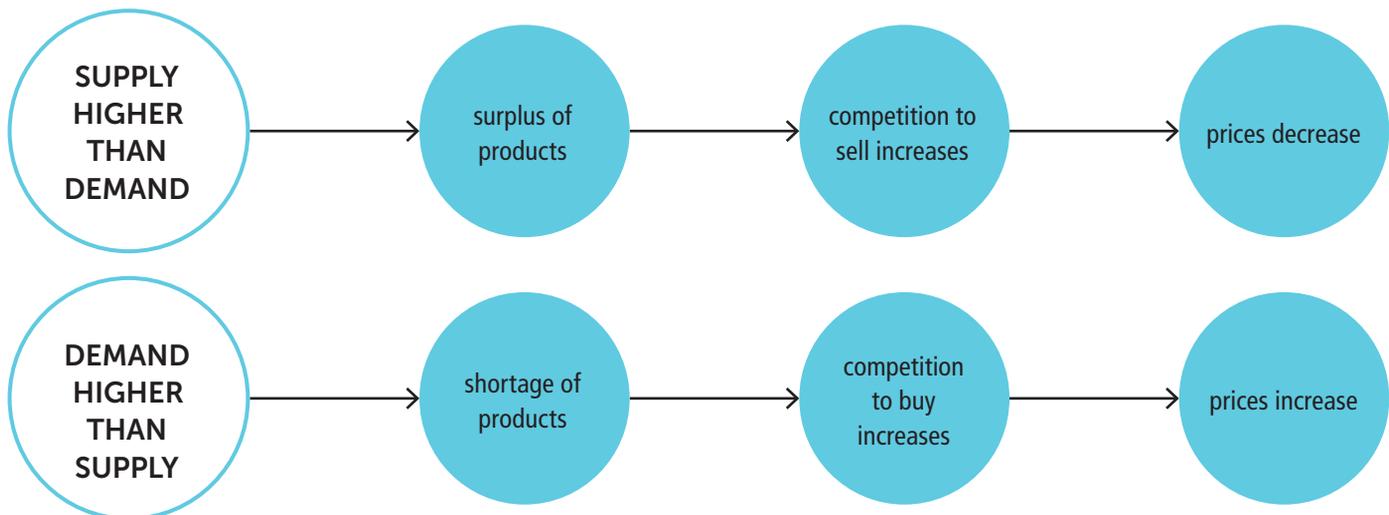
- **Price:** the value assigned to a product or service. It links the sellers (supply) to the buyers (demand).
- **Supply:** the products available on the market for a specific price, during a certain period.
- **Demand:** the products or services that consumers want to buy for a specific price and under certain conditions.

When these variables interact, they produce two opposing scenarios:

- **Prices decrease.** If the supply is high but the demand is low, it creates a **surplus**. Companies compete to sell this surplus by reducing prices.
- **Prices increase.** If the demand is high but the supply is low, there is a **shortage** of products. Companies increase the prices because consumers who compete for the products are willing to pay more.



- Prices between competitors may not necessarily be the same; one competitor may end up lowering its price.



Therefore, **competition** among economic agents means that they each act in their own interest:

- producing a product or service at the **lowest possible cost**.
- paying the **lowest possible price** for the product or service.

However, this is just the theory. In practice, the decisions the economic agents make in the free market are not **restriction-free**. There are many factors that influence them, such as the inequality between different economic agents and their relationships with power and the institutional, social and ecological frameworks.

This dynamic causes an **unequal distribution of wealth** among economic agents. The supply side desires the greatest profit. As a result, members of the demand side with more resources have greater influence. This creates situations in which it is more profitable to manufacture coloured contact lenses for people in wealthy countries than water purifiers in developing countries.

### 3 AUTHORITY: THE CENTRAL PLANNING SYSTEM

In a free market system, the interaction between supply and demand determines the decision on what to produce. In a central planning system, an **authority**, generally represented by the state, makes decisions. Historically, this system was most developed in communist countries or in countries based on real socialism. The Soviet Union and China are the main examples of powers which used this type of system.

In economies such as these, the ultimate aim is to achieve greater **social equality** and prevent the injustices caused by the unequal distribution of wealth. The state makes a number of predictions based on a set of economic objectives to determine which goods or services they should produce, how to produce them and who to produce them for. However, this system is not always efficient. The state's predictions can turn out to be wrong, and the production processes involve very complicated bureaucracy.

Today, only North Korea continues to follow this economic system. Other countries such as China, Vietnam, Laos, Cuba and Belarus have implemented reforms, redefining their markets and changing the ways they allocate and produce goods and services.

### 4 THE MIXED ECONOMY SYSTEM

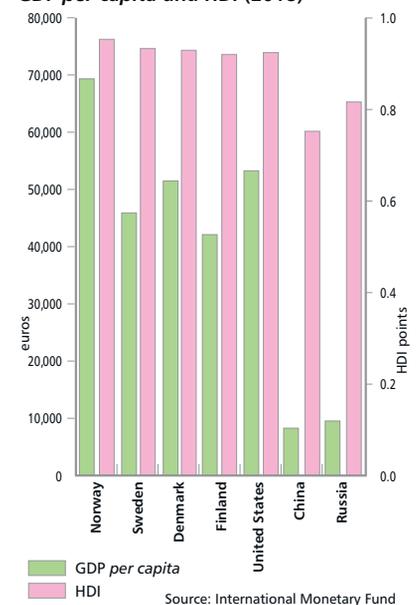
Most countries have a mixed economy system. Countries with a mixed economy include Iceland, Sweden, France, the United Kingdom, the United States and Russia. The aim of this system is to avoid both the negative effects of the unequal distribution of wealth in a free market and the lack of efficiency that characterises authority-based systems.

The free market deals with basic economic problems, but the state acts as an authority to help guarantee **equal opportunities**. To do so, it collects taxes. This money is used to finance what is known as the **welfare state**, which invests in public goods and services, social security benefits and other kinds of support.

### \* WELFARE STATE NATIONS

In the Nordic countries (Norway, Sweden, Finland and Denmark), the state is heavily involved in the mixed economy. These countries are usually cited as examples of developed economies due to their high average wealth rates (gross domestic product, or GDP, *per capita*) and Human Development Index (HDI).

GDP per capita and HDI (2018)



ECONOMIC SYSTEM	WHAT IS PRODUCED	HOW IT IS PRODUCED	WHO IT IS PRODUCED FOR
tradition-based economic systems	depends on the resources in each region or the power of the market to give an incentive	based on old customs incorporated in rules and laws	for the community
free market system	decided by the free market system of supply and demand	production at the lowest possible cost	determined by the market
central planning system	determined by the state	based on goals set by the state	determined by need
mixed economy system	determined by the free market and the state	by private companies at the lowest possible cost and by the state, based on its goals	determined by the market, but the state takes action to guarantee equal opportunities

## 03

## SECTORS OF THE ECONOMY

The economy is divided into three sectors: the **primary sector**, the **secondary sector** and the **tertiary sector**.

### THE PRIMARY SECTOR

The **primary sector** consists of activities related to obtaining natural resources to be manufactured or to be used in the production of food.

**Agriculture** involves farming the land to produce raw materials, such as cereals, cotton and fruit.



**Livestock farming** involves raising animals for food and for raw materials, such as leather and wool.



**Forestry** consists of harvesting the wood from trees in forests and plantations, along with other raw materials, such as resin, cork and rubber.



**Fishing** involves catching or farming fish, molluscs and crustaceans.



### THE SECONDARY SECTOR

The **secondary sector** involves manufacturing raw materials and producing capital goods.

**Mining** consists of removing rocks and minerals from the subsoil. Although this activity involves obtaining raw materials, it is usually classified as part of the secondary sector.



**Industrial activities** manufacture raw materials into goods, such as cloth, tools, machinery, etc.



**Construction** of buildings (homes, factories, offices, etc.) and infrastructure (roads, ports, airports, etc.).



**Energy production** consists of extracting energy from natural resources. It also involves activities related to the manufacture of energy, which has to be transformed from one form to another.



**THE TERTIARY SECTOR**

The **tertiary** or **service sector** includes all the activities that produce intangible goods and services. In other words, this sector does not create or manufacture materials. It is divided into a large number of subsectors, including the following:

Commerce involves distributing and selling the products from the primary and secondary sectors.



Transport and communications relate to the movement of people and goods, and to communicating information.



Tourism relates to the temporary movement of people from one place to another.



Services include anything from essential services, such as healthcare and education, to activities such as advertising and legal services.



Banks and financial services provide services related to saving and moving money: current accounts, investment funds, etc.



**PRODUCT LIFECYCLE**



**S** **SPEAK** Role-play an interview with a partner. Choose one of the activities in the primary, secondary or tertiary sector. Together, create a short dialogue of a person interviewing someone working in this sector. Students try to guess the activity as you act out your role play.

**KEY STRUCTURES:**

This is a primary/secondary/tertiary sector job.; What tasks do you do?; To do this job I must use...; I have to plant/dig up/buy/sell...

## 04

## CLOSE READING OF AN ECONOMICS TEXT

## 1 WHAT IS IT?

As with any other type of close reading, to discuss an economics text, you will need to analyse it to reach some conclusions.

## 2 HOW TO DO A CLOSE READING

## WORKING WITH THE TEXT

The first step is to read the text carefully and make notes of the main points and ideas. Also make a note of any specific events, people, groups, etc.

This is also the time to note down and look up any terms and expressions you do not know or are unsure of. This is quite common in economics texts.

Economic problems are often presented as highly complex issues which can only be resolved by experts. Ordinary people are not allowed to make decisions because they are not considered qualified. However, this is one of the greatest fallacies in economic discourse and policy today. In reality, there are no technical solutions to economic problems. There are only political solutions. In other words, solutions are not based on objective criteria, but on individual preference.

Let's imagine that we need to build a bridge and that there is a choice to build in one city or another. The bridge would cost the same in each case and would present identical difficulties. The decision about the choice of city is political because it depends on preferences. How the engineers resolve the purely technical matters is an entirely different issue. It would be foolish to have people vote to decide what type of screws to use (because this is based on technical criteria). And it would be just as foolish to allow the engineers to choose which city the bridge should be built in (as this is a political matter).

The same thing happens in economics. Any economic decision involves a certain distribution of wealth. No matter what is decided, this means that some people will benefit more than others. And the decision about who should benefit or be negatively affected is not technical, but political.

Therefore, whenever an economic decision is made, it is based on a preference and not technical criteria. This means that economic decisions depend on ethical principles. For example, do we believe that we should only produce what people with money can afford? Or should we ensure that everyone has access to goods and services, such as food, healthcare and education?

This is why we should demand that governments ask for the public's opinion before any economic decision is made. And to give them a basis on which to make their decision, we must first clarify how the different alternatives will affect people's lives.



Close reading always requires careful attention.

## CONTEXTUALISING THE TEXT

Next, you need to contextualise the text by answering the following questions:

- Who is the author? If you do not know, you should do some research. Try to find out about their degree of authority on the subject: their education, opinions, professional career, etc.
- What type of document is it? You need to determine if it is a research study, an opinion piece or a technical text, for example.
- Who is the audience? Clarify whether the text is personal, such as a letter, or public, such as an article, column, passage from a book or blog post, for example.
- When and what situation was it written in? Then, put it in the context of the economic situation of that time.

## CLOSE READING

First, organise the ideas you have noted down. Divide them into main and secondary ideas. Next, consider and answer questions such as the following:

- What sources of information are used?
- What economic concepts and factors are discussed? These should be defined and explained. You should also relate what you have read to the knowledge you already have.
- How are the economic concepts and factors presented in the text? Try to figure out the author's intentions or point of view based on this.
- According to the text, how are economic decisions, society and politics related?

Once you have answered these questions, you need to draw your own conclusions, including your personal assessment. Write them down. Next, prepare an outline of how you are going to structure your discussion. Lastly, write your analysis.

**S** **SPEAK** Discuss the meaning of the quote by Henry Ford: *A business that makes nothing but money is a poor kind of business.* How does this quote relate to the text about economics and ethics?

### KEY STRUCTURES:

In my opinion, this quote means that...; I think a business should make economic decisions that also take into consideration ...

### KEY VOCABULARY:

economic problems/solutions, decisions, distribution of wealth, preference, ethical principles, public opinion, who benefits ...

## \* POSITIVE AND NORMATIVE ECONOMICS

Positive economics is concerned with the analysis of economic factors, for example, rising prices, state healthcare spending and the number of businesses created. Normative economics evaluates these economic realities and considers how they should be from the perspective of the person doing the evaluation.



- \* The economic recession that began after the 2007 crisis has increased inequality throughout the world. This has led to a rising demand for 'economic democracy' or citizen participation in major economic decisions

✔ Occupy Wall Street (OWS) is a protest movement against economic inequality.





# ACTIVITIES

## ECONOMIC ACTIVITY

### 01 HUMAN NEEDS AND PRODUCTION

1 What do the terms in the table below refer to? Answer the question and write three examples of each one in your notebook.

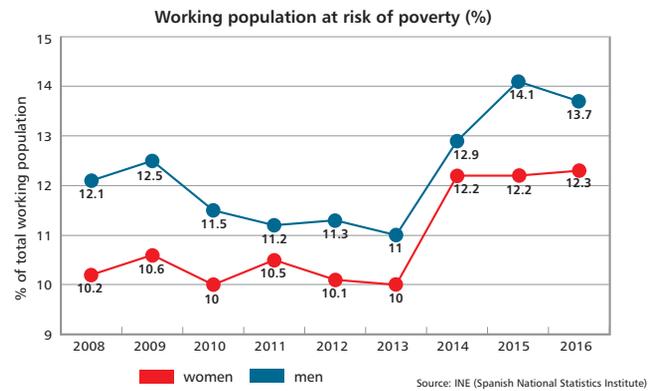
	EXAMPLES
production	.....
distribution	.....
consumption	.....

2 Make a list of the essential goods that you need on a daily basis. Which of them are really essential? Could you live without some of them? Write a short report on your conclusions and share it with your partner.

3 In your notebook, make a table like the one below. Tick the roles played by the economic agents.

	HOUSEHOLDS	GOVERNMENT	BUSINESSES
consume / consumes goods and services	.....	.....	.....
produce / produces goods and services	.....	.....	.....
supply / supplies labour	.....	.....	.....
supply / supplies financing through spending	.....	.....	.....
supply / supplies financing through wages and salaries	.....	.....	.....
supply / supplies financing through taxes	.....	.....	.....

4 Study the graphs, read the text carefully and answer the questions in your notebook.



The economic recession which began in 2008 has increased the phenomenon of ‘working poverty’. This refers to the situation of people who live in relative poverty even though they work. This means that they have such limited resources that they have not achieved the minimum acceptable standard of living in their country.

- a What is a temporary job? And a permanent job? Explain the difference in your own words.
- b How do you think the loss of wage or salary purchasing power and the increase in temporary jobs has influenced the phenomenon of working poverty?
- c In which years did purchasing power of wages increase the least? Between which years did the working poverty population increase the most? Why do you think these years coincide? Give a possible explanation.

- 5** Explain the differences between:
- renewable and non-renewable resources.
  - human, physical and financial capital.
  - wage and purchasing power.
  - economic activities and economic agents.
- 6** ◀ Listen to the radio show and choose the best option to complete the sentences.
- a** Julie Peters is from a group that wants to stop trees from being cut down/the forestry department/a big business.
- b** Big businesses say there are plenty of trees/they need permission/the local people benefit.
- c** The presenter points out that if logging is restricted manufacturers won't get the best wood/the wood will be more expensive/our forests will be less attractive.
- d** Which of these benefits related to trees does Julie not mention? They provide homes for different species / stop soil erosion/keep towns and cities cooler.
- e** Julie says the cost of cutting down trees should include the pollution produced/furniture and paper making/the price of the machinery.

## 02 ECONOMIC SYSTEMS

- 7** Choose a group of people in the world whose economic activities are still based on tradition. Search the internet to find information about:
- where they live.
  - what they do.
  - how tasks are divided between the sexes.
  - any fun facts or interesting details.
- Use the information to write a report and present it to your class.
- 8** Do the following situations describe a tradition-based economic system, a free market system, a central planning system or a mixed economy system?
- a** Production is for the community.
- b** Production goals are set by the state.
- c** Production is carried out at the lowest possible cost.
- d** Production is determined by the market, but the state takes action to guarantee equal opportunities.
- e** Production depends on the resources in each region or the power of the market to give an incentive.

- 9** Explain what happens in a free market economy in the following scenarios:
- a** Demand exceeds supply.
- b** Supply exceeds demand.
- 10** ◀ Listen to the conversation and answer the questions in your notebook.
- a** Who do you think is talking?
- b** Where are they?
- c** What product are they talking about?
- d** How many packets of this product do they have on the shelf?
- e** How many total packets of this product do they have?
- f** When does the product expire?
- g** How much do they charge for the product?
- h** What solution does the shop assistant suggest?
- i** How much will they charge for three packets?

## 03 SECTORS OF THE ECONOMY

- 11** In your notebook, match the two columns.
- |                                 |                           |
|---------------------------------|---------------------------|
| <b>a</b> vet                    |                           |
| <b>b</b> fishery                |                           |
| <b>c</b> salt extraction        |                           |
| <b>d</b> toy factory            | <b>1</b> primary sector   |
| <b>e</b> university professor   | <b>2</b> secondary sector |
| <b>f</b> lawyer                 | <b>3</b> tertiary sector  |
| <b>g</b> thermal power plant    |                           |
| <b>h</b> cheese making          |                           |
| <b>i</b> air traffic controller |                           |
| <b>j</b> shop assistant         |                           |
- 12** Choose a product and create a poster showing its lifecycle through the different economic sectors. Search the internet for photos and print them to illustrate the process.
- 13** ◀ Listen to the descriptions and match them in your notebook to the activities below.
- a** construction
- b** farming
- c** tourism
- d** mining

- 14** Create a concept map in your notebook with the following terms: agriculture, tertiary sector, livestock farming, industrial activities, forestry, secondary sector, tourism, fishing, primary sector, mining, commerce.
- 15** Look at the photos and answer the questions in your notebook.
- Which sector of the economy does each activity belong to?
  - Choose one of the photos and explain the lifecycle of the product in it.



#### 04 CLOSE READING OF AN ECONOMICS TEXT

- 16** Read the text on page 16 and answer the questions.
- a** Identify and note down the main ideas and key information.
  - b** Write down and look up the meaning of any term you do not know or find ambiguous.
  - c** Contextualise the text.
  - d** Do a close reading and analysis of the text, using the steps you have learnt.
- 17** Listen to the two politicians James Bent and Hannah Newton. Decide which politician supports the following ideas:
- a** attracting tourists
  - b** improving education
  - c** encouraging private investment
  - d** improving public transport
  - e** investing in sporting facilities
  - f** improving healthcare

#### UNIT REVISION

- 1** Decide whether the following sentences are true or false and correct the false ones in your notebook.
- a** Most countries have a mixed economy system.
  - b** The central planning system reached its greatest extent in communist or socialist countries.
  - c** Capitalism is based on investment of capital, private ownership and equal opportunities.
  - d** Businesses employ labour to produce goods and wages.
  - e** Consumption consists of the creation of goods and services.
  - f** Preserving the community is a high priority in tradition-based economic systems.
- 2** Answer these questions about oil.
- a** Which category of factors of production does it belong to? Is it renewable or non-renewable?
  - b** Which sector does the oil industry belong to? Explain your answer.
  - c** Imagine the world's supply of oil has nearly run out, but demand is increasing. What would happen to oil prices in a free market system? Explain your answer.
  - d** Do you think renewable energies can help reduce the demand for oil? Explain your answer.
  - e** Why is oil important in today's world? Give several reasons.
- 3** In your own words, explain how the terms in each group are related:
- a** labour / wage / purchasing power / cost of living
  - b** households / businesses / the government
  - c** consumption / distribution / production
  - d** labour / capital / natural resources
  - e** price / supply / demand
  - f** self-consumption / subsistence
  - g** tourism / transport and communications / services
- 4** What produces the unequal distribution of wealth among economic agents in a capitalist economic system? How does a central planning system try to achieve social equality?
- 5** Decide whether the following sentence is true or false and explain why: If demand is greater than supply, there is a surplus of products which causes prices to increase.

## R

## READ AND REFLECT

ECONOMICS ACROSS BORDERS:  
INTERNATIONAL TRADE

International trade has been a vital part of world culture for thousands of years. The Silk Road helped establish financial and diplomatic connections between China and nations in the Indian Subcontinent, the Middle East, Europe and Eastern Africa. The situation today is no different. However, doing business across borders has changed in the modern world.

In the past, international trade was almost exclusively in the form of goods. Chinese silk was transported to countries where silk was not available. Now, there is also another form of international trade: services. Companies in rich countries may have projects that would be too expensive if they were attempted domestically. Instead, they collaborate with companies in poorer countries that charge lower costs and pay lower wages to their workers. The result is a network of countries and companies that become commercial allies and grow ever more reliant on each other, where the stability of each individual member benefits everyone.

The European Union is currently the world's biggest international trader, including all trade between its member states and with the rest of the world, but China is close behind.

Although Spain is a relatively small nation, it is the world's top exporter of citrus fruits, pure olive oil, and a variety of other fruits and vegetables, as well as of several specialised sea vessels including lifeboats, hospital ships and warships. However, the products that Spain imports are very similar to the ones needed by other modern countries.

Historically, foreign countries have often been seen as rivals or enemies, with wars fought to claim what other people had. Although conflicts between countries still take place, there is an old saying: Money makes the world go 'round. Today, instead of saying 'money', we could say 'international trade'...



## A

## ANSWER IT!

- 1 Discuss with a partner the implications you think the Silk Road had in the further exploration and globalisation of the planet. How did it start to bridge the gaps between different cultures?
- 2 What disadvantages would there be if international trade no longer existed? What advantages might there be?
- 3 Find a phrase from the text which means 'financial business partners'.
- 4 Read the following sentences and decide if they are true or false.
  - a Companies choose to hire labour in foreign countries because the labour in their own country is normally too unreliable.
  - b Poor countries' workforce is cheaper because their workers get paid lower wages.
  - c Nowadays, the majority of international trade occurs in the form of exporting goods and products.