

International trade...

It's your business, too

If you thought an EMU¹ was just a bird that cannot fly, then this is definitely for you. Read on to find out about trade, the European Union, and why it matters to you.



Sara is a schoolgirl. After her breakfast of a French croissant and an English muffin, she slips on her Italian shoes and goes to school in her father's German car – which uses petrol from the Middle East. After school, Sara and her brother Jack stop off at the local music shop to buy the latest chart topper.

Although the album is by a famous Swedish pop star, the CD itself is made in China, and the brother and sister cannot wait to give it a spin on their Japanese stereo. After dinner, Jack sends mysterious SMS messages – using his Finnish mobile phone – to his friends and Sara switches on their made-in-Taiwan PC and surfs the net with their American web browser.

You probably hear about world trade on television but, unless you have a special interest in it, it can seem as confusing as a cross word puzzle! Yet, without it, Sara and Jack would lack many of the things they take for granted. Everyday, countries around the world buy and sell millions of goods (physical things like food and computers) and services (like holidays and concerts). When a country buys something from another country, this is called an import; when it sells something, it is called an export. Europe is the world's largest importer and exporter.

Mobile world

Many people describe the world today as a '*global village*'. This means that phones, satellites, the internet, planes and other modern technologies have brought billions of us closer together. We can now communicate with people on the other side of the world, visit distant lands, and buy and sell things in every corner of the globe. In fact, without this process – which is known as globalisation – life would be very different.

But why do we need world trade? Because no single country can produce all the things it wants. Trade means that countries do not have to do everything themselves. They can concentrate on making what they can make best, fastest and cheapest, and swap what they do not need for something from another country – this is what economists call specialisation. Global trade benefits all of us – it means you can choose between curries and pizzas, and movies from Hollywood and Bollywood.


People have long had markets to exchange, buying and selling the things they need and make. Markets make trading simpler: traders do not have to visit each and every customer to sell their products – customers can simply visit their shops. Just as shops may collect together in shopping malls to make buying and selling more convenient, countries may also club together in what we call trading blocs. These blocs have member countries which can trade freely among themselves. By working together as a group, they can also make their voices stronger and better heard around the world.

A union is born

More than 50 years ago, six European countries formed just such a club when they set up what we now call the European Union (EU). Today, the EU is the biggest trading bloc, accounting for about 20% of the world's trade. This means that European countries buy or sell one in five of all the goods and services that cross the world's borders. As a sign of its success, the EU grew last year from 15 to 25 member countries.

1 - EMU is actually short for the Economic and Monetary Union that the EU has built.





Just as there are political borders between countries that can make it harder for people to travel because they need visas and other papers, there are also economic ones. European countries once had taxes on foreign products and different rules for selling them. These are what we call trade barriers.

The EU's success was to remove the borders between European countries to make both travelling and trading easier. Today, it is a 'borderless' area in which people and products can move freely. From originally 25 separate national markets, we now have a single European market. This means, for example, that a Greek company can sell the Rollerblades it makes not only to Greek children but also to kids in the other 24 countries of the EU without having to pay any extra taxes or make any changes to the design, providing they correspond to European safety standards.

The world is a big place, with 6 billion people living in some 200 countries. Because international trade is so important, 148 countries have already joined the World Trade Organisation (WTO). Just like FIFA does for football, the WTO sets the rules by which countries have to play when trading. If one country believes another country has not been playing fair, it can make a complaint at the WTO. Like a referee, the WTO must then decide if the complaint is correct and whether the offending country should get a 'yellow card' or a fine.

Another of the EU's jobs is to speak up for its member countries at the WTO and other international meetings. As anyone who has been in a team will tell you, there is strength in numbers. Being the world's biggest trader makes the EU a very important player at the WTO. It also carries a lot of responsibilities. The EU wants to use its power not only to defend the rights of its member countries, but also to make trade fairer and freer for all, especially for smaller and poorer countries in the world – because trade can help them develop their economies.



The EU is divided into three main organisations, each with its own special task in international trade:

- || The **European Commission** talks with other countries and international organisations to explain and defend the EU's needs and opinions. It also negotiates trade agreements
- || The **Council of the European Union** (representing the 25 Member States) makes the important political decisions for the EU
- || The **European Parliament** (directly representing the peoples of Europe) approves these decisions

