Southwest Asian Trade Question Hunt

Directions: Use the Southwest Asia Trade (pp. 11-20) to answer the following questions:

1. What type of industry did Southwest Asia have before the 1950’s?
2. What does Southwest Asia have to import?
3. What would happen if Southwest Asian countries didn’t trade?
4. Why do Southwest Asian countries trade with other nations?
5. What is the purpose of the trade agreement signed with the European Union in 1995?
6. What are some physical trade barriers that Southwest Asian countries face?
7. What is the biggest export from Southwest Asia?
8. How much of the supply of oil comes from Southwest Asia?
9. Why is the Persian Gulf a huge asset to trade in Southwest Asia?
10. What is OPEC?
11. Which Southwest Asian countries are members of OPEC?
12. What is OPEC’s purpose?
13. What is the concept of a political trade barrier?
14. Why did OPEC raise the price of oil in 1973?
15. How did the 1973 Oil Crisis affect the world?
16. How did OPEC react to the 2003 invasion of Iraq?
17. What is the currency of Israel, Saudi Arabia, and Jordan?
18. Why must countries have an exchange rate?
Trade

- Before the 1950s, Southwest Asia had a very strong agricultural industry. Today many of the countries depend on voluntary trade. Southwest Asia must import much of its food and other products for daily life.
Trade

• Over half of the food eaten in Southwest Asia is produced outside the region. The region does not have many highly developed industries besides oil. Without trade with other nations, countries in Southwest Asia would suffer.
Trade

• Some Southwest Asian countries are trying to trade more with other nations in order to improve their economies. For example, twelve countries including Israel, the Palestinian national authority, and Syria signed a trade agreement with the European Union in 1995. The purpose of this agreement is to end tariffs on trade in the Mediterranean region by 2010.
Trade

• Southwest Asian countries face both physical and political trade barriers. The lack of rivers suitable for travel transport is a major physical trade barrier for many countries in the region. Deserts make trade extremely difficult in some countries. Mountains are also physical trade barriers in some countries in Afghanistan.
• Many Southwest Asian countries specialize in the production of oil. Countries in the region control about 65% of the world’s oil supply. Oil from the Persian Gulf countries is exported to other countries throughout the world. This is how Gulf countries make the majority of their money.
Nations such as Saudi Arabia had relatively small economies before the discovery of oil. The Persian Gulf is a huge asset to trade in the region. It provides an easily accessible route for transporting goods.
The central organization of the world oil trade is the Organization of Petroleum Exporting Countries (OPEC). OPEC is an international organization that has twelve members. The members of OPEC include the Southwest Asian countries of Iran, Iraq, Saudi Arabia, and Kuwait.
OPEC

• OPEC’s main goal is to keep the price of oil as stable as possible. If oil prices begin to fall, OPEC members usually lower their production of oil. As the supply of oil falls, the price will rise. When prices rise too quickly, OPEC nations can agree to increase production. As more oil comes on the market, the prices will fall.
The natural resources of a country can affect economic growth. Most of Southwest Asian economies were once based on farming. When oil was discovered, it became the main source of money for many countries in the region. Governments with large oil reserves stopped investing in other parts of their economies.
Oil

- Oil has made many of the countries wealthy. The small oil-rich countries of Qatar and Kuwait are among the world’s richest with regards to GDP per capita. When the price of oil tumbles, however, these economies often struggle. Countries such as Turkey and Israel have built growing economies based on a more diverse group of industries.
The 1973 Oil Embargo

• Some trade barriers are political...like sanctions of embargoes. Sometimes governments limit trade with other countries because they disagree with the actions or policies of those countries. This is a trade barrier designed to purposefully hurt the economy of another country.
The 1973 Oil Embargo

• The 1973 Oil Crisis is one example of such a trade barrier. The 1973 oil crisis began on October 17th, 1973. OPEC announced that its member nations would no longer ship oil to countries that had aided Israel in its recent war with Egypt.
The 1973 Oil Embargo

• Those countries included the U.S. and many in Europe. OPEC raised the price of oil 70%. As a result of this embargo, the price of gasoline in the U.S. quadrupled over several months.
The 1973 Oil Embargo

- These actions had a large impact on industrialized nations because of their growing dependency on oil and gas. Western countries had been used to cheap and plentiful oil resources before the crisis. Oil consumption had doubled in the U.S. At the time, the U.S. was using about one third of the world’s oil.
The 1973 Oil Embargo

• The crisis caused the value of the American dollar to drop. It also had a widespread negative impact on the world economy. OPEC started shipping oil to Western nations again in 1974. Western Economies began to get stronger again.
Wars

• Wars are another kind of political trade barrier. Since the 2003 invasion of Iraq, Iraqi oil production has been hampered by violence. In addition, OPEC nations have raised the price of oil.
Gas Prices

• Due to this rise in price, the price of gasoline in the U.S. has increased approximately $1.00 per gallon in 1996 to $3.50 per gallon in 2013. The cost to heat homes has also risen. The average American consumer has struggled to keep up with these quickly rising prices.
Currency

• Southwest Asian countries has different forms of money.
• The currency of Israel is the Israeli shekel.
• Saudi Arabian currency is the riyal. Jordan uses the dinar.
Currency

- Some countries have higher exchange rates than others. For one U.S. dollar is worth about 4 shekels. By comparison, about 3.75 Saudi riyals equal one U.S. dollar. However, a single Jordanian dinar is worth over a dollar. These exchange rates change daily.
Exchange Rate

• Countries must have an exchange rate in order to trade with one another. The exchange rate determines how much money a currency is worth in another country.
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