



HOW SPECIALIZATION LEADS TO TRADE



As you learned in the last chapter, there are not enough resources to produce all the goods and services that people need or want. As a result, nations specialize in what they can produce best with their existing resources and then trade with other nations to obtain additional goods and services.

6.EC.B.14 *When regions and/or countries specialize, global trade occurs.*

After reading this chapter, you should be able to:

- ★ Define the following terms:
 - Natural Resources
 - Human Resources
 - Specialization
 - Import/Export
 - Infrastructure

- ★ Explain the meaning of specialization.
- ★ Identify the reasons why nations trade with each other.
- ★ Explain how specialization by a country often leads to global trade.

MAIN IDEAS OF THIS CONTENT STATEMENT

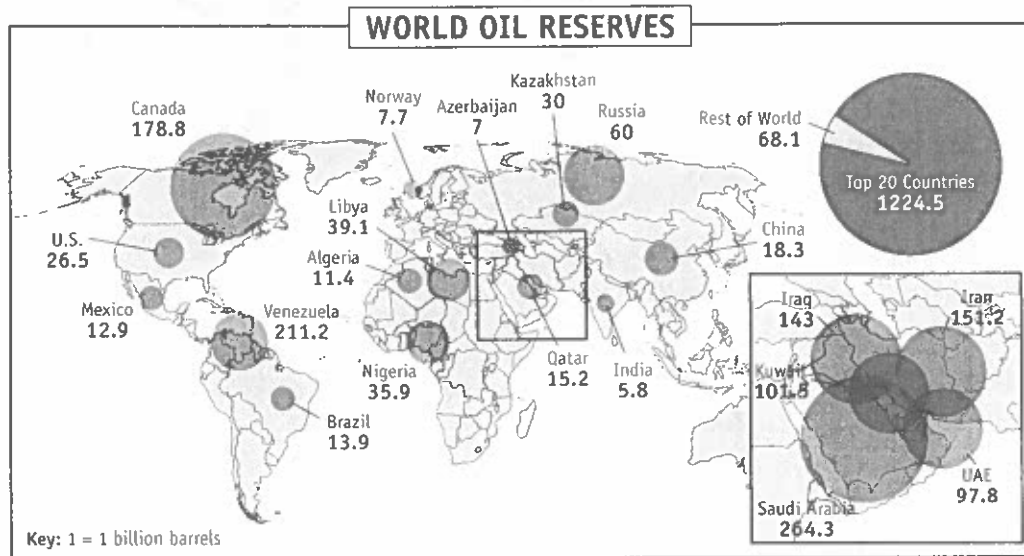
As you learned in Chapter 12, the world's natural resources are unevenly distributed. For example, various countries have different climates, landforms, soils, and minerals. Other **productive resources** — human resources and capital — are also unequally distributed among countries.

NATURAL RESOURCES

The world's uneven distribution of natural resources can best be seen by looking at one of the most important of these — **petroleum** (crude oil). In 2010, petroleum provided over one-third of the world's entire energy needs.

Petroleum and natural gas are not found everywhere. Oil and gas were created by the decay of prehistoric algae and microorganisms over millions of years. These resources are only located in areas where geological conditions allowed oil and gas to be trapped below the Earth's surface.

Many countries have almost no oil and gas. A few countries, such as Saudi Arabia, Iraq, Iran, and Kuwait, have a great abundance of these resources. The map below shows the location of the world's major oil reserves today.



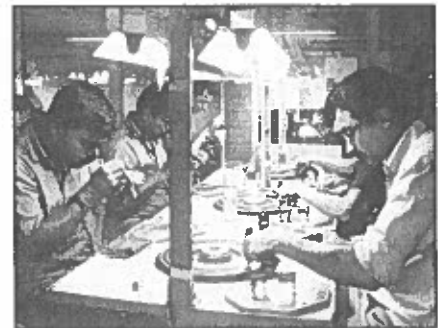
The same uneven distribution of oil and gas is true for other natural resources as well — from mineral resources to water and fertile soil.

HUMAN RESOURCES

Like natural resources, **human resources** are also unevenly distributed. Some countries like China have large numbers of workers. These workers have low living costs and are willing to work for low wages.

Some countries have work forces that are highly skilled at specialized activities. The Swiss, for example, are skilled at making watches. Their workers have been making fine timepieces for hundreds of years. As a result, Switzerland is one of the world's largest watch manufacturers.

In Japan, many workers have a strong educational background in fields like engineering. Such countries often excel at designing new high-tech goods. To specialize in designing high-tech products requires both a highly educated work force and costly equipment.

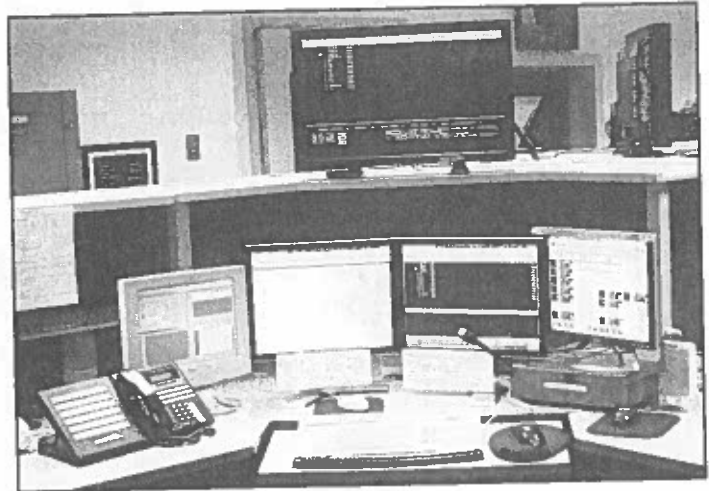


CAPITAL RESOURCES

Capital resources are resources that are created by people to help them produce other things. A tool, such as a hammer, is a capital resource. A hammer can make it easier to put together a piece of furniture or a house. Tools, equipment, machines, and roads are all examples of capital resources.

Some countries have more of these resources than others. It may be faster, easier and cheaper to produce goods in a country that already has good roads, telephone lines, and Internet connections than in a country that lacks these capital resources.

Money is a capital resource as well. It represents accumulated human labor and has the ability to purchase resources. Some countries have more money to invest than other countries. Like natural and human resources, capital resources are unevenly distributed.



Some countries have more capital resources than others.

SPECIALIZATION

Because natural, human and capital resources are unevenly distributed, nations are better off **specializing** — concentrating on producing whatever they make best. Countries then leave the production of those goods that they produce less efficiently to others. They are better off using their natural, human and capital resources to make those things that they produce most efficiently.

HOW SPECIALIZATION LEADS TO TRADE

Each region tends to make certain types of goods, based on the productive resources it has available. Each region thus produces those goods and services it can make at the lowest cost. By making just a few specific kinds of goods and services, producers in a region can become more skilled at making them. Producers learn how to make these goods even faster and more efficiently.

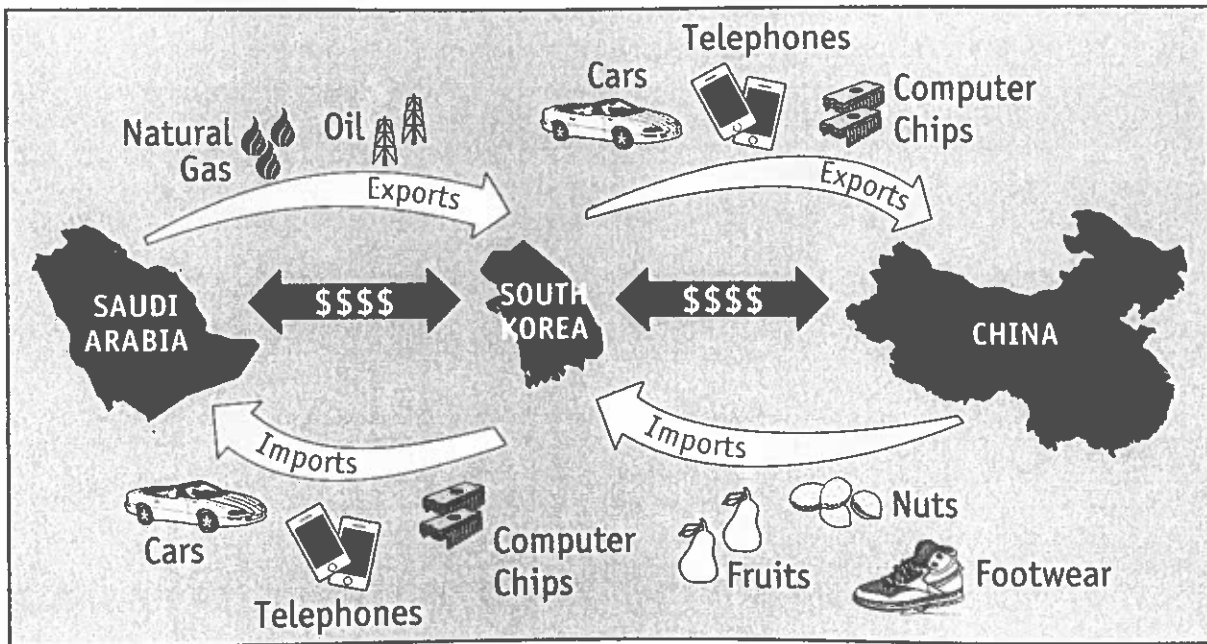
Producers may invest additional capital and human resources — such as special tools, facilities, and training — to produce these goods. This helps them to lower their production costs even further.

Because of the uneven distribution of resources, regions specialize and rarely produce everything they need. Instead, different regions depend on one another to supply many goods and services. They exchange their goods through **trade**. As you know, countries **export** products they make and **import** products they need from others.

You already saw an important example of this in Chapter 12. Recall that Japan imports oil from Saudi Arabia and exports its manufactured goods to many countries. Another example of this specialization can be seen in South Korea. Like Japan, South Korea lacks oil and many other natural resources. It imports oil and natural gas from Saudi Arabia and Qatar. South Korea then exports refined petroleum, telephones, computer chips, cars, and ships to China, the United States, Japan, Singapore and other countries. South Korea imports footwear, fruits, nuts, and vegetables from China. This diagram illustrates this relationship.



South Korean cars being exported to China



Trade therefore allows countries to specialize in producing those things they make best. Through trade, countries can import goods from other countries at a lower cost than they would pay to produce those goods themselves. Through trade, countries can export the products they make best. With trade, everybody gains. Trade encourages economic growth, and generally improves a people's standards of living.