Money Across Borders

How currency exchange makes international trade possible

SS.7.E.3.1 "Explain how international trade requires a system for exchanging currency between and among nations."

NAME ______________________ DATE ____________

1 READ AND MARK

Read it twice

YOUR JOB Underline each phrase that shows why money must be exchanged in trade. Circle each word or phrase that names a currency, an exchange rate, or a service that makes an international payment possible.

Paying Across Countries

1 When a company in the United States buys coffee beans from Colombia, the buyer and seller may use different money. The U.S. company keeps records in dollars, while the Colombian seller may need Colombian pesos to pay workers and local bills. Before payment can be completed, one currency must be exchanged for another. This exchange lets both businesses know what amount they will receive and spend. Without it, agreeing on a price across borders would be difficult.

2 An exchange rate tells how much of one currency can be traded for another at a certain time. For example, a traveler might exchange dollars for Japanese yen before buying a train ticket in Japan. Banks, currency exchange businesses, and online payment services help make these exchanges. They compare currencies and transfer payments between countries. A business can also use an agreed currency, such as dollars, but the seller may still exchange those dollars later to use money accepted at home.

3 Exchange rates change because people and businesses buy and sell currencies, and economic conditions can affect demand. Suppose a U.S. store agrees to pay 1,000 euros for bicycles from France. If the euro becomes more expensive in dollars before payment, the store needs more dollars to buy the same 1,000 euros. If the euro becomes less expensive, it needs fewer dollars. International trade therefore depends on currency exchange systems that provide rates and allow payments to move between nations.

2 ANSWER WITH EVIDENCE

Use the passage

1. Why might the Colombian coffee seller need to exchange U.S. dollars for Colombian pesos?

2. What does an exchange rate tell businesses, and how does that help them trade?

3. Name two kinds of services that can help exchange currency or transfer an international payment.

4. A U.S. store must pay 1,000 euros for goods. What happens to the number of dollars it needs if the euro becomes more expensive in dollars?

3 YOUR TURN

Your own words

Imagine a Canadian toy shop buys kites from a South Korean maker. Write three sentences explaining which currencies are involved, how payment can be exchanged and sent, and how a change in the value of the South Korean won could affect the Canadian shop.

PART 1 · READ AND MARK

Underline each phrase that shows why money must be exchanged in trade. Circle each word or phrase that names a currency, an exchange rate, or a service that makes an international payment possible. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	Why might the Colombian coffee seller need to exchange U.S. dollars for Colombian pesos?	**The seller may need Colombian pesos to pay workers and local bills in Colombia.**
2	What does an exchange rate tell businesses, and how does that help them trade?	**It tells how much of one currency can be traded for another. It helps businesses determine the amount they will pay or receive.**
3	Name two kinds of services that can help exchange currency or transfer an international payment.	**Any two: banks, currency exchange businesses, and online payment services.**
4	A U.S. store must pay 1,000 euros for goods. What happens to the number of dollars it needs if the euro becomes more expensive in dollars?	**The store needs more dollars to buy the same 1,000 euros.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

A Canadian toy shop buys kites from a South Korean maker. The shop can use a bank or online payment service to exchange Canadian dollars for South Korean won and send payment. If the won rises in value compared with the Canadian dollar, the shop will need more Canadian dollars for the same order.

Accept accurate explanations that connect different national currencies to exchanging money before or after payment. For the open response, accept another accurate payment service or a correctly explained exchange-rate change.