III Financing and Trade Deficits.

A. Financing International Trade
- when trading or importing goods from another country you need to pay them in their currency

1. Foreign Exchange
- foreign exchange rates
    - the price of one persons currency in terms of another country.
- the more someone (country) wants goods from your country the more valuable your currency becomes.

* Go over chart.

B. Trade Deficits and Surpluses

1. Trade Deficit
    - when a country imports more than it exports.
    - reduces the value of a countrys currency
2. Trade Surplus when
    - when export more than imports.