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International Trade: Competition and Cooperation in a Globalized World



THE CHOICES PROGRAM

Explore the Past... Shape the Future

History and Current Issues for the Classroom

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The Choices for the 21st Century Education Program develops curricula on current and historical international issues and offers workshops, institutes, and in-service programs for high school teachers. Course materials place special emphasis on the importance of educating students in their participatory role as citizens.

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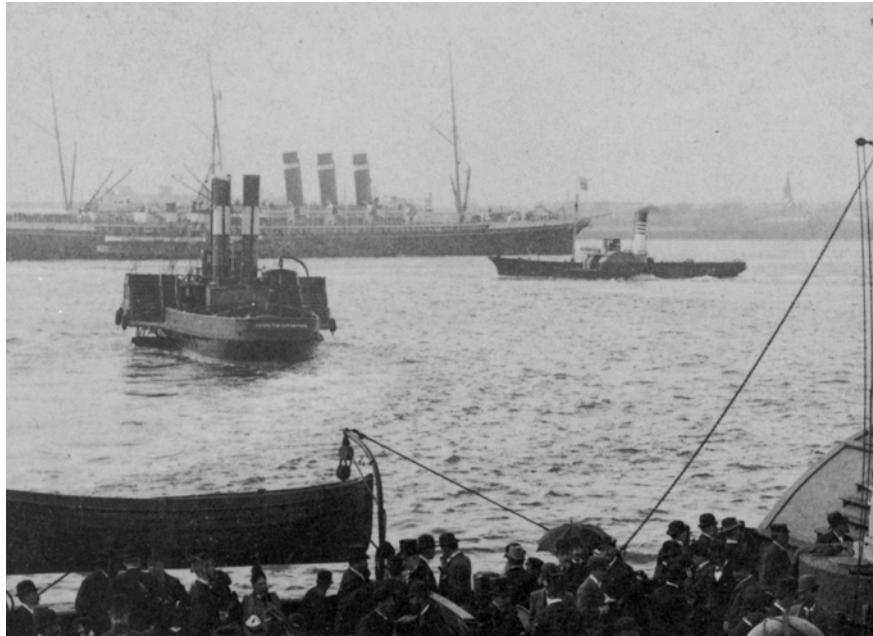
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The Watson Institute for International Studies was established at Brown University in 1986 to serve as a forum for students, faculty, visiting scholars, and policy practitioners who are committed to analyzing contemporary global problems and developing initiatives to address them.

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Ships arrive at the harbor in Liverpool, England at the turn of the twentieth century.



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A ship, registered in the island of Cyprus and carrying goods from a variety of companies from all over the world, docks at a harbor in Scotland in 2007.

Shipping has been crucial to international trade for hundreds of years. Today, as much as 90 percent of global trade is carried on ships, by hundreds of thousands of sailors on tens of thousands of ships. Shipping is so important to the world economy that the UN estimates that half the world would freeze and the other half would starve without the goods delivered by the international shipping industry.

Introduction: Trade and the Global Economy

In September 2008, the U.S. economy was hit by the largest financial crisis the country had experienced since the 1930s. While the crisis began in the U.S. housing market, the economic downturn soon enveloped markets around the world. In October, Iceland announced that its banking system had collapsed. Governments from Russia to Australia to the United States have stepped in to provide money and support to businesses and banks struggling to stay afloat. Unemployment has spiked around the world. Many analysts predict that it will be a long time before the economies of many countries are able to recover.

There are parallels between the economic crisis of today and the Great Depression of the 1930s. In both cases, the effects of economic disruption echoed around the world, and downturns in one country led to downturns in many others. But much has changed in the decades since the U.S. stock market crash of 1929.

In the 1930s, when economies plummeted, governments focused more on making their own industries competitive than on working with other countries to address the crisis. In the years after the Great Depression, many economists began to rethink how the global economy should operate. Globalization and trade agreements among countries pushed economies around the world closer and closer together. The rapid spread of the current economic crisis is directly related to the closeness of the world economy. Despite the dismal economic climate, leaders have vowed to continue to cooperate closely and promote trade.

“There is a risk that slower world economic growth could lead to calls for protectionist measures which would only exacerbate the current economic situation.... We... will refrain within the next 12 months from raising new barriers to investment or to trade in goods and services...”

[and from]...imposing new export restrictions.”

—Statement by leaders at the Asia-Pacific Economic Cooperation (APEC) Summit, November 2008

Trade is one important piece to consider when thinking about the global economy. In the last hundred years, countries have wrestled over how to formulate trade policy that will best help their economies. In some periods, governments have used policy to block trade and help certain businesses at home. In others, leaders have heralded global trade and economic cooperation as the way to make everyone better off. Other factors also influence trade policy. Governments must consider the effects of policy on employment and the well-being of their people. Foreign policy concerns, from strengthening allies to addressing human rights issues, also have factored heavily into U.S. trade policy over the last half-century.

Many around the world have questioned the global economic system. What have been the effects of globalization and a closely-connected global economy? How have these changes been beneficial? How have their effects been negative? What have been the results of globalization for people around the world?

In the following readings and the activities that accompany them, you will have the opportunity to explore these questions as you consider the direction of U.S. trade policy. In Part I of the reading you will examine the history of the current economic system and the changes brought about by globalization. In Part II you will consider the effects of these changes—and of U.S. trade policy—on people in the United States and around the world. As you read, think about the following questions: Is trade good for people around the world? What are the effects of different trade policies? And finally, within this new global economy, what should the trade policy of the United States be?

Part I: Understanding Trade

Trade has been a fundamental part of the economic life of human beings for millennia. Throughout human history, trade has led not only to the exchange of goods but also to the exchange of scientific, religious, philosophical, and cultural ideas. Today, international trade in goods (including raw materials and manufactured goods) and services (including things like tourism, electricity, and education) is a multi-trillion dollar industry.

Why do people trade?

At a most basic level, people trade because there are gains to be had. Trade allows people to specialize in the production of goods and services in which they have the resources to be most efficient and successful. They can then trade these goods or services with other people. Trade can bring economic benefits, including access to a variety of goods that may be less expensive, of better quality, or unavailable otherwise. Without trade, a person would need to produce all of the goods and services that he or she needed.

International trade is trade between individuals and companies within different countries. The only difference between international trade and any other kind of trade is that international trade is an exchange that crosses international boundaries. A government can be involved in this exchange by regulating or controlling the trade across its borders. This may take the form of policies that encourage trade or policies that aim to limit trade. Governments raise political as well as economic concerns about trade.

Like individuals, countries also can gain from trade. There can be economic gains, for example, new markets to sell goods produced in the home country. There also can be political gains, such as cementing international relationships or boosting the economies of allies.

A business or person with the resources to produce a good or service more efficiently

than another business is said to have a “comparative advantage.” Countries also can have comparative advantages. For example, Saudi Arabia has a comparative advantage in producing petroleum, but it needs rice and other food products for its citizens. Although Saudi Arabia could produce rice, it makes more economic sense for it to produce petroleum and trade with a country with a comparative advantage in rice production. Trade allows countries to produce what they are best at and consumers gain access to a wider variety of goods that may be of better quality or less expensive.

Trade also can have negative effects. International trade can disrupt local economies, putting some companies out of business while others flourish. Governments may choose to focus their resources on industries in which they have comparative advantages. As a result, there may be fewer resources for other sectors. For example, a country that has a comparative advantage producing beans may decide to put most of its resources towards increasing bean exports and will have less resources for other sectors such as clothing manufacturing.

Trade can benefit everyone involved, but everyone will not necessarily benefit the same. The resources and capabilities of a country will affect how it fares in international markets. For example, a country like Costa Rica, which depends on exports of agricultural goods like bananas and pineapples, is likely to earn far less from its exports than a country like Germany, which exports goods like cars and machinery. Similarly, people without critical resources such as money or a good location are less likely to gain from international trade. At the same time, rich and poor people from around the world have benefited greatly from the wide variety of less expensive goods that have become available as a result of international trade. Much of the debate about trade is focused on who gains and who loses from trade, and how these unequal effects should be dealt with.

What is protectionism?

Protectionism is an economic strategy to limit trade. Governments construct “barriers” to restrict trade in order to help their domestic businesses.

There are a number of different policies that governments can use to create these barriers. Tariffs, or taxes on imported goods, make goods from other countries more expensive than locally-made goods. Subsidies are another form of barrier, in which the government gives money to certain industries so that those businesses can charge lower prices and be more competitive on the world market. Governments also can set import quotas. These quotas set a limit on the amount of a specific good that may be imported into the country, in order to protect domestic producers of the same good.

Historically, governments have used these types of policies to protect newly-developed industries. For example, in its early years the United States shielded its growing manufacturing industries from foreign competition. Similarly, many developing countries created barriers to trade in the mid-twentieth century to allow their new or “infant” industries time to develop before competing on the world stage. Some countries have used these policies to limit imports and encourage exports. Governments might also use these types of policies to support specific industries or sectors that it believes are necessary for the country. For example, the U.S. government gives subsidies to the producers of certain agricultural products that are important for the U.S. food supply. Many critics argue that protectionist policies, if continued indefinitely, can create inferior sectors that are unable to compete internationally without government assistance.

What is free trade?

Free trade, as opposed to protectionism, is trade that is conducted without barriers of any kind. Governments lower barriers in order to increase international trade. Free trade has been promoted by many Western countries since the end of World War II. But while the aim of most free trade supporters is to have

completely free trade among all countries, in practice nearly all countries still have some barriers to trade.

In principle, nearly all economists agree that free trade is a good thing because it encourages trade. They maintain that increased trade has the potential to make everyone better off. But many also argue that countries may need to develop certain industries in order to be successful on the world market. In order to develop these industries, governments may need protectionist policies for a time. For instance, a country, because of location or available resources, may have a comparative advantage in producing Ethernet cables. But if the country does not have a well-established industry for producing these cables, it may struggle to compete with other producers internationally. If the government can protect this industry until it is strong enough to compete, the benefits from trade can be more fairly distributed. Many developing countries support this argument because their industries are less developed and may be less able to compete internationally.

Among policy-makers, one major point of contention is over which types of policies inhibit free trade. For example, many labor advocates in industrialized countries have accused poorer countries of unfair competition because they have industries that use child labor or do not follow certain environmental or worker safety standards. In response, poor countries have argued that it is not reasonable to expect them to provide the same standards as rich countries. They claim that rich countries promote these standards as a way of protecting their own businesses.

Similarly, many of these labor advocates have complained that free trade is inherently unfair because labor is so much cheaper in poor countries. Businesses will often move their operations to places where they can pay people less, and workers in rich countries often lose jobs as a result. Some economists counter that less expensive labor is an advantage of poor countries while rich countries have other advantages such as technological expertise.

In the following pages, you will read about the history of the global economic system and the forces that have shaped global trade over the last sixty years. As you read, consider how these basic principles of trade have shaped the trade policies of countries around the world.

A New Era of Global Trade

The global economic system that exists today was shaped in the period after the Second World War. World War II ushered in a new era of global economic relations. At the end of the war, the U.S. economy was by far the world's largest and most powerful. This gave U.S. policy-makers the power to direct the reconstruction of Europe and the creation of a new global order. The economic system that U.S. policy-makers helped create in the 1940s is the same one, with some modification, that exists today.

There were two major differences between trade under this new system and the way that countries had conducted trade in the past. Before World War II, many countries had protectionist trade policies, setting tariffs and other barriers to limit international trade. There had been a period in the second half of the nineteenth century when countries had lowered their tariffs and international trade had boomed. But in the decades leading up to World War II, governments became increasingly protective of their domestic economies. There was little cooperation among countries on trade issues.

The Great Depression and World War II caused policy-makers to rethink their trade policies. After the war, U.S. policy-makers advocated for fewer barriers to trade and pressured countries to move away from the protectionist policies of the past. Government officials and policy-makers began to see trade issues (as well as other global economic matters) as requiring international cooperation.

How did the Great Depression influence U.S. trade policy?

The stock market crash of 1929 and the economic depression that followed had im-

mediate and long-term consequences for U.S. trade policy. At the peak of the Great Depression, one in four people in the United States was unemployed. Millions went hungry and many lost their homes. The depression ricocheted around the world, leading to major economic downturn and suffering in many countries.

As economic growth ground to a halt, many countries built greater barriers to trade, hoping to help their domestic businesses. For example, in 1930 the U.S. Congress passed the Smoot-Hawley Tariff Act in an attempt to protect U.S. industries struggling to compete with imports. Other countries passed similar measures. But these tariffs actually decreased world trade and created additional hardships, including increased unemployment and the near-total collapse of the banking systems in



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This photo was taken in Berlin, Germany in the 1920s. At that time, German money was worth so little that it was possible to pay the equivalent of \$50 million for a 5 cent cup of coffee. The woman in this photo is burning money to start the morning fire because it is less expensive than buying fuel. Many argue that economic hardship in Germany in the 1920s and 1930s contributed to the election of the Nazi party and World War II.

the United States and in Europe. Many have argued that the resulting breakdown in world trade significantly worsened the economic crisis, contributing to political instability in a number of countries, the rise of fascism in Europe, and World War II.

The effects of the collapse in world trade caused many to reevaluate domestic trade policies. Some U.S. policy-makers believed that greater international cooperation on trade issues could prevent these types of crises in future.

“[T]he absence of a high degree of economic collaboration among the leading nations will...inevitably result in economic warfare that will be but the prelude and instigator of military warfare on an even vaster scale...”

—Harry Dexter White, Treasury Department official, 1942

What foreign policy concerns helped shape U.S. trade policy after World War II?

World War II dramatically altered the position of the United States in the world, largely because of the huge boost it gave to the U.S. economy. By 1944, the United States had the world’s strongest economy and was one of the most powerful countries in the world. At the close of the war, George Kennan, the architect of the U.S. strategy for containing the Soviet Union, maintained that there were five centers of industrial and military power: the United States, Britain, Germany and central Europe (these three centers are often referred to as the “West”), the Soviet Union, and Japan. To stop Soviet expansion, Kennan argued that the United States needed to ensure that the other three powers were supportive of the United States and economically strong.

“A basic essential to peace, permanent peace, is a decent standard of living



Traders at the New York Stock Exchange (NYSE). A stock exchange is a place for buyers and sellers to trade shares (or stocks) in companies. A share is money that an investor gives to a company, in exchange for returns (money) when the company makes a profit. Stocks are an important way for companies to raise money in order to do business. Many countries or regions of the world have their own stock exchanges. In 1963 when this picture was taken, stock trade was still conducted on paper. Today, traders use electronic readouts, computers, and the Internet to find out prices and to see what stocks are for sale.

for all individual men and women and children in all nations. Freedom from fear is eternally linked with freedom from want. [And] it has been shown time and time again that if the standard of living in any country goes up, so does its purchasing power—and that such a rise encourages a better standard of living in neighboring countries with whom it trades.”

—President Franklin D. Roosevelt, 1944

President Harry Truman and his successors followed Kennan’s recommendations. Leaders of Truman’s generation believed that international trade was crucial to the health of the U.S. economy and the stability of the West. Many U.S. policy-makers believed that sustaining U.S. economic growth post-war would require a strong European market in which the United States could sell its goods. Truman’s top priority was to restore the prosperity of U.S. trading partners in Western Europe.

O’Halloran/Library of Congress, Prints & Photographs Division, LC-DIG-pemsc-03199.

How did the United States encourage world trade after the war?

After World War II, the United States worked to foster new trading relationships among its allies. In 1944, U.S. policy-makers led a meeting of delegates from forty-four nations in what became known as the Bretton Woods Conference. There, officials worked to come up with ways to encourage international trade. They also agreed on regulations that would make trade less risky. The International Monetary Fund (IMF) and the World Bank, international institutions that help provide global economic stability, were established at this conference. These institutions are still in existence today.

Delegates to Bretton Woods also established the General Agreement on Tariffs and Trade (GATT). GATT was a trade agreement between not just one or two countries, but twenty-three. (Today, the World Trade Organization, which is the successor of GATT, has 153 member nations.) The primary aim of GATT was to promote trade by working to decrease barriers to trade among its members. The agreement also set ground rules for trade among member countries. After GATT's founding session in Geneva in 1947, member countries met in seven additional rounds to negotiate further reductions in tariffs and other trade barriers and to widen the scope of GATT to cover other sectors of the economy.

The United States also encouraged other trading partnerships among its allies in Western Europe and East Asia. In 1957, six European countries formed the European Economic Community. The trading bloc (known today as the European Union) eliminated many restrictions on the movement of people, goods, services, and capital (money) among member nations. Today, the European Union (EU), with twenty-seven member nations, represents an economy larger than that of the United States.

Why did the United States promote free trade?

Free trade was another policy that the United States used to encourage more inter-

national trade. In order to make trade free, countries must reduce barriers or “liberalize” their trade. The United States has promoted trade liberalization among its allies since the end of World War II. Nevertheless, many countries—including the United States—continued some protectionist policies after the war. For example, the countries of Western Europe and East Asia relied on high tariffs to nurture and protect key industries during their economic recoveries. Similarly, many Latin American countries depended on barriers to trade to protect their new, developing industries in the 1960s and 1970s.

In the last seventy years, most countries have liberalized their trade policies to some extent. But even the United States has not fully eliminated all forms of protectionism. U.S. tariffs are held at relatively low levels but the U.S. government continues to provide subsidies to some industries such as energy and agriculture. Although trade today is freer than it was in the 1940s, some barriers to trade exist in most countries. Still, many U.S. policy-makers promote free trade as a cornerstone of U.S. economic policy.

How did trade liberalization help the United States during the Cold War?

Freer trade served both U.S. economic and foreign policy interests. As trade barriers fell, world trade in merchandise increased from \$53 billion in 1948 to nearly \$1.5 trillion in the mid-1970s to more than \$13.8 trillion today. U.S. exports soared. At the same time, access to the U.S. market helped Japan and Western Europe recover from World War II, strengthening key U.S. allies.

“Throughout the Cold War, Congress empowered presidents with trade negotiating authority to open markets, promote private enterprise and spur liberty around the world—complementing U.S. alliances and strengthening our nation.”

—U.S. Trade Representative,
Robert B. Zoellick, 2001

In East Asia, U.S. investment and support helped Japan develop into a regional hub of economic activity. As the Japanese economy took off, it developed close economic ties with important U.S. allies in the region. U.S. financial support also helped South Korea, Taiwan, Hong Kong (now reunited with China), and Singapore as they followed economic development policies based on increasing trade. The success of East Asia's "four tigers" allowed these countries to develop industry rapidly and maintain high growth rates from the early 1960s onwards. U.S. support to this region was part of a larger effort to strengthen countries on the front line of the struggle against communism.

With the end of the Cold War, the national security priorities that guided U.S. trade policy and the alliance system that bound the United States to Western Europe and Japan lost some of their strategic significance. Today other foreign policy concerns such as fighting terrorism influence U.S. trade policy. The expansive growth of new technologies and forms of communication has increasingly directed world attention toward the phenomenon of globalization. The rapid changes introduced by globalization over the last three decades have made this topic highly charged and increasingly important for U.S. trade policy.

The Pressures of Globalization

Ours is not the first era to experience globalization; many periods in history have seen globalization of varying forms. But globalization today distinguishes itself by its speed and magnitude. Though the seeds of transformation were sown long before, the end of World War II marked the beginning of a new global era. The wave of globaliza-

tion since 1945 has fundamentally changed the face of the international system and has dramatically altered the lives of people around the world.

What is globalization?

Globalization is an umbrella term that refers to the economic, political, cultural, and social transformations occurring throughout the world. It reflects the increased interdependence (dependence on each other) of various countries and people today. The migration of large numbers of people, as political and economic refugees or as voluntary immigrants seeking new lives, helps to spread ideas and establish connections that did not exist before among many cultures.

With globalization, economies around the world have grown increasingly interdependent. The production of goods now takes place on a global scale. For example, a good that used to be produced by a single business within one country may now be produced by the labor of many businesses located all around the world. Moreover, an expanding international commitment to free trade among countries has given people around the world



Traders at a rice wholesale market in India. Although rice is the staple food for about half of the world's population, only about 7 percent of rice is traded internationally. In recent years, amid fears of food shortages, rice-producing countries have instituted measures to decrease their rice exports in order to meet the needs of their own populations.

Photograph by IRRI Images. Licensed under the Creative Commons 2.0 Generic license: <http://creativecommons.org/licenses/by/2.0/deed.en>.

access to goods that were previously unavailable.

In addition to the exchange of goods across borders, financial traders move billions of dollars around the world every day with the click of a mouse. Many companies also have moved parts of their businesses across borders to countries where they can operate less expensively. For example, U.S. corporations have sought a competitive edge by opening factories in Latin America and Asia to take advantage of cheap labor. Meanwhile, Japanese and Western European companies have invested in the United States, hoping to benefit from U.S. research expertise and to tap the huge U.S. market. Today, a U.S. citizen's economic well-being is closely linked to international trade relationships and international financial markets.

How has economic globalization affected the United States?

Today, the U.S. economy is still the

world's largest. The U.S. dollar serves as the most accepted currency of international trade. The United States is one of the world's leading exporters and maintains a lead in many of the future's most promising industries, including biotechnology, space technology, and computer software.

But the United States no longer dominates the world economy as it did in 1950. While total manufacturing output in the United States has grown, the U.S. share of global manufacturing has fallen from half of the world output in the 1950s to about 8.5 percent today. People in the United States have watched their automobile, steel, and consumer electronics industries lose ground to foreign competition. Whereas in 1950 countries throughout the world turned to the United States as a supplier of capital (money for investment), today the United States is the world's biggest borrower. Because the U.S. government routinely spends more than it has in its budget, it must rely on foreign lenders, including foreign governments, corporations, and individual investors, to finance government spending.

In addition, the United States now faces chronic trade deficits—buying (importing) far more than it sells (exports). (See graph on page 9.) This is a big change from the trade surpluses routinely recorded in the 1950s and 1960s. A trade deficit is a problem because it means that the U.S. market is spending much more than it is earning from trade. Some suggest that the U.S. trade deficit may have been a contributing factor to the global financial crisis of 2008.

The relative change of the U.S. position in the international economy does not mean that the United States has become poorer. On the contrary, U.S. per capita income (average income per person) has continued to increase even as countries in Western Europe and Asia have caught up economically with the United States.



Photograph by Paul Keller. Licensed under the Creative Commons 2.0 Generic license. <http://creativecommons.org/licenses/by/2.0/deed.en>.

Construction workers in the city of Dubai, United Arab Emirates (UAE). Real estate and construction are booming industries in Dubai, contributing a large chunk to the city's economy. These industries are dependent on poorly-paid workers, many of them illegal immigrants from South Asian countries. Recent economic growth in India has led many Indian workers to return home or not to come to Dubai in the first place. Construction companies in Dubai now face labor shortages by as much as 40 percent. The men in this picture are from Afghanistan and Pakistan.

How has globalization affected trade?

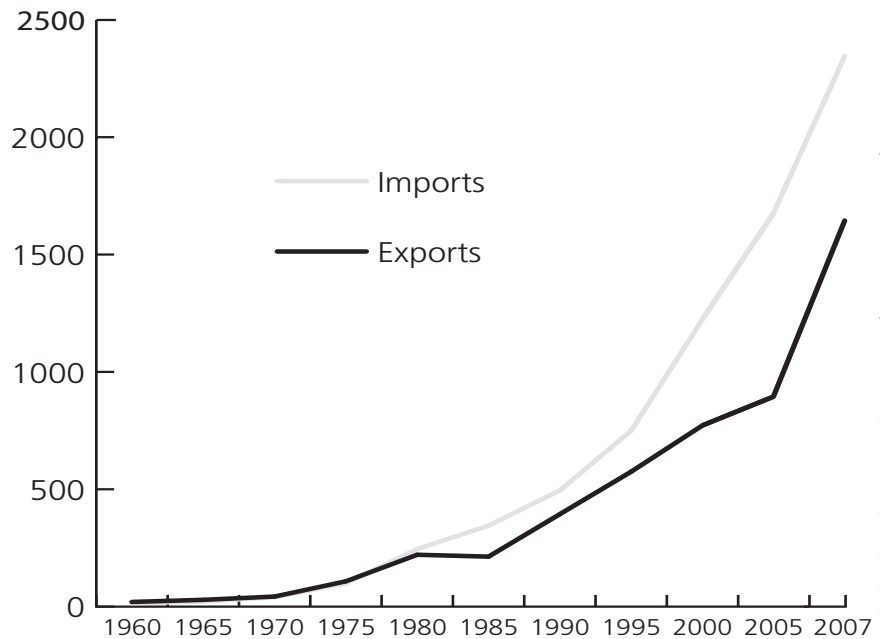
Globalization has created new opportunities in international trade for many countries. In the next twenty-five years, developing countries in Africa, Latin America, and Asia are likely to account for about two-thirds of the increase in world imports. In 2006, exports from developing countries made up approximately 36 percent of total world exports. Nevertheless, global changes have not shaken the hold that rich countries have on the world economy. In 2007, industrialized countries accounted for 71 percent of global production although they had only 15 percent of the world's population.

Overall, economic globalization has had mixed and unequal effects. Some countries have been successful because they have the resources to expand production worldwide and to create goods that are in demand internationally. Individuals and small businesses have access to much larger markets and to new buyers. On the other hand, some countries and individuals have been hurt because they are not able to compete with strong foreign producers.

Globalization has swept away the employment security of the past. Businesses large and small must learn to compete on a global scale or be left by the wayside. Economists have noted that the United States has been more successful than much of the world in adjusting to these demands. The United States has, for the most part, turned the forces of change to its advantage.

Why do some resent the presence of U.S. firms around the world?

The ability of U.S. firms to expand throughout the world has helped kindle

U.S. Trade in Merchandise in Billions of Dollars

Graphic by Alexander Sayer Gard-Murray. Data from U.S. Department of Commerce.

resentment of “Americanization” in many different countries. Some fear that the cultures and traditions of their countries will be overwhelmed by the values, popular culture, technologies, and life-styles of the United States. For many overseas, globalization has led to both shifting and uncertain cultural and economic landscapes.

“On top of it all, globalization has a distinctly American face: It wears Mickey Mouse ears, it eats Big Macs, it drinks Coke or Pepsi and it does its computing on an IBM or Apple laptop.... Therefore, while the distinction between what is globalization and what is Americanization may be clear to most Americans, it is not to many others around the world. In most societies people cannot distinguish anymore between American power, American exports, American cultural assaults, American cultural exports and plain vanilla globalization. They are now all wrapped into one.”

—Author Thomas L. Friedman, 1999

Although globalization began as a U.S.-dominated phenomenon, in recent years the face of globalization has begun to change. European businesses have eclipsed many of their U.S. rivals in size and market share. Many of the biggest and richest companies in the world today are from so-called “emerging markets,” industrializing developing countries like India, China, and Brazil. Some of these companies have even bought out their U.S. competitors. Additionally, there has been a dramatic increase in the amount of trade not only from developing countries but among developing countries, also called South to South trade. Much of this growth can be attributed to the rise in trade agreements among countries throughout the world in recent years.

Trade Agreements

Trade agreements—agreements aimed at increasing trade between specific countries—became popular after World War II, when U.S. policy-makers began promoting international economic cooperation. A country might sign a trade agreement for any number of reasons, including to guarantee markets for its exports or to ensure a steady supply of a specific good like oil. Many of these agreements are signed with an aim to reduce barriers and create freer trade between countries. Others are much more ambitious. For example, the European Union has developed a single market, a single currency, and a political governing body, in addition to free trade, among its member nations. Trade agreements often are described as “preferential,” which means that only those countries who sign the specific agreement will trade on those terms. For example, while the United States might lower its tariffs on lumber

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from Canada according to a trade agreement, it will not lower its tariffs on lumber from other countries.

The vast majority of trade agreements are bilateral, that is, agreements between two countries. There are also multilateral agreements, which are between multiple countries. Some multilateral agreements are known as regional trade agreements because they are among countries within a specific region. The North American Free Trade Agreement (NAFTA), to which the United States, Mexico, and Canada are signatories, is an example of a regional trade agreement.

In recent years, the world has seen a proliferation in the amount of regional trade agreements. The United Nations expects that there will be as many as four hundred of these agreements by 2010.

There is significant debate both within the United States and around the world as to whether trade agreements are beneficial for individual economies. While many argue that everyone is made better off by more trade, some worry that by tying economies closer together, countries become more dependent on each other.

Some supporters of free trade policies claim that regional agreements hurt free trade because barriers are only lowered for specific countries and not for trade overall. They further argue that trade agreements take attention away from efforts to create worldwide free trade, and most particularly the efforts of the World Trade Organization (WTO).

What is the WTO?

The World Trade Organization (WTO) is an international organization aimed at liberalizing trade. In July 2008, it had a membership of more than 153 countries that conduct more than 95 percent of world trade.

The WTO began in 1995, as a successor to the General Agreement on Tariffs and Trade (GATT). WTO member states meet periodically to negotiate new trade regulations and to lower barriers to trade. The WTO then oversees the agreements that are signed and helps member states settle disputes. Disputes arise when one state believes another is violating a WTO agreement and has an unfair advantage in trade. For example, the EU and the United States have each accused the other of providing unfair subsidies to major aircraft manufacturing companies that are in competition with each other. In addition to subsidies, another common problem is “dumping,” in which companies flood markets with goods priced far below what they cost to produce. Dumping disadvantages producers who are not subsidized. These producers lose business to the dumpers, who are able to sell below market value.

In order to settle disputes, other WTO member states consult experts and rule on whether a violation has occurred. If a country is found in violation of an agreement, it will be asked to change its policies. Between 1995 and 2006 there were approximately 350 disputes filed with the WTO.

Why do some groups criticize the WTO?

Some complain that the WTO’s processes are too secretive and undemocratic. They argue that, despite the fact that every coun-

try gets one vote, some countries have more power than others. They claim that richer countries have more strength in negotiating because their economies are larger and more crucial to the world economy and also because they have more political power on the international stage. Oftentimes WTO negotiations expose rifts between industrialized and developing countries. Many developing countries express concern that richer countries push through agreements that hurt poorer countries. For example, the Uruguay round of negotiations in the 1990s placed heavy obligations on developing countries to protect intellectual property rights (things like copyrights or trademarks) but did little to curb the massive subsidies that rich countries use to support their agricultural industries.

Among the general public, regular large-scale protests at WTO meetings highlight the unease generated by the evolving international economic system. Organized labor, environmentalists, human rights activists, and non-governmental organizations (NGOs) continue to protest the WTO and the free-trade policies that it represents. Many argue that WTO agreements do not do enough to make sure that trade helps alleviate poverty. Demonstrations against “globalization without representation” continue whenever the WTO convenes a meeting.

“...so unfair has the trade been, that not only have poorer countries not received a fair share of the benefits; the poorest region in the world, Sub-Saharan Africa, was actually made worse off as a result of the last round of trade negotiations.”

—Joseph E. Stiglitz, Nobel prize winner in economics

Some trade activists have introduced the term “fair trade” as an alternative to free trade. Supporters of fair trade lobby for reform of international trade—and the WTO in particular—to create an international marketplace in which everyone has an equal opportunity for gain. There may always be winners and

losers, say fair trade advocates, but the winners should level the playing field. Fair trade would involve reducing government subsidies to industries and lowering tariffs on imports in rich countries, as well as banning the practice of dumping.

Other opponents of the current trade system in the United States fear that the authority of the WTO will increase at the expense of U.S. sovereignty. Under the General Agreement on Tariffs and Trade (GATT), each participating country had the power to veto GATT decisions. The WTO has eliminated this veto power. Instead, member states are obliged to comply with WTO rulings in international trade disputes.

Environmentalists, labor union leaders, and consumer advocates argue that foreign countries will use the WTO to attack U.S. regulations as unfair trade barriers. Laws intended to protect the environment, workers' rights, and the health and safety of consumers could be especially vulnerable. Other critics raise concerns about the membership of the WTO and suggest that the U.S. should restrict trade relations with countries that do not respect basic human rights.

What other trade partnerships does the United States have?

In addition to its membership in the WTO, the United States has separate trade agreements with many countries, including numerous bilateral and multilateral agreements. These agreements are aimed at reducing tariffs and increasing cooperation.

The United States is also a part of the North American Free Trade Agreement (NAF-

TA), a regional trade agreement that took effect in 1994. NAFTA was created to lower barriers to trade among North American countries. In the United States, this means that U.S. exports are now cheaper for Mexican and Canadian consumers, and at the same time imports from Mexico and Canada are cheaper for U.S. consumers. Today, NAFTA is the largest trading partnership in the world, totalling close to \$1 trillion in trade per year.

The United States is also in the process of negotiating a number of new bilateral, multilateral, and regional trade agreements. For example, U.S. policy-makers have been working since the 1990s to create a new trading bloc among countries in the Pacific Rim. The Asia-Pacific Economic Cooperation (APEC) members, which include countries like China, South Korea, Russia, the Philippines, Japan, Mexico, Chile, the United States, and Canada, are home to billions of people and account for more than half the world's economic output. But the road to an APEC trade pact promises to be bumpy. Most observers believe that APEC is decades away from achieving the tightly knit integration of the European Union. U.S. negotiators are also working to create free trade agreements with Central American countries and the countries of the Western Hemisphere.

In the next section of the reading you will consider how trade policies and globalization affect people around the world. How have recent changes helped people in the United States and in other countries? How have they been harmful? As you read, keep in mind that when you have finished the reading you will be asked to formulate your own policy for U.S. trade.

Part II: The Effects of Global Trade

While many disagree as to whether economic globalization is good or bad, no one disputes that it is disruptive. Increased participation in the global economy causes change. Global trade opens new markets and creates new opportunities but it also heightens competition. Some argue that the benefits of trade outweigh any negative effects. Others contend that global trade creates opportunities only for some, and that others are “losers” in the new economic system.

The major problem is one of adjustment. The faster a business or country can adjust to the changes brought about by increased trade, the better off they will be. Some countries have been helped by global trade because they have the resources to expand production and create high quality goods that are in demand around the globe. Individuals and businesses have access to many more buyers and to goods they did not have access to before. On the other hand, some companies and individuals are hurt because they are not able to compete with strong international producers.

What do supporters of free trade say?

Free trade encourages the participation of more and more countries in the global economy. It is often part of a larger process of economic globalization.

Supporters of free trade argue that trade does more good than harm. Trade gives companies access to new markets, introduces new technologies and practices to businesses around the world, and leads to the creation of new industries. Many economists argue that increased global trade has helped many countries grow much faster than they would have otherwise.

Many free trade economists argue that the elimination of trade barriers makes the world economy

more efficient. A country can focus its resources on the industries in which it performs the best. For example, the United States exports a large amount of food to China, while China, now the major player in the world clothing and textile market, provides much of the clothing that people in the United States buy. With few restrictions on the movement of money for investment, investors can put their money in the most profitable industries regardless of where they are located. Furthermore, goods become less expensive for consumers, saving them money and increasing their product choices.

Supporters of free trade argue that everyone has the potential to be better off as more and more countries join the global marketplace. For example, standards promoted by rich countries have helped improve worker conditions in many countries. Supporters argue that in many parts of the world, free trade has helped decrease poverty and inequality.



Vendors at a market in Chinchero, Peru. In many countries, people can buy much of what they need from street traders as well as from stores. Today, in cities around the world, one can buy shoes made in China, clothes made in India, produce grown in Latin America, or electronics from Taiwan from vendors on the street.

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“Trade is an engine of economic growth. It uses the power of markets to meet the needs of the poor. In our lifetime, trade has helped lift millions of people, and whole nations, and entire regions, out of poverty and put them on the path to prosperity.”

—U.S. President George W. Bush, 2002

Supporters point to the people around the world who now live longer and with a better standard of living thanks in part to international trade. For instance, the per capita income in China has increased fourfold in the last twenty-five years. While some in China have gained more than others, a substantial portion of the population—at least as large as the entire U.S. population—has seen an improvement in their standard of living. Most analysts agree that international trade played an important role in this increase.

Many free trade supporters also contend that increased international trade decreases the likelihood of war because it creates dependency among countries. Like policy-makers argued in the 1940s, free trade supporters maintain that countries are less likely to go to war if they have economic relationships with each other.

Why do some people oppose free trade?

Critics of free trade maintain that losers outnumber winners in the global economy. While most critics do not oppose trade in general, many believe that policy should account for those whose lives are most disrupted by increased trade. Among the losers are hundreds of thousands of U.S. workers who have lost manufacturing jobs in recent years and tens of millions of people in developing countries who have been left unemployed or bankrupt by economic turmoil. According to the critics, the biggest winners are mainly investors who shift their capital from one market to another and big corporations that relocate factories to poorer countries to take advantage of low-wage labor. The losers, free-trade opponents assert,

Positions on Free Trade Policies	
Supporters Say:	Critics Say:
People have more access to cheaper products	Income disparity increases in the short run
Businesses have more access to buyers	Jobs are lost due to economic turmoil
Unrestricted trade promotes growth and wealth in the long run	Regional economic downturns quickly become global
Standards in rich countries improve conditions in poor countries	It is difficult to enforce basic health, safety, and environmental standards
Dependency decreases the likelihood of conflict	Dependency makes countries vulnerable

are typically found among the working class and the poor.

“Undoubtedly trade creates winners and losers. A good case can be made that the winners win more than the losers lose, so the overall effects of trade are positive. But the distributional impacts can’t be ignored.”

—U.S. Secretary of Labor Robert Reich, 1999

Critics of free trade also argue that there are problems of standards. As companies seek to be more competitive, they are more likely to try to save money through practices like not increasing wages, lowering worker safety standards, and polluting the environment. Many critics contend that it is difficult to enforce basic health, safety, and environmental standards in different countries. For example, in 2008 there was worldwide alarm when experts discovered that some milk products produced in China had traces of a dangerous chemical.

Countries throughout Asia and Europe rushed to test their products and remove tainted goods from the shelves. Experts note that because ingredients for a single food product are often sourced from multiple companies or countries, it can be difficult to trace their origins.

Another major concern many critics raise is that free trade and economic globalization have made countries too dependent on each other. Being dependent on another country for essential goods such as food, medicine, or oil can make a country vulnerable to anything that might threaten the supply of those goods. Additionally, economic downturns experienced in one part of the globe can quickly become worldwide problems.

In trying to weigh the competing arguments around free trade, it is not surprising that the debate on U.S. trade policy is complex. For instance, questions abound concerning how the United States should balance foreign trade with foreign aid.

U.S. Trade Policy and Developing Countries

U.S. policy-makers often have viewed trade as a tool for promoting democracy, human rights, and environmental protection in the roughly 150 developing countries around the world. Today trade is put forward among wealthy countries as an alternative to foreign aid to boost these countries' fortunes, at least in theory.

Increasing trade in developing countries serves U.S. economic interests as well. For example, in 2007 the United States spent more than \$90 billion on imports from African countries. The United States continues to work to build stronger trade ties with countries across Latin America, East Asia, Africa, and the Middle East.

How does foreign aid sometimes conflict with foreign trade?

One continuing form of aid that the United States offers poorer countries is food aid. In circumstances of grave crises such as floods or

wars, food aid is critical. But when developing countries are trying to build their economies, food aid can put local farmers out of business, hurting the long-term development of agriculture. Food aid remains a popular policy in the United States because the United States regularly produces more food than it can sell. The excess is bought by the government and given away as aid, bringing money to U.S. farmers.

How do U.S. agriculture subsidies affect farmers in poor countries?

For decades, the United States has supported its farmers in the form of cash to supplement their farm income. Between 1995 and 2002 the Department of Agriculture provided \$114 billion to U.S. farmers. Most of those subsidies went to large agricultural firms, whereas very little went to small farmers.

Challenges in the WTO to farm subsidy programs in rich countries have caused the United States to reconsider some of its own subsidy programs. In 2004, the WTO ruled against U.S. cotton subsidies in a case brought to the organization by Brazil. Similar complaints have been raised over U.S. corn subsidies. In early 2005, President Bush announced that the United States would reduce its farm subsidies by 5 percent. Nevertheless, the United States has continued to appeal the WTO ruling on its cotton subsidies, losing its final appeal in June 2008. So far U.S. cotton subsidies have not been reduced significantly and Brazil has pushed for retaliatory trade sanctions (penalties) against the United States until the cotton subsidies are eliminated. Some estimate that without these subsidies, U.S. cotton exports would shrink by 41 percent.

The subsidies for cotton growers in the United States make it possible for cotton growers to sell their products to textile manufacturers at prices below what it costs to make them. This makes the price of cotton on the world market artificially low. The more than ten million cotton farmers in West Africa, in addition to millions of other cotton producers worldwide, have found it difficult to make a

living because they also must charge very low prices to be competitive.

The United States exports the bulk of its cotton to textile and clothing companies overseas in countries like China, Pakistan, and Indonesia. These companies then export clothing they produce back to the United States. Because of the low cost of U.S. cotton, these manufacturers are able to pass along lower prices for clothes to consumers.

At the same time the United States subsidizes domestic cotton growers, it also provides hundreds of millions of dollars of aid to assist cotton farmers in developing countries to increase their production. Critics of these kinds of policies claim that wealthy countries should align their policies to eliminate such contradictions. They say that the subsidies in rich countries violate free trade principles and perpetuate poverty around the world. Supporters argue that protecting domestic agriculture and jobs should be a priority for policy-makers.

The Effects of Trade Around the World

Trade has had mixed effects both within and among countries. But trade is only one of many factors that can influence economic developments within a country. There is much disagreement among economists as to what recent changes are a result of international trade. Nevertheless, trade and economic globalization have played a role in the rapid economic changes that have wracked countries around the globe over the last thirty years.

Why do some countries benefit more from trade than others?

As international trade

grows, it is clear that some countries have been more successful than others in international markets. There are many factors that can contribute to a country's performance in international trade. The type of goods that a country exports—for example food versus petroleum—is important. Countries also fare better on the international market when they are diversified, that is, exporting a number of different products. A country that receives large sums of foreign investment and that can direct that money into key sectors of its economy can give a big boost to its local businesses.

Some countries have created programs to reduce the negative effects of trade on their people by providing worker training programs or social welfare support. This has helped people within those countries take better advantage of the opportunities created by trade. Governments strapped for cash have a harder time negotiating the effects of global competition on their populations.

Whether rich or poor, all countries bear the costs of adjusting to the global economy. But more often than not, opening up to global



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A farmer in Manitoba, Canada drives a combine harvester, a machine that simultaneously harvests, cuts, and separates the grain. Modern technology has revolutionized the agricultural industries in many rich nations. Computers, GPS maps, and electronic sensors are routinely used on many large-scale farms.

trade poses great challenges for developing economies. A lack of capital and infrastructure makes it hard for infant industries to take off. This is made all the more difficult by the fact that emerging industries have to compete with pre-existing firms in the West that produce on a large scale. Many argue that free trade disadvantages developing countries by forcing them to remove protections and compete internationally, even though these same protections helped rich countries develop their economies in the nineteenth and early twentieth centuries.

“Contrary to the conventional wisdom, the historical fact is that the rich countries did not develop on the basis of the policies and the institutions that they now recommend to, and often force upon the developing countries. We can only conclude the rich countries are trying to kick away the ladder that allowed them to climb where they are.”

—Ha-Joon Chang, development economist,
2002

Others argue that poor countries, even more than rich countries, need to be involved in global trade because their economies are too small to provide all the goods their people need.

Not all developing countries have struggled to succeed at international trade. Even within the same region of the world, some countries have done well while others have had more difficulty. Furthermore, in most countries there are groups who have seen direct benefits from trade, while others have benefited much less or have faced increased hardship.

How have income levels changed in the last thirty years?

In the short run, most economists agree that inequality between the highest incomes in the most developed countries and the lowest incomes in the least developed countries continues to grow. Per capita income in the

United States and other wealthy societies is seventeen times greater than per capita income in the world’s poorest countries. Inequality within many countries also has increased. In the United States, for example, the gap between the rich and the poor has grown since the 1980s.

The World Bank estimates that 1.4 billion people—about a fifth of the world’s population—get by on a little more than \$1 a day. Levels of poverty are growing in some regions, including much of Sub-Saharan Africa. At the same time, poverty has declined in parts of Latin America, South Asia, and East Asia. Some of these changes can be attributed to free trade policies and globalization. Some observers raise questions about international trade policy as one way to address concerns about international poverty. Others argue that trade policy cannot solve the world’s social problems.

The following case studies explore some of the mixed effects that international trade and globalization have had on three countries: India, Senegal, and the United States. Every country has experienced the changes brought about by increased trade differently. These three examples are not representative of the experiences of other countries in other parts of the world. But they will provide you with an understanding of the complex effects that trade can have and the difficult decisions that face policy-makers.

■ India

Many free trade economists point to India as a success story. They argue that global trade has spurred economic growth, created jobs, and brought new technologies to Indian industries, all of which have contributed to lifting millions out of poverty. Others argue that other forces have contributed to the changes in India’s society and point to the millions who continue to live in extreme poverty.

India’s reduction of trade barriers and participation in the global economy began in earnest in the early 1990s. Since then, its economy has grown markedly. Although

statistics vary widely, most economists agree that poverty has decreased. The last few decades also have seen the rapid growth of India's middle class. But the benefits of trade have gone largely to the richest 20 percent of India's population. There are also regional disparities; some parts of the country have developed rapidly while other regions have lagged behind. Some contend that, despite the lopsided benefits, the country today has many resources to put towards poverty alleviation and social services. The country now invests abroad in places like England and the United States. Today India has one of the fastest growing economies in the world.

How has India's automotive industry been affected by international trade?

India's auto industry is a good example of how a particular sector can benefit from increased participation in the international economy. Until the mid 1980s, the auto industry was relatively small and had very little foreign involvement, largely because of government restrictions. For the vast majority

of India's population, having a car was completely out of reach and so the market for these companies to sell to was very small.

Over the last two decades, the government has gradually liberalized the sector, reducing restrictions to trade and foreign involvement. At the same time, India's growing middle class has spurred a growth in car ownership. From five drivers per one thousand people in 2000, India expects to have eleven drivers per one thousand people by 2010. (India has population of more than 1.1 billion people.) Because the growth in demand for cars is much higher in India (and other developing countries) than it is in North America and Western Europe, automotive companies from rich countries are anxious to establish factories in other parts of the world. The Indian government has looked to these companies to provide jobs, exports, and new technology.

By 2007, the auto industry in India was employing some ten million people. The Indian government predicts that by 2016, the sector will contribute approximately 10 percent of the country's income. According

to some experts, every job created in the auto industry creates seven more in the economy at large, for example in jobs like road construction, transportation, car repair, and used car sales. Foreign companies have created linkages with existing Indian auto companies and auto parts manufacturers, contracting some of the work to them and creating more jobs.

The global financial crisis in 2008 has put the brakes on growth in this sector. Foreign companies are tentative about investing in new factories and the number of people buying cars has drastically reduced. Nevertheless, many analysts believe that



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Workers at a jeans factory in the state of Guanajuato, Mexico apply "wear" and other styling to the pants. This factory used to produce the bulk of its jeans for export but due to competition from companies in countries like Bangladesh and India, the factory has not been able to get as many foreign contracts. When this picture was taken, the factory was operating at about 40 percent capacity, and factory owners were concentrating more on selling to the local market in Mexico.

the industry will rebound as the economy improves. The Indian government hopes that this sector will become a major exporter for the country in future.

■ Senegal

Senegal joined the WTO in 1995 and is also a member of a regional trading community called the West African Economic and Monetary Union (WAEMU). Senegal's economy depends mainly on agriculture, which employs a majority of the population. This makes the economy vulnerable to things like drought and bad crops. Tourism and money sent home from Senegalese living abroad, in addition to food and petroleum exports, are important sources of income. The country, like many other developing countries, is still struggling to change its rural economy to take advantage of opportunities created by free trade.

Nevertheless, Senegal is a hub of economic activity for the region. The current government has worked to makeover Senegal's capital city, Dakar, with new roads and hotels to attract more foreign investment and tourism. But the country is plagued with high levels of unemployment and poverty, and the Senegalese people have struggled to cope with the rising food and fuel prices that have wracked the globe in recent years.

How has international trade affected a popular dish in Senegal?

Senegal's food sector provides a good example of the effects of increased international trade on local economies. Globalization's mixed effects are well illustrated in the recent changes to a popular Senegalese dish made from rice, tomato, fish, and onion. In the past,



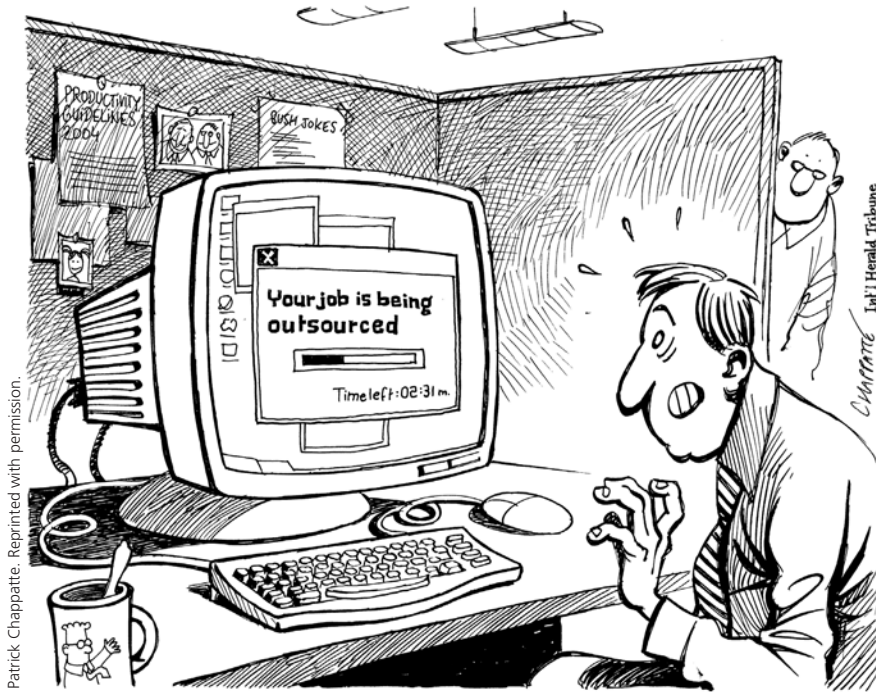
Fishers in Ghana repair their nets. While most of the fish that are caught are consumed by the local population, in recent years, increasing amounts of certain fish like tuna are being refrigerated or canned and exported to foreign markets. Like the fishers in Senegal, Ghanaian fishers have struggled as overfishing, both by local and foreign fishers, has greatly depleted local fish populations.

local farmers and fishers produced the ingredients that people bought in stores and markets to make this meal. In recent years, as Senegal has liberalized its trade and opened itself to the world market, this Senegalese dish has become more and more international.

These days, most onions in Senegal are produced in Holland, and much of the rice is imported from Vietnam, Thailand, and the United States. Italian tomato paste tends to be cheaper than that which is produced in Senegal. Local fishers also struggle to compete. For them, the problem is that foreign companies are catching all of the fish. The Senegalese government has sold fishing rights of the waters on Senegal's coast to foreign governments. Local fishermen now must fish for two or three days at once to collect the amount of fish they used to be able to catch in a few hours.

Today, most Senegalese buy imported produce because it is cheaper. Government subsidies to Senegal's farmers have decreased while agricultural imports from large-scale international corporations, who in some cases

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dictate national economic policy and personal economic choices.

Trade policy is not the only reason for the changing economic dynamics in U.S. society. Technological advances, high levels of immigration, globalization, the decline of labor unions, and a ballooning national debt also have been important factors. Nonetheless, trade issues have become a lightning rod for the larger debate on the United States' economic direction.

What is outsourcing?

While U.S. trade opportunities have expanded and new consumer

still receive generous subsidies from their governments, have greatly increased.

At the same time, foreign companies have established farms and factories in Senegal to grow and package fruits and vegetables for export. Exports of these products have increased markedly, from 2,700 tons in 1991 to 16,000 tons in 2005. The bulk of these products—primarily French beans, tomatoes, and mangoes—go to countries in the European Union. Not only has this development helped Senegal increase its exports, but it has also created jobs for many poor farmers who now work for the foreign companies.

■ **The United States:**

Since 2000, the U.S. economy as a whole has grown slowly. The U.S. government's budget deficit for 2008 is expected to be about \$400 billion, a sharp difference from the surpluses of the late-1990s. People in the United States understand that the employment security and stability of the past have been swept away by economic globalization. Wages for millions of U.S. workers are held down by the international labor market. The demands of global financial institutions and markets often

goods have entered the market, most U.S. manufacturing workers have not welcomed competition on a worldwide scale. They fear that free trade threatens their jobs because it has led to outsourcing. Outsourcing is a way that companies can transfer some work to other companies for benefits such as lower costs, higher quality, or increased efficiency. In the last three decades, U.S. firms increasingly have outsourced work to companies overseas, mainly in developing countries. For example, U.S. clothing and textile companies have outsourced production to companies in countries like Mexico and the Philippines. U.S. companies in the service sector have outsourced jobs to places such as India, where college-educated and English-speaking workers are much less expensive than their U.S. counterparts. Frequently, people in the United States who call computer help desks, or doctors looking for medical transcription services are being connected to India. Corporations are becoming more likely to shift increasingly sophisticated services, such as software programming, overseas.

Many U.S. workers perceive outsourcing to be a major threat. A poll conducted in 2004

found that more than 70 percent of U.S. voters believed that outsourcing hurt the U.S. economy. But according to the U.S. Bureau of Labor Statistics, only a small percentage of mass layoffs by U.S. companies are a result of outsourcing. Many experts point to other changes, like technological innovation and the use of new machinery, as major contributors to the loss of U.S. jobs. Others argue that although jobs have been lost as a result of increased global trade, new jobs have been created in other sectors. For example, during the 1990s, the U.S. economy generated nearly nineteen million new jobs and in 2004 the United States generated more jobs than Germany, Japan, Great Britain, Canada, and France combined. Furthermore, many argue that “insourcing,” in which foreign companies invest in businesses in the United States, has created far more jobs than have been lost to outsourcing.

How has growth in trade affected people in the United States?

Today, a growing share of U.S. exports are generated by a vibrant service sector that employs U.S. workers in industries ranging from business insurance to computer software to international hotel management. U.S. workers have recorded strong gains in productivity too. The opening of new markets in developing countries has proved to be a boon for many U.S. businesses. Most business executives, especially those in export-oriented areas, are optimistic regarding the United States’ ability to compete globally.

The growth in trade also has given U.S. consumers a wider range of products to buy. Increased competition has forced producers to improve quality and hold down prices. Poor people, who spend a larger share of their money on consumer goods, have been among the prime beneficiaries of lower prices.

At the same time, U.S. workers have had a mixed experience over the last thirty years. In the 1990s and early 2000s U.S. incomes fluctuated, growing some years but falling in others. The gap between rich and poor in the United States has widened as well. As the share of workers with health and pension benefits declines, some economists calculate that people in the labor force under the age of thirty will earn less than their parents earned in their lifetimes.

Today, people across the United States are concerned about the globalized economy. While many of the economic changes experienced by people in the United States and around the world cannot be attributed to international trade, trade policy is one tool that governments have to navigate the international economy. Should trade policy be used to address concerns about poverty and inequality? Do economic globalization and free trade offer benefits or are these forces harmful? How should policy-makers balance their effects? How important are the concerns of U.S. workers? U.S. businesses? People around the world? How should these concerns affect the direction of U.S. trade policy?

You will have an opportunity in the coming days to consider a range of alternatives for U.S. trade policy. Each of the four options that you will explore is based on a distinct set of values and beliefs. You should think of the options as a tool designed to help you better understand the contrasting strategies from which people in the United States may choose.

After you have considered the four options, you will be asked to create an option that reflects your own beliefs and opinions about where U.S. policy should be heading. You may borrow heavily from one option, combine ideas from two or three options, or take a new approach altogether.

Options in Brief

Option 1: Keep the U.S. Economy on Top

Since the end of World War II, the United States and many of its chief trading partners have enjoyed unprecedented prosperity and economic growth. Free trade gives all countries a stake in protecting international peace and prosperity because the economic health of one country depends on so many others. Although many barriers to trade remain, progress in lowering tariffs has produced positive results. World trade has soared, living standards have risen, and new technologies have emerged. To back away now from the top position in the global economy would leave the playing field open to U.S. rivals and remove a key pillar of international stability. Now more than ever, the United States is in a position to reap the benefits of international trade.

Option 2: Protect U.S. Workers

For too long, U.S. trade policy has served the interests of a small, selfish elite while the rest of the country has watched from the sidelines. The United States has produced multi-millionaires at a record rate while millions of hard-working people struggle to support their families on shrinking paychecks. U.S. trade policy must put the needs of U.S. workers above the heartless laws of free trade. The U.S. economy cannot be strong if it is constantly shedding jobs. U.S. trade policy must focus on stemming the flow of jobs overseas and protecting U.S. industries from unfair foreign competition. The forces of economic globalization must not be allowed to trample over the lives of the men and women who built the country's economy.

Option 3: Put Values First

The United States should put its values before its wallet. There are issues that are more important to society than the benefits of free trade or the protection of U.S. workers. In today's world, trade policy is one of the most effective tools for addressing a range of global concerns such as human rights violations, environmental degradation, and the exploitation of child labor. The strong desire of other countries to have a trading relationship with the United States means that the United States has the opportunity to help promote broadly-accepted international values. The United States should be prepared to lead the way by imposing sanctions or trade embargoes on nations that do not agree about the importance of these issues. U.S. trade policy should reflect U.S. values.

Option 4: Work for Free and Fair Trade

The current system of trade has not produced greater wealth for all, but clear winners and losers. So-called "free trade" is highly unfair. The current trade system serves the interests of large companies from the United States and elsewhere. Current U.S. trade policies give these businesses a competitive edge while doing nothing to help those hurt the most by free trade. The United States must take a leadership role in making the WTO more fair and effective in serving all countries—rich or poor. Fair trade means providing fair prices for goods and fair wages for workers around the world. In the long run fair trade will promote greater productivity and more high-skilled jobs in the United States. In the short term it will improve the international opinion of the United States.

Option 1: Keep the U.S. Economy on Top

After World War II, the United States took the lead in creating an international economic system that recognized the critical importance of free trade and the free market. Since then, the United States and many of its chief trading partners have enjoyed unprecedented prosperity and economic growth. The United States helped the countries of Western Europe and Japan get back on their feet because it understood that the economic health of U.S. trading partners was vital to U.S. well-being. Although many barriers to trade remain, progress in lowering tariffs has produced positive results. World trade has soared, living standards have risen, and new technologies have emerged. More open trade has provided U.S. consumers with better products at lower prices. Moreover, the growth of trade has cemented U.S. alliances with Western Europe and Japan, and built bridges across the lines of politics and culture. Free trade gives all countries a stake in protecting international peace and prosperity because the economic health of one country depends on so many others.

Now more than ever, the United States is in a position to reap the benefits of international trade. U.S. technological expertise has given the United States the lead in many promising industries of the future, including biotechnology, space technology, and computer software. U.S. ingenuity continues to produce cutting-edge technology. To back away now from the top position in the global economy would leave the playing field open to U.S. rivals and remove a key pillar of international stability. To tie a laundry list of other international issues to trade discussions would take away from expanding U.S. markets and undermine the overall efficiency of the U.S. economy. With its cultural diversity, outstanding universities, and forward-looking industries, the United States can compete successfully with any country in the world.

What policies should the United States pursue?

- The United States should reject foreign policy measures that interfere with U.S. trade interests, especially with respect to China and other key trading partners.

- The United States should press for the expansion of NAFTA and the WTO, and promote the creation of a Pacific Rim trading bloc.

- The United States should use foreign aid and trade benefits to reward poor, developing countries that follow free-trade policies.

Option 1 is based on the following beliefs

- U.S. leaders must base the country's trade policy on promoting the overall health of the U.S. economy, not on helping special interests.

- As participants in the world's most productive, innovative economy, the great majority of people in the United States benefit from the expansion of free trade.

- U.S. leadership in championing free trade is essential to maintaining the United States' broader international role as a force for democracy and the rule of law, and its position as an economic superpower.

Arguments for

1. Increased trade will spur greater economic growth, improve the overall standard of living, and provide U.S. consumers with better products.

2. Free trade will give rise to an international system in which all countries have an interest in maintaining peace, stability, and worldwide economic growth.

3. Promoting more open trade with Mexico and other U.S. neighbors to the south will reduce poverty in Latin America, ease the flow of illegal immigrants into the United States, and expand the market for U.S. goods.

4. The free, open competition of the marketplace will sharpen the efficiency of U.S. industry and encourage innovation.

Arguments against

1. Under free trade, the laws of the marketplace will result in the transfer of millions of U.S. jobs abroad.

2. Free trade will lead to a weakening of worker safety and environmental standards, and prompt cutbacks in education and social services as the United States faces greater competition from developing countries.

3. The blind pursuit of free trade will leave U.S. industries and workers at a disadvantage in competing against companies overseas that use child labor or that have low safety and environmental standards.

4. Free trade without fairness protects industries in the United States at the expense of workers in the United States and abroad.

Option 2: Protect U.S. Workers

For too long, U.S. trade policy has served the interests of a small, selfish elite while the rest of the country has watched from the sidelines. Corporate presidents claim that free trade is the road to economic prosperity for all. Top policy-makers have tried to convince the U.S. public that the WTO, NAFTA, and other trade pacts are the glue holding together the international system. But people in the United States are finally waking up to the truth. In reality, U.S. trade policy has been crafted for the benefit of the few at the expense of the many. The United States has produced multi-millionaires at a record rate while millions of hard-working people struggle to support their families on shrinking paychecks. U.S. trade negotiators have opened the doors to imported goods and other countries protect their industries with high tariffs and subsidies. The result is that the United States has lost millions of jobs since the 1980s. These were jobs that allowed U.S. workers to provide their families with a decent standard of living and to buy the cars, clothes, and computers that other people in the United States made.

U.S. trade policy must put the needs of U.S. workers above the heartless laws of free trade. The U.S. economy cannot be strong if it is constantly shedding jobs. More than any other group, workers have suffered from misguided U.S. trade policy. U.S. trade policy must focus on stemming the flow of jobs overseas and protecting U.S. industries from unfair foreign competition. At home, the United States must help workers adjust to the changing economic environment through expanded government retraining programs. The forces of economic globalization must not be allowed to trample over the lives of the men and women who built the country's economy.

What policies should the United States pursue?

- The United States should press for more favorable terms under the WTO so that it can raise trade barriers to protect U.S. businesses.
- The United States should substantially expand programs designed to retrain U.S. workers.
- The United States should use tax policy to discourage U.S. companies from transferring manufacturing jobs abroad and to encourage foreign companies to base their factories in this country.

Option 2 is based on the following beliefs

- Most of the benefits of free trade are reaped by wealthy investors, while the majority of U.S. workers suffer from lower wages and greater job insecurity.
- Protecting the interests of U.S. workers should be the top priority of U.S. trade policy.
- Many successful economies have largely ignored the principles of free trade in order to protect their local businesses. The United States should too.

Arguments for

1. Raising some barriers to trade will boost U.S. businesses and keep them from transferring jobs overseas.
2. By taking control of the pace of economic change, the United States will ease the disruptive effects of change on workers and slow the widening gap between rich and poor.
3. By investing in the retraining of U.S. workers, the United States will strengthen the overall competitiveness of the U.S. economy.
4. Ensuring that good jobs stay in the United States will protect U.S. workers and contribute to the overall strength of the economy.

Arguments against

1. Raising U.S. trade barriers will push other countries to raise their own trade barriers, which could reduce exports worldwide and tip the global economy into a depression.
2. Erecting barriers against outside competition will deprive consumers of a wide selection of goods and drive up prices.
3. There is no need to raise barriers to protect jobs when so many new jobs can be created through free trade.
4. Imposing restrictions on U.S. businesses will lead to lower corporate profits and falling returns for tens of millions of ordinary U.S. investors.
5. Raising trade barriers will not insulate the United States from immigrant workers fleeing economic hardship and political instability in their own countries.

Option 3: Put Values First

The United States should put its values before its wallet. The United States must recognize that there are issues that are more important to society than the benefits of free trade or the protection of U.S. workers. In today's world, trade policy is one of the most effective tools for addressing a range of global concerns such as human rights violations, environmental degradation, and the exploitation of child labor. Addressing these international concerns is not just idealistic; it makes good economic and political sense. Societies that are torn apart by economic strife and the lack of respect for human rights are unstable. Instability can increase immigration, pushing people across borders to escape suffering, poverty, and injustice. This puts pressure on the economies and societies of other countries. Instability also can weaken governments so that they are unable to monitor the business practices of the companies in their countries. Businesses using child labor or exploiting their workers have an unfair advantage over businesses in the United States and elsewhere. Environmental pollution spills over borders and ultimately has a cost to the rest of the world.

U.S. trade policy should promote the values that are most important to the U.S. people. The strong desire of other countries to have a trading relationship with the United States means that the United States has the opportunity to help promote broadly-accepted international values. With its economic strength, the United States can promote human rights, safe working conditions, and a clean environment as conditions of trade. The United States should be prepared to lead the way by imposing sanctions or trade embargoes on nations that do not agree about the importance of these issues. U.S. trade policy should reflect U.S. values.

What policies should the United States pursue?

- The United States should not have normal trading relations with countries that do not share the same concerns for human rights and labor standards. The United States should lead the way in imposing trade embargoes and economic sanctions on countries that violate human rights.

- The United States should insist that all trade agreements provide safeguards for the environment.

- The United States should press its trading partners in the developing world to raise wages and worker safety standards as their economies grow. U.S. companies operating in the developing world should be prodded to lead the way.

Option 3 is based on the following beliefs

- While economic interests are important, the United States cannot separate those interests from its concerns for justice, human rights, and democratic processes.

- Government policy on trade should reflect a commitment to protecting the environment.

- The world's long-term economic health and the stability of the international system are linked to the growth of human rights and the rule of law worldwide.

Arguments for

1. Promoting human rights helps promote international stability and is therefore vital to global security.

2. Linking trade policy with other issues gives the United States greater leverage in dealing with concerns that will ultimately affect the world community.

3. Failure to deal with the issues of the environment and human rights in trade agreements will mean that the United States and other countries will face the costs of pollution as well as the increased immigration of people fleeing hardship.

4. As conditions in poor countries improve, business there will be forced to compete fairly with businesses in the United States and elsewhere.

Arguments against

1. Tying trade policy to a laundry list of other international issues will hurt U.S. efforts to expand trade and will weaken the U.S. economy.

2. By concentrating on the issues of other countries, the United States could overlook the economic hardships faced by U.S. workers.

3. By promoting strict regulations, the United States would put additional burdens on developing countries and possibly foster resentment towards the United States among people in those countries.

4. By forcing industries in developing countries to adopt costly labor, safety, and environmental standards the United States may contribute to companies cutting costs by laying off workers at home and abroad.

5. Trade embargoes and sanctions often harm the very people the policies intend to help.

Option 4: Work for Free and Fair Trade

Many U.S. leaders have given lip service to the idea that all gain from free trade. In reality, the current system of trade has not produced greater wealth for all, but clear winners and losers. So-called “free trade” is highly unfair. If the United States is to promote free trade around the world, it must practice what it preaches. The current trade system serves the interests of large companies from the United States and elsewhere. Large businesses have an edge over small producers around the world because of their size and ability to set up shop anywhere. These enterprises inundate markets with their products. Many people in the United States and around the world have been put out of work because of competition from these businesses. Many of these businesses, particularly in agriculture, receive large subsidies from their governments. This allows them to sell their products at artificially low prices. Current U.S. trade policies give these businesses a competitive edge while doing nothing to help those hurt the most by free trade.

The United States plays a leading role in the WTO, which promotes freer trade. But the United States does not fully follow the WTO’s principles. The United States should eliminate its subsidies and tariff barriers. In addition, the United States should lead discussions about an international minimum wage to ensure that workers around the world earn enough money to be able to afford food, clothing, and shelter. Fair trade means providing fair prices for goods and fair wages for workers around the world. The United States must take a leadership role in making the WTO more fair and effective in serving all countries—rich or poor. The United States should ban “dumping” of U.S. products in foreign markets and force U.S. corporations to provide livable wages to their workers at home and abroad. In the long run fair trade will promote greater productivity and more high-skilled jobs in the United States. In the short term it will improve the international opinion of the United States.

What policies should the United States pursue?

- The United States should reduce or eliminate subsidies to agricultural producers and reduce tariffs on imported goods.
- The United States should push for the further reduction of trade barriers and take a leading role in making the WTO more fair.
- The United States should encourage U.S. corporations to provide livable wages to their workers overseas.
- The United States should provide job training for U.S. workers who lose their jobs due to competition and free trade.

Option 4 is based on the following beliefs

- All people deserve an equal opportunity to earn a living on which they can survive.
- Creating a system of fair and just trade is more important than creating a system that only profits wealthy businesses in the United States and elsewhere.
- As one of the most economically-powerful countries in the world, the United States has a responsibility to look out for those falling through the cracks of the international trade system that the United States helped create.

Arguments for

1. Taking a lead in fair trade will improve international opinion of the United States.
2. Reducing trade barriers will promote greater competition and therefore greater productivity and growth in the U.S. economy in the long run.
3. The United States will be poised to take a lead in new industries, particularly in high-tech sectors. This will replace many lower skilled jobs in manufacturing, for example, with higher skilled and higher paying jobs.
4. Fair trade will most benefit poor people in the developing world, which may greatly reduce the amount of money the United States devotes to foreign aid.

Arguments against

1. U.S. jobs will be lost.
2. The trade deficit will grow once protective trade policies such as subsidies are ended and more businesses move overseas. The United States will be forced to import more and more agricultural and manufactured goods while its exports from those sectors decline.
3. U.S. companies will face steeper competition around the world without protective trade policies.
4. Cutting into corporate profits would open the playing field for another great economic power to emerge and challenge the U.S. global position.

Supplementary Documents: Opposing Views on U.S. Trade Policy

President George W. Bush Excerpts from Speech in North Carolina December 5, 2005

And, finally, keeping this economy strong means welcoming opportunities that a global economy offers—not fearing those opportunities. And this country is home to about 5 percent of the world’s population, which means that 95 percent of potential customers live abroad. By opening up new markets for our goods and our farm products and our services, we will help our economy continue to grow and create opportunity for people right here in our country....

My predecessor worked to get China into the WTO. And one of the conditions was that the United States and other WTO members would take steps to prevent their markets from being flooded with cheap Chinese textiles. Last month, we reached an agreement with China to have them meet that obligation under the textile agreements. It’s an important agreement. It means that not only are we for free trade with China, but we expect China to be fair with American textile companies and American workers. This agreement adds certainty and predictability for businesses in both America and China.

Here’s what I believe. I believe free trade is good for jobs. I believe opening markets for U.S. products is smart to do. I know we’ve got to make sure we have a level playing field because when we have a level playing field, the American worker, the American entrepreneur, and the American farmer can compete with anybody, any time, anyplace.

The greatest opportunity we have to advance the goal of free and fair trade is through the Doha round of trade talks. The Doha trade round has great potential to boost jobs here in America. By reducing and eliminating tariffs and other barriers on industrial goods, and on farm goods—industrial goods like John Deere products, by the way—to end unfair subsidies, and open up global markets for our services. Trade ministers will gather in Hong Kong next week for a critical meeting. I told our Trade Representative, Ambassador Rob Portman, that he’s got to push for a bold and wide-ranging agreement. Opportunity increasingly depends on a free and fair trading global system, and our administration is going to continue to use our influence to bring greater opportunities for the American worker....

At the start of a hopeful new century, the American worker is the most productive worker that human history has ever known. At the start of this new century, we have proven that pro-growth economic policies out of Washington, D.C., do work, and can overcome some mighty obstacles. At the start of the century, we recommit ourselves to the notion that the more free people are, the better off your economy will be.

This great country of ours is a place where people can start out with nothing—and be able to raise a family, and own a home, or start a business. Through all my travels around the world, I’m always struck by how bright the future of America is. Our job in Washington is to keep that future bright and hopeful by making choices that reward hard work and enterprise. This economy is strong, and the best days are yet to come for the American economy....

Senator Bryon L. Dorgan (D-ND) A New Trade Policy: One that Supports U.S. Jobs and Family Farmers September 9, 2004

With the largest trade deficits in history, it is clear that our current trade policy has failed us. It's time for a new direction.

I propose two actions that we should take immediately.

First, for the next year, we should suspend all of the negotiations for new trade agreements and focus on fixing the problems in the trade agreements that already exist. Second, Congress should immediately pass legislation to shut down tax incentives that reward U.S. companies that move jobs overseas.

For nearly 20 years, American farmers and workers have been victimized by successive international trade agreements that did not deliver the fair competition in international markets that U.S. farmers and workers were promised. Our U.S. trade negotiators have systematically undercut our family farmers with agreements like the U.S.-Canada Free Trade Agreement, the North American Free Trade Agreement (NAFTA) and, more recently, the Australian Free Trade Agreement and the Central American Free Trade Agreement (CAFTA). In addition to all of these agreements, our negotiators have helped create the World Trade Organization, which consistently has done more to hurt U.S. farmers than to help them. On the eve of every trade agreement, our farmers are promised that the goal is to open foreign markets to allow them the opportunity to compete. But whether it is with Canada or Mexico or China or Europe or Japan, in market after market we see U.S. farmers shut out of opportunities to sell, at the same time all of these countries ship massive quantities of their agricultural products into our market.

And it is not just family farmers who are victims of this unfair trade: textile workers,

steel workers, auto workers, and so many others are living with the same cycle of failure in our trade agreements. These trade agreements ship American jobs overseas and open our markets to other countries' products. And, in addition, they offer an empty promise of creating fair competition for U.S. manufacturers trying to compete in markets abroad.

We need a fundamental change in trade and tax strategy that stands up for the interests of our farmers, our workers, and our American businesses. Therefore, I am calling on the Administration to take steps to address this problem. Here is my plan:

First, we ought to go back and fix the trade treaties we negotiated previously but have not worked or have been systematically ignored by our bilateral trading partners. The guiding principle of trade negotiations ought to be that any agreement we reach with other countries should be mutually beneficial. And we cannot give countries unimpeded access to the American marketplace to compete with American firms, when they allow the hiring of children to work for pennies a day in factories that are unsafe and that pump pollution into the air and water. Our trading partners must comply with basic labor, environmental, and safety standards.

In short, no new trade agreements, until we have gone back to fix the old ones in a manner that is fair to our country.

Next, we should end all tax subsidies in the Internal Revenue Code that reward U.S. companies that move U.S. jobs overseas. Tax incentives that relate to American jobs ought to be used to help those manufacturers who create and keep jobs in our country. Never again should one penny of taxpayers' money be spent to encourage the export of U.S. jobs.

No country will long remain a world economic power if it faces ballooning trade deficits and continues to export jobs. That is why we need a fundamental shift in trade strategy that supports—rather than undercuts—American farmers, workers and manufacturers.

Supplementary Resources

Books

Bhagwati, Jagdish. *In Defense of Globalization* (New York: Oxford University Press, 2004). 308 pages.

Friedman, Thomas. *The World is Flat: A Brief History of the Twenty-first Century* (New York: Farrar, Straus, Giroux, 2005). 496 pages.

Putterman, Louis. *Dollars and Change: Economics in Context* (New Haven: Yale University Press, 2001). 269 pages.

Sforza, Michelle, and Wallach, Lori. *Whose Trade Organization: Corporate Globalization and the Erosion of Democracy*. (Washington, DC: Public Citizen, 1999). 232 pages.

Stiglitz, Joseph E. *Globalization and its Discontents* (New York: W.W. Norton, 2002). 282 pages.

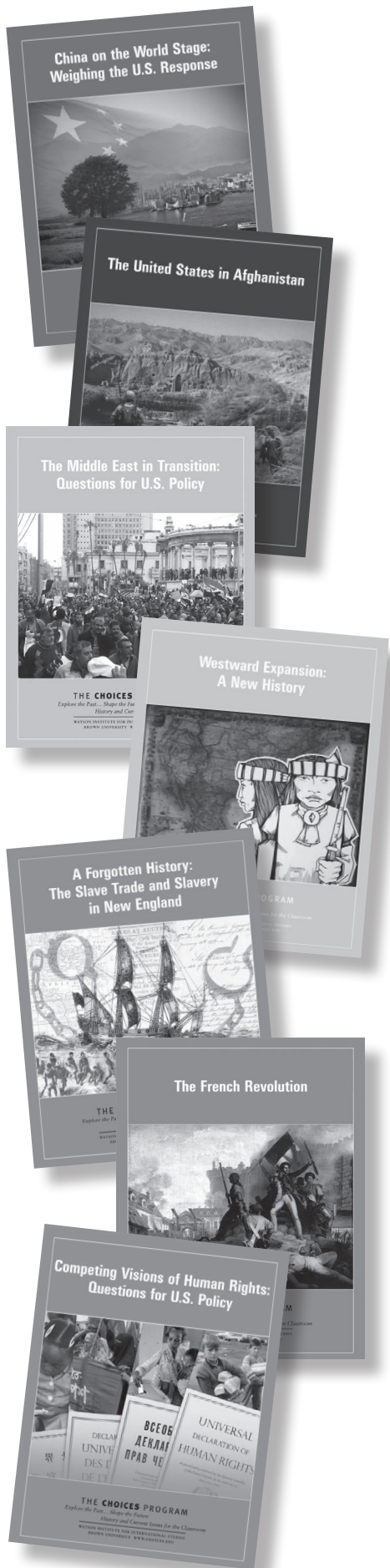
World Wide Web

World Trade Organization <<http://www.wto.org/>> Provides information on current and past disputes, statistics, and goals of the organization.

U.S. Trade Representative <<http://www.ustr.gov/>> Outlines U.S. interests in global trade and provides statistics and general information.

Public Citizen <<http://www.citizen.org/trade/>> Opposes trade organizations that benefit corporations. Provides information on fair trade issues.

Center for Global Development <<http://www.cgdev.org/>> Provides information about development issues and how they connect to global trade and economics.



Engage Students in Real-World Issues

Choices' inquiry-based approach to real-world issues promotes the skills required by Common Core and state standards.

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International Trade: Competition and Cooperation in a Globalized World is part of a continuing series on current and historical international issues published by the Choices for the 21st Century Education Program at Brown University. Choices materials place special emphasis on the importance of educating students in their participatory role as citizens.

THE CHOICES PROGRAM

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International Trade: Competition and Cooperation in a Globalized World



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International Trade: Competition and Cooperation in a Globalized World is part of a continuing series on international public policy issues. New units are published each academic year and all units are updated regularly.

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THE CHOICES FOR THE 21ST CENTURY EDUCATION PROGRAM is a program of the Watson Institute for International Studies at Brown University. CHOICES was established to help citizens think constructively about foreign policy issues, to improve participatory citizenship skills, and to encourage public judgement on policy issues.



The Watson Institute for International Studies was established at Brown University in 1986 to serve as a forum for students, faculty, visiting scholars, and policy practitioners who are committed to analyzing contemporary global problems and developing initiatives to address them.
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The Choices Approach to Current Issues

Choices curricula are designed to make complex international issues understandable and meaningful for students. Using a student-centered approach, Choices units develop critical thinking and an understanding of the significance of history in our lives today—essential ingredients of responsible citizenship.

Teachers say the collaboration and interaction in Choices units are highly motivating for students. Studies consistently demonstrate that students of all abilities learn best when they are actively engaged with the material. Cooperative learning invites students to take pride in their own contributions and in the group product, enhancing students' confidence as learners. Research demonstrates that students using the Choices approach learn the factual information presented as well as or better than those using a lecture-discussion format. Choices units offer students with diverse abilities and learning styles the opportunity to contribute, collaborate, and achieve.

Choices units on current issues include student readings, a framework of policy options, suggested lesson plans, and resources for structuring cooperative learning, role plays, and simulations. Students are challenged to:

- recognize relationships between history and current issues
- analyze and evaluate multiple perspectives on an issue
- understand the internal logic of a viewpoint
- identify and weigh the conflicting values represented by different points of view
- engage in informed discussion
- develop and articulate original viewpoints on an issue
- communicate in written and oral presentations
- collaborate with peers

Choices curricula offer teachers a flexible resource for covering course material while actively engaging students and developing skills in critical thinking, deliberative discourse, persuasive writing, and informed civic participation. The instructional activities that are central to Choices units can be valuable components in any teacher's repertoire of effective teaching strategies.

The Organization of a Choices Unit

Introducing the Background: Each Choices curriculum resource provides historical background and student-centered lesson plans that explore critical issues. This historical foundation prepares students to analyze a range of perspectives and then to deliberate about possible approaches to contentious policy issues.

Exploring Policy Alternatives: Each Choices unit has a framework of three or four divergent policy options that challenges students to consider multiple perspectives. Students understand and analyze the options through a role play and the dialogue that follows.

• **Role Play:** The setting of the role play varies, and may be a Congressional hearing, a meeting of the National Security Council, or an election campaign forum. In groups, students explore their assigned options and plan short presentations. Each group, in turn, is challenged with questions from classmates.

• **Deliberation:** After the options have been presented and students clearly understand the differences among them, students enter into deliberative dialogue in which they analyze together the merits and trade-offs of the alternatives presented; explore shared concerns as well as conflicting values, interests, and priorities; and begin to articulate their own views.

For further information see <www.choices.edu/deliberation>.

Exercising Citizenship: Armed with fresh insights from the role play and the deliberation, students articulate original, coherent policy options that reflect their own values and goals. Students' views can be expressed in letters to Congress or the White House, editorials for the school or community newspaper, persuasive speeches, or visual presentations.

Note To Teachers

When economists talk about the global economy and the role of international trade, their conflicting interpretations of economic data and debates over competing theoretical models can be overwhelming. *International Trade: Competition and Cooperation in a Globalized World* seeks to help students understand the basics of international trade and consider its role in this era of globalization.

Today, the struggling global economy makes the questions surrounding trade policy particularly relevant and important. What economic policy choices will strengthen the national and global economies? What values and beliefs should form the bases for these economic policy choices? *International Trade: Competition and Cooperation in a Globalized World* provides students with the tools to express their views on these important questions.

The reading introduces students to the terms and concepts essential to a basic understanding of international trade. Part I discusses the expansion of international trade and the globalization of the economy in the decades after World War II. Part II explores arguments for and against different trade policies and considers the effects of these policies on people around the world.

As a central activity, students consider a framework of four distinct options for U.S. trade policy. By exploring this wide-ranging spectrum of alternatives, students gain a deeper understanding of the values underlying specific policy recommendations.

Suggested Five-Day Lesson Plan: The Teacher Resource Book accompanying *International Trade: Competition and Cooperation in a Globalized World* contains a day-by-day lesson plan and student activities. The curriculum opens with an exploration of the role of trade in the United States. An alternative lesson asks students to consider why nations trade. Day Two of the lesson plan calls on students to consider the impact of economic

globalization through fictional characters from the United States and around the world. An optional lesson asks students to analyze trade statistics. The third and fourth days feature a simulation in which students assume the role of advocates for the four options. The lesson plan concludes with students developing their own options. You may also find the “Alternative Three-Day Lesson Plan” useful.

- **Alternative Study Guides:** Each section of reading is accompanied by two study guides. The standard study guide helps students harvest the information in the readings in preparation for analysis and synthesis within classroom activities. The advanced study guide requires analysis and synthesis prior to class activities.

- **Vocabulary and Concepts:** The reading in *International Trade: Competition and Cooperation in a Globalized World* addresses subjects that are complex and challenging. To help your students get the most out of the text, you may want to review with them “Key Terms” found in the Teacher Resource Book (TRB) on page TRB-41 before they begin their assignment. An “Issues Toolbox” is also included on page TRB-42. This provides additional information on key concepts of particular importance to understanding the foundations of the debate over U.S. trade policy.

- **Primary Source Documents:** Materials are included in the supplementary documents section in the student text (pages 31-32).

- **Additional Resources:** More resources and links are available at <www.choices.edu/tradematerials>.

The lesson plan offered in *International Trade: Competition and Cooperation in a Globalized World* is a guide. Many teachers choose to devote additional time to certain activities. We hope that these suggestions help you in tailoring the unit to fit the needs of your classroom.

Integrating This Unit into Your Curriculum

Units produced by the Choices Program are designed to be integrated into a variety of social studies courses. Below are a few ideas about where *International Trade: Competition and Cooperation in a Globalized World* might fit into your curriculum.

Economics: For most of the country's history, international trade was not a critical factor in the economic development of the United States. In 1913, 8 percent of the U.S. gross national product was derived from trade, as compared to 26 percent for Britain. But in the last few decades, U.S. reliance on international trade has grown dramatically. The expansion of trade has not only changed the U.S. role in the world, but also has injected new economic concepts into the classroom. Today's transnational corporations have blurred the national identities of products and companies. The WTO, the EU, and NAFTA have challenged traditional notions of national sovereignty. For the teacher of economics, exploring the changing priorities of U.S. trade policy helps students gain an understanding of topics related to economic globalization.

Government: Trade issues have particular relevance today as people in the United States reconsider the function of government in society. Trade's close ties to national security, environmental issues, and foreign aid mean that government decisions about trade affect other areas as well. Should national security continue to be dominated by military concerns, or should economic matters play a bigger role? By insisting that the protection of the environment and human rights be part of trade discussions, does the United States ensure a more secure future or does it harm the economy? Would expanded government involvement in the economy improve the country's economic competitiveness, or harm the U.S. entrepreneurial spirit?

International Relations: The next few decades will witness a global shift in the economic balance of power as the economic output of developing countries surpasses that of rich countries. The trend reverses two hundred years of Western domination of the global economy. It also comes at a time when many developing countries are experiencing rapid population growth and intense pressure on natural resources. For students of international relations, the coming decades will demand heightened attention to North-South issues. Will emerging economic powers such as China, India, and Brazil build up their military strength and seek to flex their muscles in the international arena? How will the growth of a trading bloc in the Pacific Rim and increased trade in that region affect the United States? Will international trade serve as a force for global cooperation or will economic disputes contribute to a deepening of North-South tensions?

Reading Strategies and Suggestions

This curriculum covers a wide range of issues over a long period of time. Your students may find the readings complex. It might also be difficult for them to synthesize such a large amount of information. The following are suggestions to help your students better understand the readings.

Pre-reading strategies: Help students to prepare for the reading.

1. You might create a Know/Want to Know/Learned (K-W-L) worksheet for students to record what they already know about trade and globalization and what they want to know. As they read they can fill out the “learned” section of the worksheet. Alternatively, brainstorm their current knowledge and then create visual maps in which students link the concepts and ideas they have about the topic.

2. Use the questions in the text to introduce students to the topic. Ask them to scan the reading for major headings, images, and questions so they can gain familiarity with the structure and organization of the text.

3. Preview the vocabulary and key concepts listed in the back of the TRB with students.

4. Since studies show that most students are visual learners, use a visual introduction, such as photographs or a short film clip, to orient your students.

5. Be sure that students understand the purpose for their reading the text. Will you have a debate later, and they need to know the information to formulate arguments? Will they create a class podcast?

Split up readings into smaller chunks:

Assign students readings over a longer period of time or divide readings among groups of students.

Graphic organizers: You may also wish to use graphic organizers to help your students better understand the information that they are given. These organizers are located on TRB-8 and on TRB-20. Students can complete them in class in groups or as part of their homework, or you can use them as reading checks or quizzes.

An Introduction to U.S. Trade

Objectives:

Students will: Understand the nature of trade and why nations trade.

Understand how trade impacts products available in their country.

Required Reading:

Before beginning the lesson, students should have read the Introduction and Part I of the student text (pages 1-12) and completed “Study Guide—Introduction and Part I” (TRB 5-6) or “Advanced Study Guide—Introduction and Part I” (TRB-7).

Handouts

“Trade ‘Quiz’” (TRB-9)

“Apparel Data” (TRB-10)

In the Classroom:

1. Assessing Prior Knowledge—This is an icebreaking activity. Place the “Trade ‘Quiz’” on an overhead, or pass out a copy to each student. Go over the questions with students. Referring to the reading as necessary, discuss the answers with students, and address any questions they might have. If the questions spark discussion, encourage students to share opinions.

2. Understanding Trade Impacts—Distribute the “Apparel Data” handout. Ask students to check the labels in their clothes either individually or in small groups. Have them fill out the chart for their group, or do the exercise with the whole class. Using a large wall map of the world, have students place pins or sticky notes on the countries where the clothes were made. Most will come from developing countries. Ask students to consider why. What impact has trade had on this country? On the countries where the clothes are made?

Homework:

Students should read Part II of the student text (pages 13-21) and complete “Study Guide—Part II” (TRB 17-18) or “Advanced Study Guide—Part II” (TRB-19).

Answers to “Trade ‘Quiz’”

1. false. There is currently a trade deficit
2. false. \$8.7 billion a day
3. false. Canada and China are the top U.S. trading partners
4. true.
5. true. About 65 percent of oil is imported
6. true.

Name: _____

Study Guide—Introduction and Part I

1. List three consequences of the global economic crisis that began in 2008.
 - a.
 - b.
 - c.

2. The rapid spread of the current economic crisis is directly related to the _____ of the _____.

3. At a most basic level, people trade because _____ to be had.

4. What is protectionism?

5. Define free trade.

6. Leaders of Truman's generation believed that _____ was crucial to the _____ and the _____.

7. List the "four tigers" of East Asia (so-called because they are highly successful economies).
 - a.
 - b.
 - c.
 - d.

8. Define globalization.

9. What is the purpose of the WTO?

10. What is dumping?

11. Give two examples of criticisms of the WTO.

a.

b.

12. NAFTA, which stands for the _____

_____, unites which three countries into a single market?

a.

b.

c.

Name: _____

Advanced Study Guide—Introduction and Part I

1. a. What is comparative advantage?

- b. Give an example of comparative advantage for each of the three categories.

Individual:

Business:

Country:

2. Was the Smoot-Hawley Tariff Act successful? Why or why not?

3. Why did U.S. leaders change U.S. trade policy after World War II?

4. What has been the U.S. role in the process of globalization?

5. What role does the WTO play in international trade?

Trade After World War II

Instructions: First define the two trade policies below and fill in the boxes with examples of specific policies and the aims of these types of policies. Then answer the Part II questions that deal with changes in the international trade system after World War II.

Part I

Protectionism

Definition:
Examples of protectionist policy:
Goals of these types of policies:

Free Trade

Definition:
Examples of free trade policy:
Goals of these types of policies:

.....
Part II

Why did U.S. policy-makers want to increase trade after World War II?

What has contributed to the increase in trade since World War II?

U.S. promotion of free trade

Explain how the United States has promoted free trade.
How has this increased trade?

Globalization

Explain globalization.
How has this increased trade?

Trade Agreements

Explain what trade agreements are.
How have they increased trade?

Name: _____

Trade "Quiz"

Instructions: Circle True or False for each question.

1. TRUE / FALSE The United States exports more goods than it imports.

2. TRUE / FALSE A total of \$412 million worth of goods comes into and out of the United States every day.

3. TRUE / FALSE The top U.S. trading partners are China and Japan.

4. TRUE / FALSE The United States is the world leader in the export of services (industries such as telecommunications, banking, insurance).

5. TRUE / FALSE The U.S. imports over 50 percent of the oil that it uses.

6. TRUE / FALSE The U.S. does not produce DVD players; instead, it imports them.

Why Nations Trade

Objectives:

Students will: Explore the incentives for trade between nations.

Be introduced to “comparative advantage.”

Examine the possible economic and social consequences of trade.

Work cooperatively.

Required Reading:

Before beginning the lesson, students should have read the Introduction and Part I of the student text (pages 1-12) and completed “Study Guide—Introduction and Part I” (TRB 5-6) or “Advanced Study Guide—Introduction and Part I” (TRB-7).

Handouts:

“Manufacturing: the Country of Warwick” (TRB 12-13)

“Manufacturing: the Country of Compton” (TRB 14-15)

In the Classroom:

1. Focus Question—Write the question “Why do nations trade?” on the board.

2. Working in Groups—Break students into small groups of 2-4 students. Provide half of the groups with “Manufacturing in the Country of Warwick” and the other half with “Manufacturing in the Country of Compton.” Ask students to begin their worksheets. Explain to students that they will need to collaborate with a group with a different country worksheet to complete the exercise.

Note: If necessary, prompt students to include labor as an answer for question 2 on the worksheet.

3. Group Responses—After the small groups have completed the activity, have everyone come together in a large group. Call on small groups to share their responses to the questions.

What was the primary reason that groups chose to trade goods? Did any group choose not to trade? Ask students to comment on the impact of their decision to trade. What was the incentive to trade? Do students see any competing interests or reasons not to trade?

Tell students that “comparative advantage” is an important economic concept that explains why nations trade. A country with the resources to produce a good or service more efficiently than another country is said to have a “comparative advantage.” Which country has a comparative advantage in bread production? Which has a comparative advantage in computer production? Why is comparative advantage an important principle of trade?

Ask students what they think the priorities of economic decision-makers should be. How should decision-makers balance making goods available at lower costs with other factors such as job creation or economic growth?

Homework:

Students should read Part II of the student text (pages 13-21) and complete “Study Guide—Part II” (TRB 17-18) or “Advanced Study Guide—Part II” (TRB-19).

Manufacturing: The Country of Warwick

Instructions: You and your group are the economic decision-makers of the country of Warwick. Below you will find a list of two of the goods you can make in your country and what it costs to make them. Assume that Warwick needs both of these items to function as a society. You do not need to know any additional information about Warwick to complete this exercise.

Assume (for simplicity's sake) that consumers in the country of Warwick buy computers and bread for what it costs to make them. The money goes to the manufacturers and is used to make computers and bread again.

	Cost to Produce One Unit
Computers	\$10
Bread	\$2

1. Pick a combination of units of bread and computer that Warwick produces to meet its needs. (Note: Although you can pick any number, a small round number will simplify your calculations.) Calculate the total cost.

Units of Bread	Cost	Units of Computers	Cost	Total Cost

2. Write a list of at least five things that it might take to produce each of these two items.

Computers

- a.
- b.
- c.
- d.
- e.

Bread

- a.
- b.
- c.
- d.
- e.

Deciding to trade

You've received information from your government that the country of Compton also makes computers and bread that are comparable to Warwick's in quality. You and your fellow economic decision-makers decide to meet with a group of decision-makers from Compton. You have been authorized by your government to buy either computers or bread from Compton if it makes economic sense to do so.

Manufacturing: The Country of Compton

Instructions: You and your group are the economic decision-makers of the country of Compton. Below you will find a list of two of the goods you can make in your country and what it costs to make them. Assume that Compton needs both of these items to function as a society. You do not need to know any additional information about Compton to complete this exercise.

Assume (for simplicity's sake) that consumers in the country of Compton buy computers and bread for what it costs to make them. The money goes to the manufacturers and is used to make computers and bread again.

	Cost to Produce One Unit
Computers	\$5
Bread	\$4

- Pick a combination of units of bread and computer that Compton produces to meet its needs. (Note: Although you can pick any number, a small round number will simplify your calculations.) Calculate the total cost.

Units of Bread	Cost	Units of Computers	Cost	Total Cost

- Write a list of at least five things that it might take to produce each of these two items.

Computers

- a.
- b.
- c.
- d.
- e.

Bread

- a.
- b.
- c.
- d.
- e.

Deciding to trade

You've received information from your government that the country of Warwick also makes computers and bread that are comparable to Compton's in quality. You and your fellow economic decision-makers decide to meet with a group of decision-makers from Warwick. You have been authorized by your government to buy either computers or bread from Warwick if it makes economic sense to do so.

Name: _____

3. How much does it cost to manufacture bread in Warwick?
4. How much does it cost to manufacture a computer in Warwick?
5. The group from Warwick offers to sell you computers at Warwick's cost to meet Compton's needs. (Refer to the number you picked in the chart.) How much would this cost? Should you buy them? Why?
6. The group from Warwick offers to sell you bread at Warwick's cost to meet Compton's needs. Should you buy them? Why?
7. If you've decided to buy bread or computers to meet Compton's needs, how has this affected what you pay for bread and computers combined? Do you have less money or more money than before? What might the consequences of this be?
8. Does Warwick want to buy computers or bread from Compton? How has this affected the money you have available for producing bread and computers? What might the consequences of this be?
9. Have you changed the amount of bread or computers you are producing? Refer back to the lists that you made for question 2. What impact does any change in production have on the things you listed under question 2?

Evaluating the Impact of Economic Change

Objectives:

Students will: Evaluate changes in the economy through the perspectives of characters from different parts of the world.

Identify sources of opportunity and anxiety associated with economic globalization.

Assess the impact of economic change on global attitudes toward the economy.

Required Reading:

Students should have read Part II of the student text (pages 13-21) and completed the “Study Guide—Part II” (TRB 17-18) or the “Advanced Study Guide—Part II” (TRB-19).

Handouts:

“Fictional Profiles” (TRB 21-24)

“The Global Economic Future” (TRB-25)

Note:

Five of the fictional characters in this exercise are from the United States and the other seven are from countries around the world. The aim of having characters of this breadth is to show not only the effects of U.S. trade policy on people within the United States but also the effects that U.S. policies can have on the lives of people in other countries.

In the Classroom:

1. Organizing Group Work—Divide the class into pairs. Assign each pair a character from “Fictional Profiles” and distribute “The Global Economic Future.” Ask students to read the section on their character. Emphasize that students should answer the questions on the worksheet from the perspectives of their assigned character.

2. Contrasting Perspectives—After the pairs have completed the worksheet, select a spokesperson from each pair to share their responses with the entire class. Highlight the contrasts in the outlooks of the different characters. What economic changes account for the greatest anxiety among the characters? What opportunities have been created by economic globalization? What sorts of concerns do people in the United States have? What sorts of concerns do people in other countries have? How are the concerns of people around the world (including the United States) similar? How are they different?

3. Analyzing Economic Change—Ask students to compare the concerns of the characters with the economic outlook of the local community and the country as whole. Which groups have been most vulnerable to the forces of economic globalization? Conversely, who has most benefited from the expansion of international trade? How should students prepare themselves to meet the challenges of economic change?

Extra Challenge:

Distribute “Opposing Views on U.S. Trade Policy” (pages 31-32 in the student text) and instruct students to read the statements of former President Bush and Senator Dorgan. How would each of the profiled characters respond to the statements? Which values stand out most prominently? What are the main points of disagreement between Bush and Dorgan?

Homework:

Students should read “Options in Brief” in the student text (page 22).

Name: _____

Study Guide—Part II

- List two effects of economic globalization.
 -
 -
- Supporters of free _____ argue that trade does more _____
_____ than _____.
- Critics of free _____ maintain that _____ outnumber
_____ in the _____ economy.
- Why is food aid to developing countries a popular policy in the United States?
- List three reasons why some countries benefit more from trade than others.
 -
 -
 -
- How has the global economic crisis affected India's automobile industry?
- Most people in Senegal are employed in agriculture. How has joining the WTO changed the business of agriculture in Senegal?

8. In addition to trade, what other factors have affected the economic dynamics in U.S. society? List three.

a.

b.

c.

9. In the United States, which types of jobs are most commonly “outsourced” to other countries?

10. In 2004 the United States generated _____ new jobs than Germany, Japan, Great Britain, Canada, and France combined.

11. In the 1990s and early 2000s, U.S. _____ fluctuated, growing some years but falling in others. The gap between the _____ and the _____ in the United States has _____ as well.

12. List three ways that growth in international trade has affected U.S. citizens.

a.

b.

c.

The Effects of Trade

Instructions: Fill out the chart below. Decide whether each effect of trade is positive, negative, or both, and then identify who is affected and how. Challenge yourself—see if you can think of both positive and negative consequences for each effect. At the bottom or on the back of this paper, fill out the chart for any additional effects that you can think of.

Effect	Positive, Negative, or Both?	Who is affected and how?
<i>Example:</i> Businesses have access to new markets.	Both	Businesses trading internationally have more opportunities. Local businesses must compete with international companies.
Countries tend to focus on producing goods in which they have a comparative advantage.		
Consumers have access to a wider variety of less expensive goods.		
Businesses may move factories to other countries for cheaper labor (outsourcing/insourcing).		
Countries are more dependent on each other.		
Consumers can buy goods that were produced in countries with different worker, safety, and environmental standards.		
There is competition among businesses from countries with different trade policies (e.g. subsidies vs. no subsidies).		
With no restrictions on capital, investors can put their money into businesses around the world.		
Increased competition forces producers to improve quality.		
Employment opportunities for workers change.		

Name: _____

Fictional Profiles

Al: United States

Al lives in Flint, Michigan, a small Midwestern city that has been dominated by the automobile industry for nearly a century. When Al was growing up, his relatives and neighbors worked either in the General Motors (GM) factory or in one of the smaller plants that supplied auto parts. In college, Al earned an engineering degree, and then went to work for the local GM plant. After ten years with GM, Al and two of his fellow engineers opened a factory that produces gaskets for the engines of GM cars. For the last eighteen years, Al has employed more than one hundred people and supplied gaskets to GM, Ford, and Toyota factories in the United States and Mexico. But since the economy began to take a nosedive in 2008, fewer and fewer orders have come in and Al has had to lay off 20 percent of his workforce. Nevertheless, Al is hopeful that the economy will soon rebound. He has started making connections with car manufacturers in India and Germany in the hopes that as the economy improves, his factory will get more business from overseas.

Arona: Senegal

Arona is a small farmer who lives in the village of Diender, Senegal. For many years he and his wife scraped by as subsistence farmers, selling any extra vegetables in the local market in order to make enough money to buy necessities like oil and paraffin for cooking. The family's fortune changed when a European company came in and built a food processing plant nearby. Many agricultural goods in European countries are subsidized, but those that aren't are much less expensive to grow in developing countries because labor costs are lower. The company approached Arona and asked him to grow beans for export to France. In the last six years, his income has nearly tripled. Some of his neighbors have also benefited from growing vegetables for export. Others have gotten jobs in the plant, canning the beans. Arona has been able to install a

basic irrigation system on his land with the help of the company. He and his wife now have enough money to send their youngest son to school. Poverty is still widespread among Senegal's farmers. Arona hopes that more opportunities will develop for other farmers.

Edson: Brazil

Edson is a soybean farmer in the state of Mato Grosso, Brazil. Edson grew up farming; his parents were corn farmers on their small farm in another part of the country. Twenty years ago Edson bought two hundred acres of heavily-forested land on the edge of the Amazon rainforest for a few thousand dollars. Today he owns two thousand acres of cleared land and employs sixteen field hands to help him. Initially Edson planned to grow corn, but worldwide demand has fueled a boom in soybeans. For most of the last twenty years, Edson's soybean farm has seen record profits. Today, Edson's farm is worth nearly two million dollars. Recent changes in the global trade environment are set to push his profits even higher. In the United States, subsidies to U.S. corn growers have increased because the U.S. government is promoting the use of ethanol, an alternative fuel that can be made from corn. As a result, demand for soybeans is shooting up. Producers of many food products are substituting soy beans for corn in their recipes. In the last two years, Edson has watched as the amount of farmland devoted to soybeans in Mato Grosso has ballooned. Many people have immigrated from eastern regions of the country for jobs on the farms. Edson has been in the farm business long enough to know that prices will never stay so high for long. He is concerned that when demand decreases, his farm will face much fiercer competition from all of the new soybean producers.

He Yan: China

He Yan is the marketing director of a factory in the city of Ghuangzhou in Guandong province, China. Her factory makes shower

heads and faucets and in the 1990s employed as many as five hundred people. But since China joined the WTO in 2001, Yan's factory has come on hard times. Competition from businesses in places like the United States and Australia have forced Yan's company to trim its costs and cut its labor force. Today the factory has only 126 workers and there are signs that even more may be laid off. Yan's boss has been sending her overseas to market the company's products to clients in places like Germany and France. But tapping into the export market will be difficult. EU standards for the types of materials used in production are much stricter than those in China. Yan's company will have to completely change its methods of production to produce for these new markets. Yan is worried that if her company cannot adjust it will be forced to close. To be on the safe side, she has been in touch with recruitment officers from some of the more successful export factories in Ghuangzhou. Yan cannot afford to be unemployed. Her parents and two younger brothers, who live in the rural village where she was raised, also depend on her income to pay the family's expenses.

Jackson: United States

Jackson has worked in the blast furnace at a steel mill in Ohio for the last thirty-seven years. The last three decades have not been easy for the U.S. steel industry. Over the years, Jackson has watched many close friends lose their jobs and since 1990, he and his fellow workers have taken repeated salary cuts. Jackson believes that the steel industry is crucial to the economic health of the region where he lives; many nearby businesses, including restaurants, stores, and other services, cater to the steel factory and its workers. He believes that if his steel mill closes, hundreds of other people also will lose their jobs. In 2002, U.S. President Bush raised tariffs on steel imports in order to help the ailing industry. With this protection in place, many steel mills restructured their businesses to cut costs and be more efficient. But less than two years later, Bush removed the tariffs, coming under heavy oppo-

sition from the WTO and countries like Brazil and Japan and the European Union. The tariffs were not popular domestically either; U.S. car manufacturers and construction companies complained about the high price of steel. Since 2003, Jackson's mill, unable to compete with steel factories in places like Brazil and South Korea, has fired more than a third of its employees.

Judy: United States

Judy lives in Providence, Rhode Island, a New England city that has a long industrial history. Like many people in her neighborhood, she works in a jewelry factory assembling earrings and necklaces. She is a high school graduate, but with three children to raise, Judy has not found the time for further education. Now in her mid-40s, Judy has worked in the same non-union factory for twelve years. During that time, her salary has barely kept up with inflation. In 2008, she was making \$8.75 an hour. Three years ago, a nearby jewelry factory closed down when manufacturing operations moved to Malaysia. Although Judy would like to find a better job, she considers herself lucky to have steady work, as there have been a number of layoffs in her factory. Her oldest son has taken computer courses at school and at night has been teaching her how to use some basic programs. Although Judy is nervous about changing careers, she is concerned that if things continue on their current path, she may be forced to.

Karl: United States

Karl is a fourth-generation farmer in North Dakota. He has been farming his land in the Red River Valley for three decades. The farm has been in the family for over one hundred years. But today many family farmers in the Midwest are no longer able to make a living. Karl, trying desperately to hold onto his land, is convinced that his grandchildren will never have the chance to see it if things continue on their current trend. He sees the truckloads of grain crossing into the United States from Canada and notices all of the foreign-grown produce in the grocery store. Although the

Name: _____

U.S. government provides subsidies to many farmers, most of the money has gone to large-scale farms, allowing them to expand their businesses and buy land from small farmers who can no longer compete. Over the last ten crop seasons Karl has lost such a significant amount of money that he has had to sell off ten thousand acres of land as well as let go of most of his employees.

Lebo: Lesotho

Lebo works at a clothing factory in Maseru, Lesotho, a small country in southern Africa. When Lebo was growing up, her father worked in South Africa for most of the year because there were so few jobs in Lesotho. Her mother grew crops on the family's land, selling them in the local market in order to make a little extra money to pay the school fees for Lebo and her two older brothers. When Lebo was in high school, the textile industry in Lesotho began to take off, helped in large part by a preferential trade agreement that Lesotho had with the United States. This trade agreement guaranteed Lesotho a certain percentage of the U.S. clothing market. Foreign businesses opened factories throughout the country and Lebo was able to find a job assembling t-shirts after graduating from high school. In 2005, after Lebo had been on the job for two years, many rich countries eliminated quotas they had had to limit the amount of clothing imported from China. Since then, the textile industry in Lesotho has been struggling to compete with the wildly-successful Chinese clothing industry. Thousands of workers have been laid off and many factories have closed. Lesotho still has some protection under the U.S. preferential trade agreement, but that is set to expire in 2015. Lebo has managed to keep her job so far, but the pay is low and she is worried that, in the long run, the textile industry in Lesotho is doomed. Nevertheless, for now Lebo is in a much better position than many of her friends from school who have been unemployed since graduation.

Mahesh: India

Mahesh lives in India in the city of Bangalore. He was the first member of his family to attend college. Today his two daughters attend an exclusive private school. Mahesh's career as a computer engineer took off in the early 1990s, as Bangalore became an international hub for information technology and innovation. With labor costs cheaper than in the United States, investment from around the world poured into Bangalore. The company that Mahesh works for was founded in 1991 with money from U.S. investors. The company develops software for airplane and nautical navigation systems. Many of the company's clients are located overseas, in countries like China, France, and Norway. After working for the company for six years, Mahesh is now the lead engineer in one of the company's subdivisions. In addition to supporting his immediate family, Mahesh also helps his mother and brothers in his home village, located a few hundred kilometers from Bangalore. His family used to own a farm and produce milk to sell in the markets in Bangalore. But competition from subsidized EU dairy farmers has forced many local farmers out of business. Mahesh's relatives depend on the money he sends back to pay many of the family's expenses.

Monique: Australia

Monique is a radiologist in South Australia. She does most of her work as a consultant, which means that she is not fully employed by any one hospital. Instead, hospitals pay her when they require her services. She has worked this job for the last twenty-five years, mainly at two hospitals in the city of Adelaide. At various times she has been forced to take on extra work, traveling a few hours outside the city to a hospital in a more remote area. That work meant long hours and many nights away from her family. But a few years back, she got a job with a consulting firm that offers services to hospitals in the United States. Monique was a perfect fit for this position because she had completed her residency training in a hospital in Pittsburgh, Pennsylvania and so she has U.S. qualifications in her field. Now in addi-

tion to working at a local hospital, she also diagnoses patients from afar. Doctors in places like New York and Chicago fax her x-rays, CT scans, and MRIs, often because it is the middle of the night in the United States and there are no radiologists on duty at their hospitals. In Australia it is daytime and from her office in Adelaide, Monique reads the scans and emails the doctors her analyses. Working with this firm has given her more reasonable work hours and reduced the time she spends at work. She is thinking of taking leave for six months next year to get qualified in Germany because her firm is starting to get requests from European hospitals as well.

Pavinder: United Arab Emirates

Pavinder is from Pakistan, but he works on a construction site in Dubai in the United Arab Emirates (UAE). Dubai is in the midst of a massive building boom and Pavinder works for a large corporation that is in partnership with a firm from the United States. A number of the architects on Pavinder's construction site are from the United States. Most of the construction workers are from outside of Dubai, from places like India, Afghanistan, and Pakistan. The work is very difficult and Pavinder works about sixty hours per week, often in temperatures of 120 degrees Fahrenheit. He lives in a trailer with eighteen other workers and usually has only one day off per week. But Pavinder is grateful to have this job. His pay is \$225 a month, which is much more than most of his friends make at their jobs back home. He sends as much money as he can back to his family in Pakistan, but Pavinder must also work to pay off a two thousand dollar debt. He owes this debt to the agent who got him the job in Dubai; without his help,

Pavinder would still be looking for work in Pakistan. The building project that Pavinder is working on will be completed within the next year and he is concerned that he will not be able to pay off the debt if he does not find work on another site. He is also concerned about deportation. Recently, some of the workers from his project joined in a strike for better working conditions and the government has threatened to deport anyone who is thought to be involved. As an illegal worker, he would have no right to appeal the government's decision.

Vicky: United States

Vicky moved to Atlanta, Georgia four years ago when she found a job there as a sales representative for a telecommunications firm. Vicky, who will soon be thirty years old, has had a strong interest in international business since high school. In college, Vicky spent a year in Taiwan on a student exchange program. Since graduating, Vicky has worked for three different telecommunications companies. At her current job, Vicky is part of a division that markets cellular telephones to businesses. Her division has increasingly found customers in the Caribbean and Latin America, where poor telephone service makes cellular communications an appealing option. Building off of that success, company executives have made plans to expand operations in China. A proficient worker and fluent in Chinese, Vicky would be a key part of her company's operations. Since the economic downturn in 2008, company executives have discussed plans to close their U.S. headquarters. Vicky now might have to move to China if she wants to keep her job.

Name: _____

The Global Economic Future

Instructions: With your partner, answer the questions below from the perspective of your assigned character. Imagine that you are being interviewed for a newspaper article about world perspectives on the global economic future. Later in the period, you will be called upon to share your responses with the entire class.

Your assigned character: _____

1. How have the growth in international trade and the globalization of the economy affected the life and the future plans of your assigned character?
2. According to the perspective of your assigned character, have the global economic changes of the last two decades been positive or negative? Explain your answer.
3. What does your assigned character think the future of the global economy holds for him or her?
4. If your assigned character could deliver a brief message to world leaders about his or her economic concerns, what would it be?

Analyzing Trade Statistics

Objectives:

Students will: Analyze and graph economic data.

Consider the causes and effects of global patterns of trade.

Work collaboratively with classmates.

Handouts:

“Share of World Manufacturing Exports: Regions and Selected Countries” (TRB 27-29) for each group

Students may find colored pencils for graphing, a calculator, and copies of the reading helpful.

In the Classroom:

1. Focus Question—Put the following question on the board. “What are statistics for?” Ask students to think of other places they have seen statistics or ways they’ve seen statistics used. How have students used statistics in school? Have the class brainstorm; record their ideas.

2. Working in Groups—Divide the class into groups of 3-4 students and distribute the handout to each group. Groups should work through and discuss the questions pertaining to the data. Have one member of each group record their group’s responses on the worksheet.

Emphasize to students that the graphs they are making need not be overly precise. Rather, they should roughly indicate trends. Emphasize the importance of labeling the graphs clearly. Some students may need a reminder about how to do the calculation required for question 7 on the handout.

3. Analyzing Data—Review some of the answers to the questions. Did students find any of the information surprising?

Much of the data indicates trends in a single direction—either positive or negative—for each country. Ask students to speculate about the reasons for these trends in specific countries, e.g. China. Is there any data for a single country that doesn’t have a trend in any direction?

Ask students why they think the United States’ share of manufacturing exports has decreased since 1948? Ask them to compare the slopes of the two graphs they have made. Why does one slope down and the other up? Do these graphs indicate positive or negative developments for the U.S. economy? Or do they indicate neither?

Have students identify the trend in the “GATT/WTO Members” category. What reasons can they give for the trend?

4. Making Connections—The phrase “There are three kinds of lies: lies, damned lies, and statistics” has been attributed to Mark Twain (and several others). Ask students what Twain meant. What relevance does this have for students as they analyze or use data?

Extra Challenge:

The footnotes at the bottom of the chart indicate important political changes, e.g., the end of the Soviet Union. Have students speculate as to how these political changes might have affected manufacturing exports.

Homework:

Students should read “Options in Brief” in the student text (page 22).

Name: _____

Share of World Manufacturing Exports: Regions and Selected Countries

Instructions: With your group, examine this chart and answer the questions that accompany it. Be prepared to share your findings with the rest of the class.

	1948	1953	1963	1973	1983	1993	2003	2007
<i>World manufacturing exports in billions of dollars</i>	59	84	157	579	1838	3675	7375	13619
World (percent share of exports)	100	100	100	100	100	100	100	100
North America	28.1	24.8	19.9	17.3	16.8	18.0	15.8	13.6
United States	21.7	18.8	14.9	12.3	11.2	12.6	9.8	8.5
Canada	5.5	5.2	4.3	4.6	4.2	4.0	3.7	3.1
Mexico	0.9	0.7	0.6	0.4	1.4	1.4	2.2	2.0
South and Central America	11.3	9.7	6.4	4.3	4.4	3.0	3.0	3.7
Brazil	2.0	1.8	0.9	1.1	1.2	1.0	1.0	1.2
Argentina	2.8	1.3	0.9	0.6	0.4	0.4	0.4	0.4
Europe	35.1	39.4	47.8	50.9	43.5	45.4	45.9	42.4
Germany ^a	1.4	5.3	9.3	11.6	9.2	10.3	10.2	9.7
France	3.4	4.8	5.2	6.3	5.2	6.0	5.3	4.1
Italy	11.3	9.0	7.8	5.1	4.0	4.6	4.1	3.6
United Kingdom	1.8	1.8	3.2	3.8	5.0	4.9	4.1	3.2
Commonwealth of Independent States (CIS), ^b	-	-	-	-	-	1.5	2.6	3.7
Soviet Union	2.2	3.5	4.6	3.7	5.0			
Africa	7.3	6.5	5.7	4.8	4.5	2.5	2.4	3.1
South Africa ^c	2.0	1.6	1.5	1.0	1.0	0.7	0.5	0.5
Middle East	2.0	2.7	3.2	4.1	6.8	3.5	4.1	5.6
Asia	14.0	13.4	12.5	14.9	19.1	26.1	26.2	27.9
China	0.9	1.2	1.3	1.0	1.2	2.5	5.9	8.9
Japan	0.4	1.5	3.5	6.4	8.0	9.9	6.4	5.2
India	2.2	1.3	1.0	0.5	0.5	0.6	0.8	1.1
Australia and New Zealand	3.7	3.2	2.4	2.1	1.4	1.4	1.2	1.2
GATT/WTO Members	62.8	69.6	75.0	84.1	78.4	89.4	94.3	94.1

a Figures refer to the Fed. Rep. of Germany from 1948 through 1983

b Former Soviet Union minus the Baltic States. Figures are significantly affected by i) changes in the country composition of the region and major adjustment in trade conversion factors between 1983 and 1993; and ii) including the trade flows between the Baltic States and the CIS between 1993 and 2003.

c Beginning in 1998, figures refer to South Africa only and no longer to the Southern African Customs Union.

Chart recreated from International Trade Statistics 2008, WTO.

Questions

1. List the top three regions and countries for manufacturing exports in 1948.

Top Regions in 1948	Top Countries in 1948
a.	a.
b.	b.
c.	c.

2. List the top three regions and countries for manufacturing exports in 2007.

Top Regions in 2007	Top Countries in 2007
a.	a.
b.	b.
c.	c.

3. Which country and which region had the greatest increase in the share of manufacturing exports between 1948 and 2007?

Region	Country
a.	a.
b. Percent increase?	b. Percent increase?

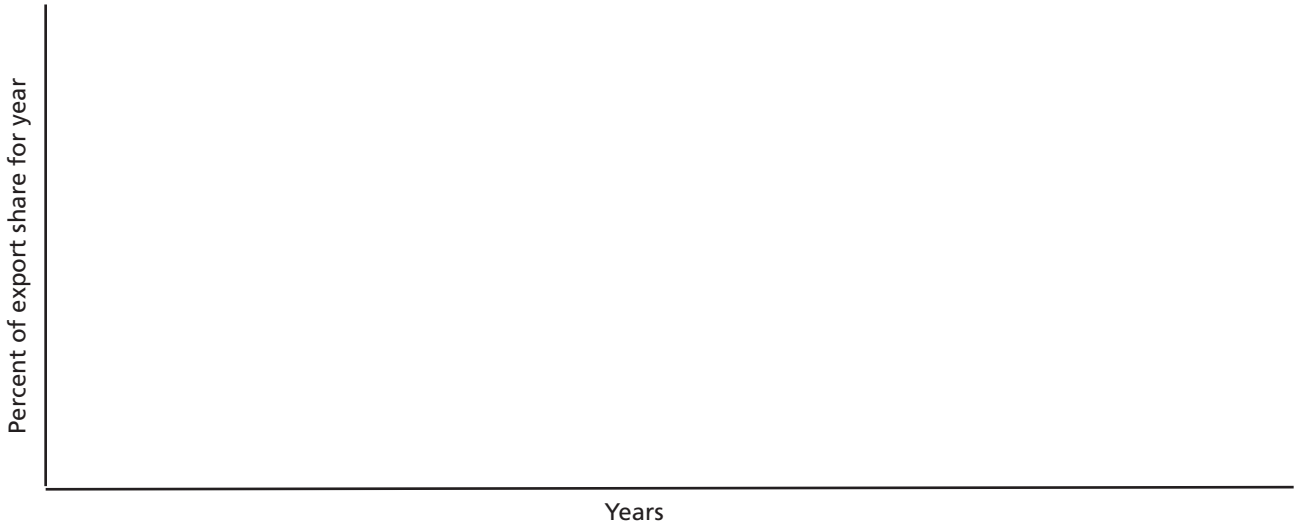
4. Which country and which region had the greatest decrease in the share of manufacturing exports between 1948 and 2007?

Region	Country
a.	a.
b. Percent decrease?	b. Percent decrease?

5. Why is there no more data for the Soviet Union after 1983?

Name: _____

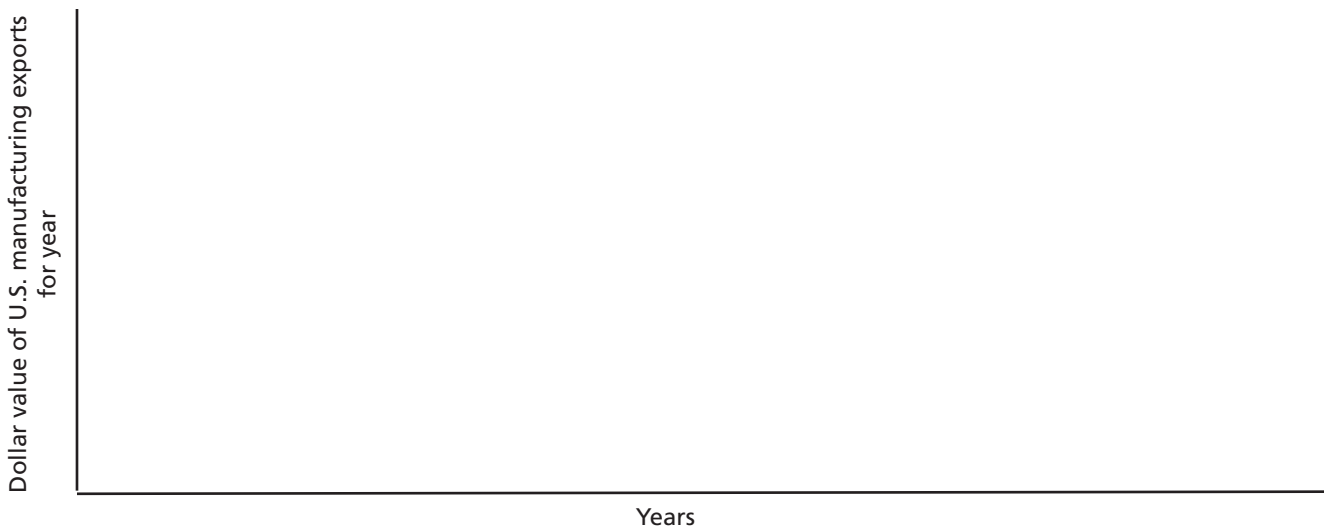
6. Use the data provided to graph the United States' share of manufacturing exports. Focus on general trends, not precisely graphing the numbers. Be sure to label your graph.



7. Calculate the dollar value of the United States' manufacturing exports for each year.

	1948	1953	1963	1973	1983	1993	2003	2007
<i>World manufacturing exports in billions of dollars</i>	59	84	157	579	1838	3675	7375	13619
United States share of exports (percentage)	21.7	18.8	14.9	12.3	11.2	12.6	9.8	8.5
Dollar value (multiply dollars by percentage and divide by 100)								

8. Use the data provided to graph the dollar value of U.S. manufacturing exports. Focus on general trends, not precisely graphing the numbers. Be sure to label your graph.



Role-Playing the Four Options: Organization and Preparation

Objectives:

Students will: Analyze the issues that frame the debate on U.S. trade policy.

Identify the core underlying values of the options.

Integrate the arguments and beliefs of the options and the reading into a persuasive, coherent presentation.

Work cooperatively within groups to organize effective presentations.

Required Reading:

Students should have read “Options in Brief” in the student text (page 22).

Handouts:

“Presenting Your Option” (TRB-31) for option groups

“Expressing Key Values” (TRB-32) for option groups

“Joint Committee of Congress on Economics” (TRB-33) for committee members

“Making Your Voice Heard: Citizen Lobbyist” (TRB-34) for citizen lobbyists

In the Classroom:

1. Planning for Group Work—In order to save time in the classroom, form student groups before beginning Day Three. During the class period of Day Three, students will be preparing for the Day Four simulation. Remind them to incorporate the reading into their presentations and questions.

2a. Option Groups—Form four groups of four students. Assign an option to each group. Distribute “Presenting Your Option” and “Expressing Key Values” to the option groups. Explain that the option groups should follow the instructions in “Presenting Your Option.” Note that the groups should begin by assigning each member a role.

2b. Committee Members—Appoint three to four students to serve as members of the Joint Committee of Congress on Economics. Distribute “Joint Committee of Congress on Economics” to each committee member. While the option groups are preparing their presentations, members of the committee should develop cross-examination questions for Day Four. (See “Joint Committee of Congress on Economics.”) Remind committee members that they are expected to turn in their questions at the end of the simulation.

2c. Citizen Lobbyists—Assign the remaining students the roles of the characters profiled in the Day Two lesson. Distribute “Making Your Voice Heard: Citizen Lobbyist.” The citizen lobbyists will present their views on U.S. trade policy to members of the Congressional committee. Note that five of the fictional characters in this exercise are from the United States and the other seven are from countries around the world. The aim of having characters of this breadth is to show not only the effect of U.S. trade policy on people within the United States but also the effects that U.S. policies can have on the lives of people in other countries.

Suggestion:

In smaller classes, other teachers or administrators may be invited to serve as members of the committee or citizen lobbyists.

Extra Challenge:

Ask the option groups to design a poster or a political cartoon illustrating the best case for their options. Also, call on committee members to weigh the options as representatives of specific states or Congressional districts.

Homework:

Students should complete preparations for the simulation.

Name: _____

Presenting Your Option

Preparing Your Presentation

Your assignment: Your group has been called upon to appear before the Joint Committee of Congress on Economics. Your assignment is to persuade the committee members that your option should be the basis for U.S. trade policy. You will be judged on how well you present your option.

Organizing Your Group: Each member of your group will take a specific role. Below is a brief explanation of the responsibilities for each role. Before preparing your section of the presentation, work together to address the questions on the “Expressing Key Values” worksheet.

1. Group Director: Your job is to organize your group’s presentation of its option to the Joint Committee of Congress on Economics in a three-to-five minute presentation. You will receive help from the other members of your group. You should include arguments from their areas of expertise, and your group should make its presentation together. Keep in mind, though, that you are expected to take the lead in organizing your group. Read your option and review the reading to build a strong case for your option.

2. Economist: Your job is to explain why your option would improve economic conditions in the United States. As an economist, you have an insight into the overall direction of the U.S. economy. Carefully read your option and then review the reading from the perspective of your role. Make sure that your expertise is reflected in the presentation.

3. Trade Specialist: Your job is to explain why your option’s position on current trade issues is best for the country. As a trade specialist, you have insight into the advantages and disadvantages of U.S. trade agreements. Carefully read your option and then review the reading from the perspective of your role. Make sure that your expertise is reflected in the presentation.

4. Foreign Policy Analyst: Your job is to advise your group on how your option would serve our international interests. As a foreign policy analyst, you have an insight into the relationship between U.S. trade policy and foreign policy goals. How might your option affect other countries and their citizens? Carefully read your option and then review the reading from the perspective of your role. Make sure that your expertise is reflected in the presentation.

Making Your Case

After your preparations are completed, your group will deliver a three-to-five minute presentation to the Joint Committee of Congress on Economics. The “Expressing Key Values” worksheet and other notes may be used, but group members should speak clearly and convincingly. During the other presentations, you should try to identify the weak points of the competing options. After all of the groups have presented their options, members of the committee and the citizen lobbyists will ask you cross-examination questions. Any member of your group may respond during the cross-examination period.

Expressing Key Values

Values play a key role when defining the broad parameters of public policy. What do we believe about ourselves? What matters most to us? When strongly held values come into conflict, which is most important?

The term “values” is not easy to define. Most often, we think of values in connection with our personal lives. Our attitudes toward our families, friends, and communities are a reflection of our personal values. Values play a critical role in our civic life as well. In the United States, the country’s political system and foreign policy have been shaped by a wide range of values. Since the nation’s beginnings a commitment to freedom, democracy, and individual liberty have been a cornerstone of U.S. national identity. At the same time, the high value many U.S. citizens place on justice, equality, and respect for the rights of others rings loudly throughout U.S. history.

For most of the country’s existence, the impulse to spread U.S. values beyond its borders

was outweighed by the desire to remain independent of foreign entanglements. But since World War II, the United States has played a larger role in world affairs than any other nation. At times, U.S. leaders have emphasized the values of human rights and cooperation. On other occasions, the values of stability and security have been stressed.

Some values fit together well. Others are in conflict. U.S. citizens are constantly being forced to choose among competing values in the ongoing debate about foreign policy. Each of the four options revolves around a distinct set of values. The opening paragraphs of your assigned option offer a description of a policy direction grounded in distinct values. Your job is to identify and explain the most important values underlying your option. These values should be clearly expressed by every member of your group. This worksheet will help you organize your thoughts.

Questions to Consider:

1. What are the two most important values underlying your option?
 - a.
 - b.
2. According to the values of your option, what should be the role of the United States in the world?
3. How do the values of your option guide your option’s policy on trade?

Joint Committee of Congress on Economics

Your Role

You serve on a joint committee of the U.S. House of Representatives and the U.S. Senate that considers issues relating to the U.S. economy. As you know, the expansion of international trade and the globalization of the economy have made trade issues increasingly important for U.S. voters. U.S. trade policy also has a significant effect on people around the world. These hearings will introduce you to four distinct approaches to U.S. policy on this issue.

Your Assignment

While the four option groups are organizing their presentations, you will meet with citizen lobbyists. These lobbyists are not only from the United States but from other countries as well. Although U.S. citizens are your constituents, you also are interested in knowing the concerns of ordinary people from around the world.

Before meeting with the lobbyists, you should review the “Options in Brief” and prepare two questions regarding each of the options. Concentrate on posing questions that are challenging and designed to clarify the

differences among the options. For example, a good question for Option 1 would be:

If the United States adopts Option 1, how would U.S. workers with few skills be affected?

When you meet with the citizen lobbyists, they will express their personal opinions on the options. After you have heard their views, review your questions and consider what you have heard from the lobbyists. Are there new questions the citizens have raised? How important are the views of the U.S. citizens? How important are the views of citizens from other countries? Make any changes or additions to your questions. Your teacher will collect these questions at the end of the role play.

On the day of the role play, the four option groups will present their positions. After their presentations are completed, your teacher will call on you and your fellow committee members to ask questions. The “Evaluation Form” you receive is designed for you to record your impressions of the option groups. Part I should be filled out in class after the option groups make their presentations. Part II should be completed as homework. After this activity is concluded, you may be called upon to explain your evaluation of the option groups.

Making Your Voice Heard: Citizen Lobbyist

Your Role

You will represent the views of the character that your teacher has assigned you. Some of the characters are from the United States and some are from other countries. Because the trade policy of one country can affect economic conditions in many other countries, all of the citizen lobbyists have a vital interest in U.S. trade policy.

Each of you is concerned about how U.S. trade policy will affect your life. The importance of trade issues has brought you to Washington, D.C. to present your concerns to members of the Joint Committee of Congress on Economics.

Your Assignment

While the four option groups are organizing their presentations, you will present your views to the senators and representatives in the committee. Before meeting the committee, answer the questions below to help you understand the perspective of your character.

After you have finished your preparations, summarize your opinions about U.S. trade policy for committee members. They will take your views into account as they get ready to question the presentations of the option groups.

On the day of the role play, the four option groups will make brief presentations. If time permits, your teacher will allow you to ask questions of the option groups. Keep in mind that you are expected to represent the views of your assigned character.

The “Evaluation Form” you will receive is designed for you to record your impressions of the options from the perspective of your character. Part I should be filled out in class after the option groups make their presentations. Part II should be completed as homework. After this activity is concluded, you may be called upon to explain your character’s evaluation of the options.

Questions

1. What are the pressing concerns of your character?

2. What do you think your character wants for the future?

3. How do you think U.S. trade policy might affect the life of your character?

4. What trade policies would your character be in support of?

Role-Playing the Four Options: Debate and Discussion

Objectives:

Students will: Articulate the leading values that frame the debate on U.S. trade policy.

Explore, debate, and evaluate multiple perspectives on U.S. trade policy.

Sharpen rhetorical skills through debate and discussion.

Cooperate with classmates in staging a persuasive presentation.

Handouts:

“Evaluation Form: Joint Committee of Congress on Economics” for committee members (TRB-36)

“Evaluation Form: Citizen Lobbyist” for citizens (TRB-37)

In the Classroom:

1. Setting the Stage—Organize the room so that the four option groups face a row of desks reserved for the Joint Committee of Congress on Economics. The citizen lobbyists should be seated behind the committee members. Distribute the evaluation forms to the committee members and to the citizens. Instruct these students to fill out the first part of their “Evaluation Form” during the course of the period. The second part of the worksheet should be completed as homework.

2. Managing the Simulation—Explain that the simulation will begin with three-to-five minute presentations by the option groups. Encourage the groups to speak clearly and convincingly.

3. Guiding Discussion—Following the presentations, invite members of the Joint Committee of Congress on Economics to ask cross-examination questions. Make sure that each committee member has an opportunity to ask at least one question. The questions should be equally distributed among all four option groups. If time permits, allow citizen lobbyists to ask questions as well. During the cross-examination period, allow any option group member to respond. (As an alternative approach, permit questions after each option is presented.)

Deliberation:

The consideration of alternative views is not finished when the options role play is over. After the role play, it is important for students to have an opportunity to deliberate with one another about the merits and trade-offs of alternative views prior to articulating their own views as an “Option 5.” A good tool to use for deliberation is a focused “fishbowl” activity in which students observe each other discussing views of each option and record their own views. Directions and handouts for this activity, as well as more information on deliberation, can be found at <www.choices.edu/resources/prosandcons.php>.

Homework:

Students should read each of the four options in the student text (pages 23-30), then moving beyond these options they should fill out “Focusing Your Thoughts” (TRB-39) and complete “Your Option Five” (TRB-40).

Evaluation Form: Joint Committee of Congress on Economics

Part I

What was the most persuasive argument presented in favor of this option?

What was the most persuasive argument presented against this option?

Option 1

Option 1

Option 2

Option 2

Option 3

Option 3

Option 4

Option 4

Part II

Which group presented its option most effectively? Explain your answer.

Name: _____

Evaluation Form: Citizen Lobbyist

Part I

How would each option positively affect your character?

How would each option negatively affect your character?

Option 1

Option 1

Option 2

Option 2

Option 3

Option 3

Option 4

Option 4

Part II

Which option would your character be most supportive of? Explain your answer.

Beyond the Options

Objectives:

Students will: Articulate coherent recommendations for U.S. trade policy based on personally-held values and historical understanding.

Compare and contrast values and assumptions with classmates.

Explore the impact of trade policy on different groups.

Required Reading:

Students should have read each of the four options in the student text (pages 23-30), then moving beyond these options they should have completed “Focusing Your Thoughts” in the Teacher Resource Book (TRB-39) and “Your Option Five” (TRB-40).

In the Classroom:

1. Analyzing Beliefs—Call on members of the Congressional committee and the citizen lobbyists to share their evaluations of the option groups. Which arguments were most convincing? Which beliefs were most appealing? To what extent do the options address the concerns of people in the United States? How would the options affect people in other countries? Ask the citizen lobbyists to explain some of the positive and negative effects of the different options on their characters.

2. Comparing Viewpoints—Students should have completed “Your Option Five” prior to class. Invite them to share their policy recommendations with the class. Encourage them to clarify the connection between their values and their policy recommendations. What values resonate most strongly among students? Ask them to identify the beliefs in “Focusing Your Thoughts” that they most strongly support. What are the potential trade-offs of their options? Ask students to compare the recommendations of class members with current U.S. policy. How would their policy

recommendations change U.S. trade policy? How might their option affect the U.S. economy?

Invite students to critique each other’s options from a variety of perspectives. For instance, how would a U.S. corporate executive view the options? Or a U.S. farm worker? What about people in other countries? What effect would the students’ options have on people in China? Members of the EU? Have students consider the previous day’s role play. How important should the concerns of U.S. citizens be for officials deciding U.S. trade policy? How important are wider economic concerns (i.e. economic growth, recession, improving the trade deficit)? Trade policy often helps some groups or businesses more than others. How can legislators balance the different needs of people within their constituencies?

How important are the concerns of people around the world for U.S. trade policy? Should legislators consider global effects when constructing policy?

Extra Challenges:

As homework, instruct students to write a letter to a member of Congress, the president, or the editor of a local newspaper expressing their views on U.S. trade policy.

Encourage students to further explore the local dimension of trade issues. For example, how are businesses in the local community affected by NAFTA and the WTO? What other trade issues are likely to strike a deep chord locally? Suggest that students contact local organizations that seek to make their voices heard in the debate on trade issues. Business associations, labor unions, and environmental groups are especially active in the political battles over trade. Local political leaders could also be asked to express their opinions on the subject.

Name: _____

Focusing Your Thoughts

Instructions

You have had an opportunity to consider four options on U.S. trade policy. Now it is your turn to look at each of the options from your own perspective. Try each one on for size. Think about how the options address your concerns and hopes. You will find that each has its own risks and trade-offs, advantages and disadvantages. After you complete this worksheet, you will be asked to develop your own option on this issue.

Ranking the Options

Which of the options below do you prefer? Rank the options, with “1” being the best option for the United States to follow.

- ___ Option 1: Keep the U.S. Economy on Top
- ___ Option 2: Protect U.S. Workers
- ___ Option 3: Put Values First
- ___ Option 4: Work for Free and Fair Trade

Beliefs

Considering the statements below will help you answer the first three questions of “Your Option Five.” Rate each of them according to your personal beliefs:

- 1 = Strongly Support 2 = Support 3 = Oppose 4 = Strongly Oppose 5 = Undecided
- ___ U.S. trade policy should take into account its effects on people around the world.
 - ___ In the global economy, one country’s gain is usually another country’s loss.
 - ___ The government should not sacrifice U.S. values for economic prosperity.
 - ___ Promoting human rights and protecting the global environment are important tasks for the United States.
 - ___ The success or failure of trade policy should be judged by how it affects U.S. workers.
 - ___ The main economic goal of U.S. policy should be promoting the overall growth of the U.S. economy.
 - ___ The United States’ leadership role in upholding the international economic system has contributed to peace and prosperity at home and abroad.
 - ___ U.S. trading partners have taken advantage of U.S. policies to enrich themselves at the expense of the United States.
 - ___ A major goal of global trade policy should be to help people living in poverty.

Creating Your Own Option

Your assignment is to create an option that reflects your own beliefs and opinions. You may borrow heavily from one option, or you may combine ideas from two or three options. Or you may take a new approach altogether. There is no right or wrong answer. Rather, you should strive to craft an option that is logical and persuasive. Be careful of contradictions. For example, the United States cannot raise tariffs to protect U.S. auto workers and at the same time be seen as a champion of free trade.

Key Terms

Introduction and Part I

economic downturn	import quotas	currency
banking system	infant industries	trade deficits
Great Depression	free trade	bilateral
economies	labor	multilateral
goods	stock market	intellectual property rights
comparative advantage	international institutions	sovereignty
exports	liberalization	
protectionism	globalization	
tariffs	migration	
subsidies	refugees	
imports	financial markets	

Part II

standards
 developing countries
 trade sanctions
 infrastructure
 budget deficit
 outsourcing
 insourcing

U.S. Trade Policy Issues Toolbox

Globalization:

The term globalization is used to describe today's changing international environment. With regard to economics, the end of the Cold War and the rapid growth of new technologies have created the conditions for a highly dynamic and more open world economy. With these technological advances, the cost of doing business around the world has dropped significantly. At the same time, the formation of the WTO in 1993 encouraged more trade among nations. These conditions combined to create not only economic opportunity but also economic, cultural, and social dislocation. While the WTO has set standards for international trade that create economic opportunities, activists have begun to demand that the WTO also deal with these issues of dislocation. U.S. trade policy and its role in globalization has come to be seen as a positive force by some and a destructive force by others.

Free Trade:

Advocates of free trade believe that all barriers to trade between nations should be at the lowest possible levels. In the early 1800s, the English economist David Ricardo outlined the benefits of trade between nations. His argument states that each and every nation has a comparative advantage in producing a certain good and stands to benefit by trading that good. Advocates still cite Ricardo and argue that free trade will help the poorest countries in their development. Critics warn of a "race to the bottom," where the lowest wages, poor environmental standards, etc., will prevail in the marketplace.

Trade Barriers and Protectionism:

Over the years, barriers to trade have been put up to protect particular domestic industries and workers. This is often referred to as protectionism. These barriers are often in the form of tariffs (a tax placed on imports). Other forms of protection are known as non-tariff barriers (NTBs). Some examples of NTBs are

quotas, content requirements, licensing fees, and standards related to product quality and safety.

Sovereignty:

Sovereignty is the absolute right of a state to govern itself. The UN Charter prohibits external interference in the internal affairs of a sovereign state without the state's consent. International trade agreements are consensual, but they do have an impact on the internal affairs of a state. By agreeing to the WTO's uniform standards for trade, some nations have had to change some of their domestic laws. Some critics contend that the binding nature of the WTO dispute-settlement mechanism infringes far too much on the sovereignty of the state. In the United States, critics argue that the dispute-settlement panel of the WTO should not be able to make decisions about U.S. laws when its members have not been elected to their positions by U.S. citizens. In addition, they argue that when U.S. citizens are not able either to observe or participate in dispute-settlement panel hearings, it subverts the democratic process. Advocates claim that the United States has gained from the binding dispute-settlement mechanism.

Non-Governmental Organizations (NGOs):

NGOs are made up of private citizens that have an interest in particular public policy issues. NGOs not only lobby governments to achieve their goals, but more and more they fulfill the role of governments by pursuing their goals in the field. One example of an NGO is the American Red Cross, well known for its work in the area of disaster relief. There are numerous consumer advocacy, environmental, and labor groups that are deeply concerned about U.S. trade policy. Their continued presence at the ministerial meetings of the WTO shows that they will not be ignored when it comes to planning trade policy.

Making Choices Work in Your Classroom

This section of the Teacher Resource Book offers suggestions for teachers as they adapt Choices curricula on current issues to their classrooms. They are drawn from the experiences of teachers who have used Choices curricula successfully in their classrooms and from educational research on student-centered instruction.

Managing the Choices Simulation

A central activity of every Choices unit is the role play simulation in which students advocate different options and question each other. Just as thoughtful preparation is necessary to set the stage for cooperative group learning, careful planning for the presentations can increase the effectiveness of the simulation. Time is the essential ingredient to keep in mind. A minimum of 45 to 50 minutes is necessary for the presentations. Teachers who have been able to schedule a double period or extend the length of class to one hour report that the extra time is beneficial. When necessary, the role play simulation can be run over two days, but this disrupts momentum. The best strategy for managing the role play is to establish and enforce strict time limits, such as five minutes for each option presentation, ten minutes for questions and challenges, and the final five minutes of class for wrapping up. It is crucial to make students aware of strict time limits as they prepare their presentations.

Fostering Group Deliberation

The consideration of alternative views is not finished when the options role play is over. The options presented are framed in stark terms in order to clarify differences. In the end, students should be expected to articulate their own views on the issue. These views will be more sophisticated and nuanced if students have had an opportunity to challenge one another to think more critically about the merits and trade-offs of alternative views. See Guidelines for Deliberation <www.choices.edu/deliberation> for suggestions on deliberation.

Adjusting for Students of Differing Abilities

Teachers of students at all levels—from middle school to AP—have used Choices materials successfully. Many teachers make adjustments to the materials for their students. Here are some suggestions:

- Go over vocabulary and concepts with visual tools such as concept maps and word pictures.
- Require students to answer guiding questions in text as checks for understanding.
- Shorten reading assignments; cut and paste sections.
- Combine reading with political cartoon analysis, map analysis, or movie-watching.
- Read some sections of the readings out loud.
- Ask students to create graphic organizers for sections of the reading, or fill in ones you have partially completed.
- Supplement with different types of readings, such as from literature or text books.
- Ask student groups to create a bumper sticker, PowerPoint presentation, or collage representing their option.
- Do only some activities and readings from the unit rather than all of them.

Adjusting for Large and Small Classes

Choices units are designed for an average class of twenty-five students. In larger classes, additional roles, such as those of newspaper reporter or member of a special interest group, can be assigned to increase student participation in the simulation. With larger option groups, additional tasks might be to create a poster, political cartoon, or public service announcement that represents the viewpoint of an option. In smaller classes, the teacher can serve as the moderator of the debate, and administrators, parents, or faculty can be invited to play the roles of congressional leaders. Another option is to combine two small classes.

Assessing Student Achievement

Grading Group Assignments: Students and teachers both know that group grades can be motivating for students, while at the same time they can create controversy. Telling students in advance that the group will receive one grade often motivates group members to hold each other accountable. This can foster group cohesion and lead to better group results. It is also important to give individual grades for groupwork assignments in order to recognize an individual’s contribution to the group. The “Assessment Guide for Oral Presentations” on the following page is designed to help teachers evaluate group presentations.

Requiring Self-Evaluation: Having students complete self-evaluations is an effective way to encourage them to think about their own learning. Self-evaluations can take many forms and are useful in a variety of circumstances. They are particularly helpful in getting students to think constructively about group collaboration. In developing a self-evaluation tool for students, teachers need to pose clear and direct questions to students. Two key benefits of student self-evaluation are that it involves students in the assessment process, and that it provides teachers with valuable insights into the contributions of individual students and the dynamics of different groups. These insights can help teachers to organize groups for future cooperative assignments.

Evaluating Students’ Original Options: One important outcome of a Choices current issues unit is the original option developed

and articulated by each student after the role play. These will differ significantly from one another, as students identify different values and priorities that shape their viewpoints.

The students’ options should be evaluated on clarity of expression, logic, and thoroughness. Did the student provide reasons for his/her viewpoint along with supporting evidence? Were the values clear and consistent throughout the option? Did the student identify the risks involved? Did the student present his/her option in a convincing manner?

Testing: Teachers say that students using the Choices approach learn the factual information presented as well as or better than from lecture-discussion format. Students using Choices curricula demonstrate a greater ability to think critically, analyze multiple perspectives, and articulate original viewpoints. Teachers should hold students accountable for learning historical information, concepts, and current events presented in Choices units. A variety of types of testing questions and assessment devices can require students to demonstrate critical thinking and historical understanding.

For Further Reading

Daniels, Harvey, and Marilyn Bizar. *Teaching the Best Practice Way: Methods That Matter, K-12*. Portland, Maine: Stenhouse Publishers, 2005.

Assessment Guide for Oral Presentations

Group assignment: _____

Group members: _____

Group Assessment	<i>Excellent</i>	<i>Good</i>	<i>Average</i>	<i>Needs Improvement</i>	<i>Unsatisfactory</i>
1. The group made good use of its preparation time	5	4	3	2	1
2. The presentation reflected analysis of the issues under consideration	5	4	3	2	1
3. The presentation was coherent and persuasive	5	4	3	2	1
4. The group incorporated relevant sections of the background reading into its presentation	5	4	3	2	1
5. The group's presenters spoke clearly, maintained eye contact, and made an effort to hold the attention of their audience	5	4	3	2	1
6. The presentation incorporated contributions from all the members of the group	5	4	3	2	1
 Individual Assessment					
1. The student cooperated with other group members	5	4	3	2	1
2. The student was well-prepared to meet his or her responsibilities	5	4	3	2	1
3. The student made a significant contribution to the group's presentation	5	4	3	2	1

Alternative Three-Day Lesson Plan

Day 1:

See Day One of the Suggested Five-Day Lesson Plan.

Homework (before the lesson): Students should have read the Introduction and Part I and completed “Study Guide—Part I” or the “Advanced Study Guide—Part I.”

Homework: Students should read Part II and complete “Study Guide—Part II” or the “Advanced Study Guide—Part II.”

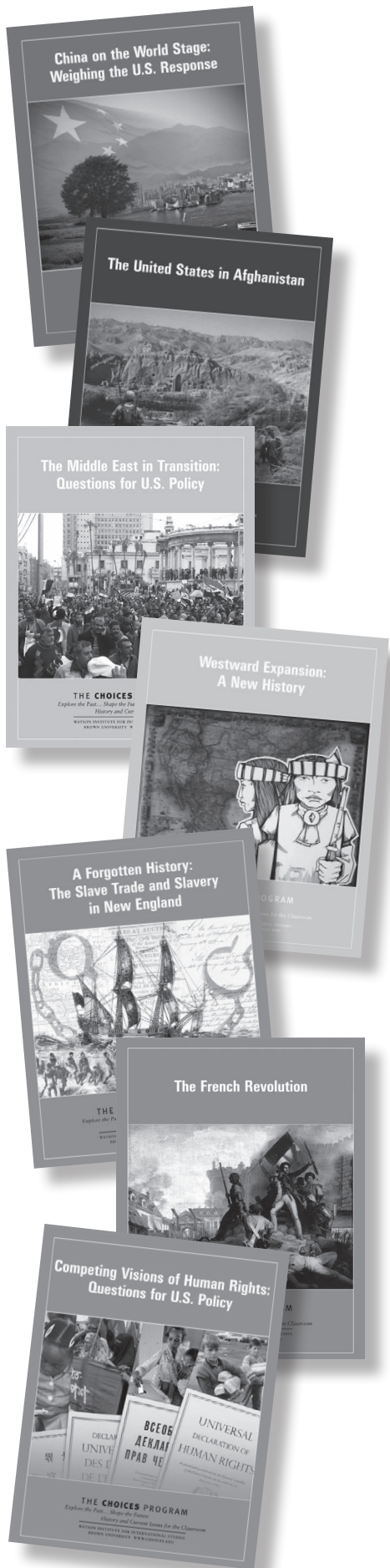
Day 2:

Assign each student one of the four options, and allow a few minutes for students to familiarize themselves with the mindsets of the options. Call on students to evaluate the benefits and trade-offs of their assigned options. How do the options differ in their assumptions about the benefits of free trade? How would the U.S. trade policy change if their assigned options were adopted? Moving beyond the options, students should imagine that they are participating in a meeting of the Joint Committee of Congress on Economics. What concerns would be at the top of their agenda? Which values should guide the direction of U.S. trade policy?

Homework: Students should complete “Focusing Your Thoughts” and “Your Option Five.”

Day 3:

See Day Five of the Suggested Five-Day Lesson Plan.



Engage Students in Real-World Issues

Choices' inquiry-based approach to real-world issues promotes the skills required by Common Core and state standards.

Critical Thinking

Students examine historical context, analyze case studies, consider contrasting policy options, and explore the underlying values and interests that drive different perspectives.

Textual Analysis

Students examine primary and secondary sources to assess multiple perspectives on complex international issues.

Media and Digital Literacy

Students critique editorials, audio and video sources, maps, and other visuals to identify perspective and bias. Video clips help students gather and assess information from leading scholars.

Communication

Students engage in collaborative discussions, build on each other's ideas, formulate persuasive arguments, and express their own viewpoints.

Creativity and Innovation

Students express themselves by creating political cartoons, memorializing historical events artistically, and developing original policy options.

Civic Literacy

Choices materials empower students with the skills and habits to actively engage with their communities and the world.

www.choices.edu

International Trade: Competition and Cooperation in a Globalized World

International Trade: Competition and Cooperation in a Globalized World guides students in exploring how U.S. trade relations fit into the country's overall role in the world. Students consider trade issues in the context of economic globalization in the United States and abroad.

International Trade: Competition and Cooperation in a Globalized World is part of a continuing series on current and historical international issues published by the Choices for the 21st Century Education Program at Brown University. Choices materials place special emphasis on the importance of educating students in their participatory role as citizens.

THE CHOICES PROGRAM

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