

TEACHER DEBRIEFING SHEET

DISCUSSION QUESTIONS:

1. Describe the arguments for and against free trade (free trade vs. protectionism).
2. Who is likely to agree with the idea of free trade and why? Who is likely to agree with the idea of protectionism and why?
3. What are the social, political, and economic causes and effects of trade policies? On whom?
4. What are the pros and cons of trade organizations and trade agreements (the WTO, trade blocs, etc.)? For whom?
5. How can the debate over international trade be resolved?

TASK:

Create a comic strip to explain and resolve (decide) the debate between free trade and protectionism. Your comic strip must include characters who give their reasons in support of free trade and characters who give their reasons in support of protectionism. Your comic strip must end with your group's resolution to the debate between free trade and protectionism.

***** Please note that students do not need to take a position solely in support of free trade or solely in support of protectionism. They can, and should be encouraged to, come to a solution that they feel will work best for the majority of the people in the world. In most cases, this solution will be nuanced, and will hover somewhere between the extremes of free trade and protectionism. *****

TASK EVALUATION CRITERIA:

- Comic strip explains free trade and protectionism; your comic strip must present at least three reasons for free trade and at least three reasons for protectionism.
- Comic strip makes use of three or more of the following: color, symbols, personal testimony (firsthand accounts), scale, humor, sarcasm, and/or perspective.
- Comic strip includes at least five pieces of specific information about international trade (people, organizations, vocabulary, data, etc.).
- Comic strip includes multiple perspectives, including those from industrialized and less-developed countries and those for and against free trade. You may also wish to include some of the following perspectives: men, women, children, business owners, workers, farmers, factory workers, consumers (customers), etc.
- Comic strip ends with your group's resolution to the debate between free trade and protectionism.

EXTENSION QUESTIONS

1. Compare and contrast international trade problems in industrialized and less-developed countries.
2. Describe some of the arguments for and against free trade.
3. Describe some of the arguments for and against protectionism.
4. Do you think industrialized and less-developed countries should enter into free trade agreements with one another? Why or why not?
5. In what ways are international trade and international finance related?
6. In what ways are international trade and world hunger related?
7. In what ways are international trade and human rights related?
8. In what ways are international trade and world health related?
9. In what ways are international trade and global warming related?
10. In what ways are international trade and regional conflict management related?

How can the problems of the modern world be resolved?

Revised 2/07

ACTIVITY CARD



Read the HISTORICAL BACKGROUND and CONTEXT-SETTING CARDS. Then use the information on your RESOURCE CARDS to talk about the DISCUSSION QUESTIONS.



Examine the TASK and complete the project to meet all of the TASK EVALUATION CRITERIA.

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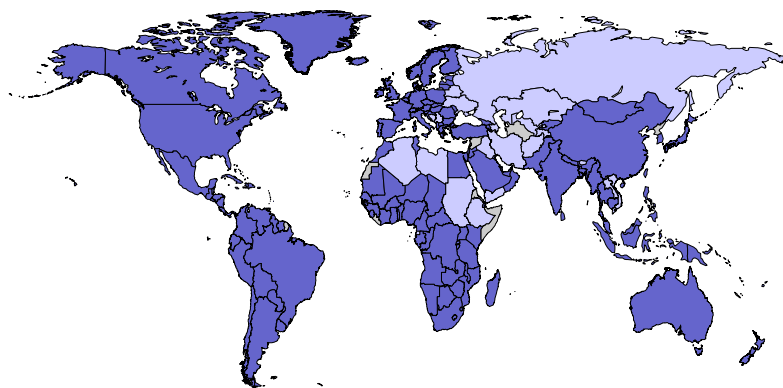
HISTORICAL BACKGROUND CARD

Throughout history, peoples and nations have traded goods and services across borders. Goods (products) and services (work done for others, including child care, construction, legal work, etc.) sold to foreign countries are called **exports**, while goods and services bought from foreign countries are called **imports**. Since Earth's geography, geology, and climate vary from region to region and from continent to continent, different raw materials (natural products, such as plants and minerals) have historically been available in different locations. This means that without international trade, people in northern Europe, for example, would not have access to products – like cotton – that must be grown in warm climates. Since levels of technology also vary from country to country, without international trade countries in much of the less-developed world would not have access today to things like cars and computers. It is generally agreed that international trade benefits everyone since it increases the variety of goods and services available everywhere trade occurs.

The eras of the Industrial Revolution (1750-1900) and the Age of Imperialism (1870-1914) changed the face of international trade. During the Industrial Revolution, technology increased dramatically, making it possible for goods to be mass-produced. Industrial countries – including the United States and Western European nations – had both a greater need for raw materials and a surplus of manufactured goods to sell, leading to an increased volume of trade between nations. As a result of industrial countries' need for raw materials, new markets in which to sell their manufactured goods, and cheap labor, they competed with one another for rights to the land, resources, and people of the non-industrialized world (the nations of Africa, Latin America, and much of Asia). The legacy (long-term effect) of the economic relationships between the industrialized countries and their empires is a world today divided into industrialized (richer) and less-developed (poorer) countries, and this divide is often the focal point of trade debates today.

The World Trade Organization (WTO)

After World War II, in 1947, twenty-three countries signed the General Agreement on Tariffs and Trade (GATT), designed to promote free trade. As the major international trade organization, the world's countries negotiated trade issues through GATT from 1947-1995, when GATT was reconfigured as the World Trade Organization (WTO). The purpose of the WTO is to promote free trade, monitor trade agreements, and settle trade disputes (arguments) between countries.



■ WTO Members ■ WTO Observers ■ Others (August 2006)



Many people around the world believe that the WTO favors the needs and interests of the world's most powerful economies instead of being impartial (fair).

CONTEXT-SETTING CARD

Trade is the exchange of goods and services. **International trade** is the exchange of goods and services across country borders.

The major trade debate in the world today is between supporters of **free trade** and supporters of **protectionism**. Free trade refers to the policy of goods and services being freely traded on the international market, with minimal (little) government involvement. Protectionism refers to those trade policies whose goal is to protect a country's industry (or industries) from foreign competition.

Protectionist policies include the following: tariffs, subsidies, quotas, trade bans, and standards:

Tariffs are taxes (fees charged) on imports. Tariffs are used to protect domestic products from products made more cheaply abroad. See the box at right to understand how tariffs work.

Subsidies are government grants given to an industry. With the aid (help) of these government grants, products can be produced at a lower cost. The cost savings is passed on to the consumer, thereby making the industry more competitive both at home (in the domestic market) and abroad (in foreign markets). In other words, subsidies are used to lower the price of a product in order to make it more affordable.

Quotas are set limits on the amount of a good that can be imported. Quotas ensure (make certain) that domestic producers are able to sell their products in the domestic market by limiting the share of the domestic market given to foreign producers.

Trade bans are used to prevent the import or export of a certain good or type of good. Governments often use trade bans (export, import, or both) to put political pressure on foreign nations, often during times of war. Trade bans can also be used to completely protect a domestic industry from foreign competition by eliminating the foreign competition altogether.

Standards include health, environment, and safety standards, and are used to protect the health and well-being of consumers and/or the environment. These types of standards also protect domestic industries that, by law, are required to meet these standards.

How Tariffs Work

Suppose there is a U.S. company and a foreign company producing hammers.

Cost to Produce	
U.S.-made hammer	\$1.00
Foreign-made hammer	\$0.75

The U.S. hammer factory will find it difficult to stay competitive given this scenario. Now, if the U.S. were to impose a tariff of 60% on imported hammer:

New Cost to U.S. Consumers	
U.S.-made hammer	\$1.00
Foreign-made hammer	$[(0.75 \times .60) + 0.75]$

If consumers base their purchases only on price, the demand for foreign hammers would fall and the U.S. hammer industry would prosper (do well).

If no tariff were imposed, as under free trade, Americans would have saved money by buying the cheaper foreign hammers. The U.S. hammer industry would either have to become more efficient in order to compete with the less expensive imported hammers or face extinction (go out of business).

RESOURCE CARD 1 (OF 4) Free Trade

Advocates of (people who support) free trade argue that the world economy functions (works) best when natural controls regulate the exchange of goods and services between countries.

Economic Arguments for Free Trade

- Free trade results in open competition between countries, which keeps prices low, benefiting the consumer
- Free trade means consumers have a larger variety of products to choose from
- Companies must constantly modernize and improve technology in order to stay competitive
- Having protectionist policies (tariffs, subsidies, quotas, etc.) often leads to other countries retaliating (acting in response) with protectionist policies; this means that protectionism can backfire and can end up leading to inflation (as the prices of imported products rise) and unemployment (as foreign demand for domestic goods decreases)
- Free trade encourages people to create and open businesses since they do not fear that markets for certain goods will be restricted (limited)
- While protectionist policies may benefit a domestic industry, the implementation of protectionist policies can lead to: 1) consumers paying more for products, 2) consumers paying more for services and products produced using the more expensive product 3) loss of jobs for those importers and retailers who buy and sell foreign products

Negative Effects of Subsidies

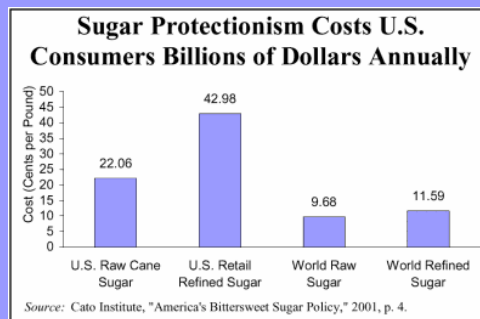


Harvested cotton in Burkina Faso, Africa

Historically, the United States government has paid subsidies to its cotton farmers in order to protect them from foreign competition. These subsidies lowered the price of cotton exported by the U.S., making it hard for other cotton-producing

nations (such as Burkina Faso) to compete in the world market. Less-developed nations were particularly hard hit by U.S. cotton subsidies. As a result of protests by these nations, the WTO ruled that U.S. cotton subsidies were illegal, and, early in 2006, the U.S. Congress voted to end cotton subsidies in order to comply with the WTO ruling.

Negative Effects of Tariffs and Quotas



Both tariffs and import quotas protect American sugar producers from cheaper foreign imports. However, these protectionist policies do not

protect all Americans equally. In 2003, the American candy producer, Kraft, moved its plant that produces LifeSavers candies from the U.S. state of Michigan across the border to Canada. This move saves Kraft millions of dollars a year because they can buy sugar in Canada at world market prices. However, as a result of Kraft's actions, 600 U.S. jobs were lost.

RESOURCE CARD 2 (OF 4) Protectionism

Those who argue for protectionist policies believe that governments should enact trade policies to protect domestic industries and/or domestic consumers.

Economic Arguments for Protectionism

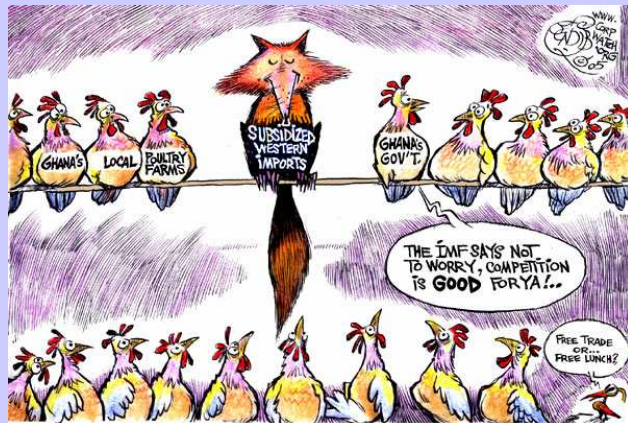
- Because labor is cheaper in less-developed countries, those countries have a natural cost advantage over industrialized countries, so protectionist policies are needed to protect industries in industrialized countries
- New industries must be protected until they are developed enough to compete against already-established foreign industries
- Industries vital to national security (such as producers of military products) must be protected so that a country will not have to depend on foreign imports in times of war
- Protectionism allows for a diverse, and therefore healthier, economy; countries that rely on a few industries (or one) are at greater economic risk of collapse than those whose economy is based on a varied mix of industries
- The health and well-being of people and the environment is better served when health, environmental, and safety standards are in place; these standards prevent industries from hurting people and the planet in the pursuit of profit

The Need for Protectionism: Anti-Dumping Measures

The term “**dumping**” is used in trade discussions to refer to selling large amounts of a heavily subsidized good in a foreign market. Because the good is heavily subsidized, it costs much less than world market value and, therefore, threatens the domestic industry by easily dominating the foreign market (or markets) in which it is dumped.

One country that has experienced problems with dumping in recent times is Ghana. In 1992, domestic poultry farmers sold 95% of chicken bought in Ghana. By 2001, however, domestic poultry farmers sold only 11% of chicken bought in Ghana. Ghana blames the rapid lowering of demand for Ghanaian-raised chicken on dumping by the United States and the European Union. The lower-priced dumped chicken is much more attractive to consumers.

Ghana has a 20% tariff on imported chicken, and increased that tariff to 40%, but quickly lowered the tariff back to 20% after being pressured to do so by the International Monetary Fund and the World Bank, who argued that increasing the tariff would hurt Ghana’s attempts to reduce poverty.



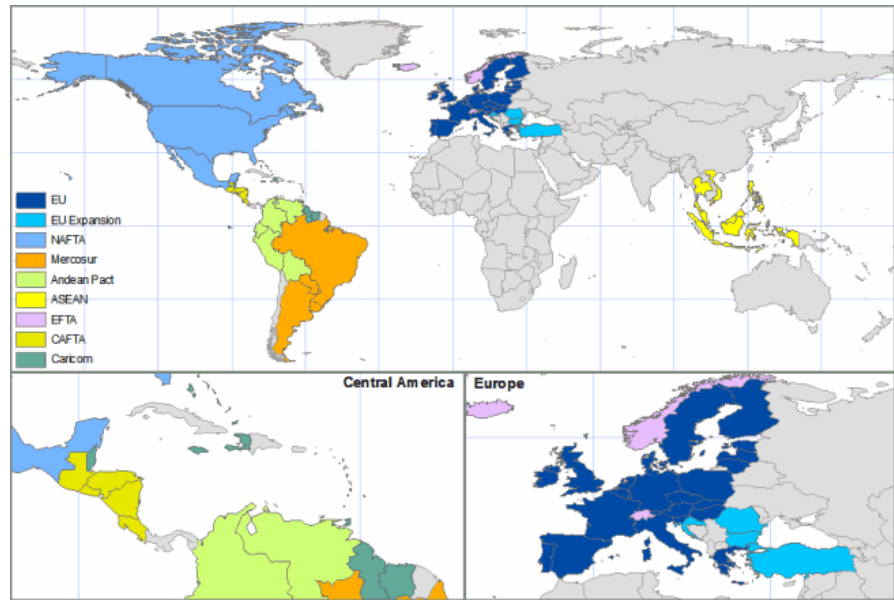
In a similar situation, the countries of the European Union were discussing, in early 2007, how best to address problems caused by the dumping of shoes – by China and Vietnam – in the European Union.

RESOURCE CARD 3 (OF 4) Trade Blocs

International trade agreements can be made between two, three, or more countries. When these trade agreements are well-developed and involve an entire region, they create **trade blocs**, or groups of countries who have agreed to promote trade with one another.

Trade blocs are usually designed to reduce trade barriers and promote economic growth. Members of a trade bloc might agree to do things like eliminate (get rid of) tariffs on goods imported from other member countries, reduce quotas on goods imported from other member countries, or eliminate subsidies that harm industries in other member countries. A trade bloc might also act collectively (together) to implement (put in place) protectionist policies in order to protect all member countries from competition from non-member countries.

Major Trade Blocs, 2005



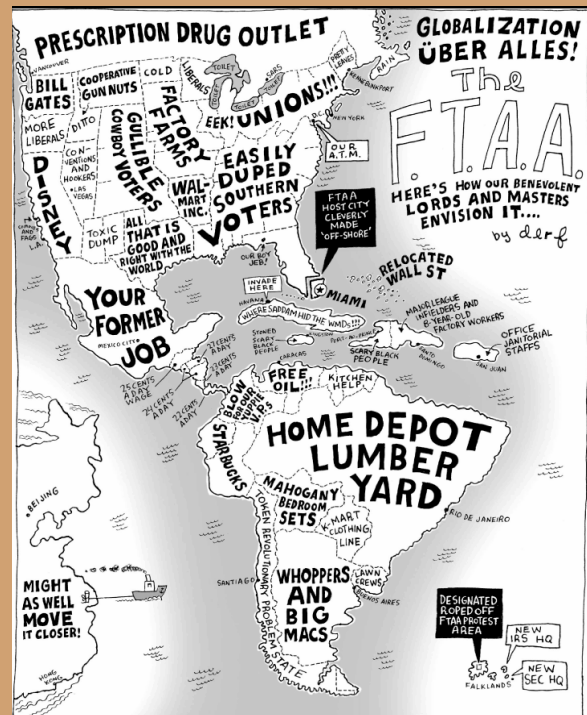
Free Trade Area of the Americas

Since 1994, negotiations (involving 34 countries) to create a new trade bloc known as the Free Trade Area of the Americas (FTAA) have been ongoing. The goal of the FTAA is to gradually reduce trade and investment barriers within the Americas in order to promote free trade and economic growth.

Supporters of the FTAA argue that the creation of this new trade bloc would mean greater economic growth for all involved. However, many disagree with this conclusion and fear that one or more of the following would happen:

- The U.S. would overrun less-developed nations
- U.S. jobs would be lost to other countries, where the cost of labor is cheaper

Due to disagreement, FTAA talks have stalled (come to a stop).



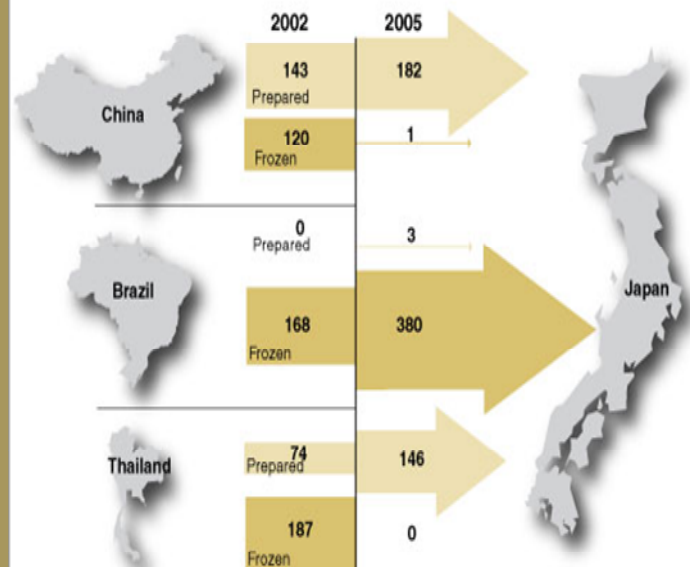
RESOURCE CARD 4 (OF 4)

Trade: Connections to Other Modern World Issues

International trade discussions often include discussion of human rights, the environment, world health, and security. At the end of every trade policy are real people who are affected by the trade decisions made by governments and by the WTO. Trade policies often decide whether people lose or gain jobs, whether people are able to afford basic needs (such as food and shelter), and whether people have access to a variety of goods and services. Trade policies, particularly those that lack environmental standards, can contribute to global warming and other environmental problems. Trade policies can also lead to international conflict, either over the trade policies themselves, or as a result of discontent over unequal access to scarce resources.



Change in Japanese poultry imports from 2002 to 2005 (1,000 metric tons)



Source: Calculations by USDA, Economic Research Service based on data from World Trade Atlas, GTIS, Inc.

As a result of the spread of the bird flu (also called the avian flu) throughout much of Asia (including China and Thailand) in the early 2000s, consumers around the world panicked, reducing their imports of poultry products from the region. Not only did world demand for poultry from Asia decrease, supply decreased as well as governments in countries with bird flu outbreaks in their poultry populations culled (killed) countless chickens and other poultry birds as a preventative measure.

Trade and Child Labor in Vietnam

In 1989, the Vietnamese government implemented an export quota on rice (the government set limits on the amount of rice that could be exported). This quota meant that instead of rice being sold abroad at high prices to feed foreigners, the rice was sold at low prices at home, which helped to make sure the Vietnamese people had enough food. The Vietnamese government gradually increased the amount of rice that could be sold abroad, finally ending the quota in 1997. As a result of this change, the price of rice was subject to world market value. Between 1993 and 1998 the price of rice increased 29%, and the income of rural families in Vietnam increased accordingly. During that same five-year span, the number of children between the ages of 6 and 15 working in Vietnam decreased from 57% to 38% and many of those children began attending school. Researchers believe that nearly half of that decrease (1 million of the 2.2 million children no longer working) can be credited to the change in rice trade policy.

How can the problems of the modern world be resolved?

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INDIVIDUAL REPORT

What would be best for the world economy: free trade, protectionism, or a combination of the two? Why?

Evaluation Criteria

- Response states whether free trade, protectionism, or a combination of the two would be best for the world economy.
- Response includes at least three reasons why your position is best for the world economy.
- Response makes use of at least three case studies of real trade policies, and their effects, to support your position.
- Response considers the needs of both less-developed and industrialized countries.