

## International Trade and Exchange

### Overview

In this lesson, students will become familiar with the fundamental concepts of international trade and foreign exchange of currency. Students will participate in a simulation of international trade followed by reading a comic book and viewing a short video about globalization and trade.

### Grade

10

### NC Essential Standards for Civics & Economics

- CE.E.2.1- Explain the basic concepts of trade
- CE.E.2.2- Summarize how nations specialize and become interdependent through trade
- CE.E.3.3- Analyze organizations in terms of their roles and functions in the United States economy

### Essential Questions

- How are the interests of free trade and protectionism resolved in the global economy?
- What impact do trade surpluses and deficits have on the national and the international economies?
- What effect do the limited labor and environmental regulations of foreign countries have on the economy of the United States?
- How has outsourcing affected manufacturing in North Carolina?
- What impact do developing nations play in the global economy?
- What responsibility do developed nations have in assisting weaker nations to grow economically?
- How are international financial and economic organizations used to maintain stability in the global economy?

### Materials

- 1 paper bag per student
- Colored blocks colored paper (approximately 8 different colors & enough blocks so that each students will receive 8 blocks); see “Teacher Preparation” below
- “The Story of International Trade and Foreign Exchange” comic book
  - Comics are available to print for free online at: [http://www.newyorkfed.org/education/addpub/comic\\_foreign.pdf](http://www.newyorkfed.org/education/addpub/comic_foreign.pdf)
- “The Story of International Trade and Foreign Exchange” Guided Reading Questions and Answer Key, attached
- LCD projector connected to computer with internet access
- “Tom’s Journal: American Jobs in India (Transcript)”, attached
  - Source: [http://www.pbs.org/newshour/bb/asia/jan-june04/friedman\\_03-09.html#](http://www.pbs.org/newshour/bb/asia/jan-june04/friedman_03-09.html#)
  - **Teacher Note:** Although there is a video option listed on the website above, the link is outdated and unlikely to work with newer media player software.
- “Globalization in the Mirror of History” Flash Presentation
  - Part One: [http://yaleglobal.yale.edu/sites/default/files/flash/about/globalization/PART1-1/Presentation\\_Files/index.html](http://yaleglobal.yale.edu/sites/default/files/flash/about/globalization/PART1-1/Presentation_Files/index.html)
  - Part Two: [http://yaleglobal.yale.edu/sites/default/files/flash/about/globalization/PART2-2/Presentation\\_Files/index.html](http://yaleglobal.yale.edu/sites/default/files/flash/about/globalization/PART2-2/Presentation_Files/index.html)
- “Poverty in an Age of Globalization,” attached
- International Trade and Globalization + - Δ Chart, attached
- Practice EOC Multiple Choice Questions and Answer Key, attached.

## Duration

1-2 block periods

## Teacher Preparation

Before class, cut out blocks of paper from eight different colors. Create a paper bag for each student with 8 slips of paper with various colors in each. No bag should have one of each color. (For example, one bag may have 8 blue while another bag could have 2 pinks, 2 greens, 2 blues, 2 yellows.) The goal is for students to trade with each other until they get one of each color in their bag. It is alright if some students do not manage to find one of each color, because trade does not work out to meet every country's wants for goods and services. Move tables into groups of four and number each group of desks. Try to divide the class into an even number of groups depending on class size.

## Procedure

### Warm-Up: Trade Simulation

1. As a warm-up, the students will participate in a simulation of trade. As students arrive, assign them to a group of desks to sit at and hand them a paper bag filled with 8 colored blocks. Tell students to not open the bag until told to do so. (If a student is late or absent, leave their bag on the empty desk and tell students to only go into it when told to do so.) Once all students are settled, explain that they will be playing a game called "World Trade" and explain the following directions:
  - You must only open your bag when told to do so.
  - There are eight possible colors of blocks; you will already find some of the colors in your bag
  - Your goal is to trade slips of paper with your classmates until you have one of each of the 8 colors in your bag.
  - There will be multiple trading rounds. You may only trade with who you are told to during each trading session. The trading session will be timed, so you need to work as quickly as possible to see if a trade can be made.
  - To retrieve a needed color, students should trade with others by swapping something from their bag, for instance, one pink block of paper for one blue block of paper.
  - You may not take someone's bag or slips without trading one of your slips of paper.
  - When told to stop, trading is over until the next round. You will have 4 rounds of trade to participate in.
  - To win the game, you will trade slips of paper until in your paper bag you have at least one slip of paper of each color. (Teachers should consider providing some form of prize for the first few students that finish to encourage greater participation.)
  - When you win, sit down and stay seated during the rest of the trading sessions.

**Round 1:** Inform the students that there is currently very little free trade in the world and each of them is allowed to make only one free trade agreement. Tell the students that they are only allowed to trade with one person in their group. For simulation to last longer, only allow students to trade one color. To reduce time, allow students to trade as many colors as they want but only with one person. Give them a few minutes to make a trade and then tell them to stop. If blocks of paper are mixed up well between the bags, very few students will be able to retrieve all the different colors with one trading partner.

**Round 2:** Inform the students that there is increasing free trade in the world and each of them is now allowed to make free trade agreements with their whole table. Tell the students that they are only allowed to trade with the other students in their group. Give them a few minutes to make a trade and then tell them to stop. For simulation to last longer, only allow students to trade one color. To reduce time, allow students to trade as many colors as they want but only with one person. Give them a few minutes to make a trade and then tell them to stop. Some students may be able to find all colors at this point, but not all students.

**Round 3:** Inform the students that there is increasing free trade in the world and each of them is now allowed to make free trade agreements with the members of another table. Tell the students that they are only allowed to trade with the students in one other group. Table 1 should trade with Table 2 and so on. For simulation to last longer, only allow students to trade one color. To reduce time, allow students to trade as many colors as they want but only with one person. Give them a few minutes to make a trade and then tell them to stop. Some students may be able to find all colors at this point, but not all students.

**Round 4:** For the final round, inform the students that free trade in the world has reached its peak and each of them is now allowed to make free trade agreements with anyone in the room. Tell the students that they are can trade allowed to trade with any other willing student. . For simulation to last longer, only allow students to trade one color. To reduce time, allow students to trade as many colors as they want but only with one person. Give them a few minutes to make a trade and then tell them to stop. Most students should be able to find all colors at this point, but not all students.

Debrief the activity using the following questions:

- At the beginning of the activity, did anyone have all of the colors in their bag? Do countries often have all the resources they need and want in their own land? For example, do US citizens only use oil that comes from the US?
  - After the first round, how many of you were closer to having all the colors? What then happens when countries are allowed to trade away surplus for items they do not have?
  - After the second round, how many people were closer to having all the colors? Third round? Fourth round?
  - Who was not able to trade enough to get 1 of each color? Do you think this happens in international trade? What is the term that describes the situation of limitless wants but limited resources?
  - From the simulation, what can we assume about the effects of trade on meeting needs and wants?
2. Pass out copies of “The Story of International Trade and Exchange” comic book and guided reading questions. Have students read the comic book and complete the guided reading questions. (Comic books are available online for printing at [http://www.newyorkfed.org/education/addpub/comic\\_foreign.pdf](http://www.newyorkfed.org/education/addpub/comic_foreign.pdf).) Once students have completed the reading and questions, discuss answers as a class.
  3. As an introduction to globalization, students will read the attached transcript of an interview with Thomas Friedman, an op-ed writer for the *New York Times* and the preeminent author on globalization. Distribute the transcript and have students read and answer the attached questions in pairs. After 10 minutes, review answers and discuss reactions to interview.
  4. Pass out copies of International Trade and Globalization + -  $\Delta$  Chart. First, the students will watch a two-part flash presentation about the history of globalization from Yale University’s “YaleGlobal Online website”. The presentation is divided into two parts:
    - Part One is available here:  
[http://yaleglobal.yale.edu/sites/default/files/flash/about/globalization/PART1-1/Presentation\\_Files/index.html](http://yaleglobal.yale.edu/sites/default/files/flash/about/globalization/PART1-1/Presentation_Files/index.html)
    - Part two is available here:  
[http://yaleglobal.yale.edu/sites/default/files/flash/about/globalization/PART2-2/Presentation\\_Files/index.html](http://yaleglobal.yale.edu/sites/default/files/flash/about/globalization/PART2-2/Presentation_Files/index.html)
    - Additional videos concerning globalization can be found here:  
<http://yaleglobal.yale.edu/about/history.jsp>

After the flash presentation, pass out the reading “Poverty in an Age of Globalization,” an adapted text from a World Bank publication. As they read, they should complete the chart and questions on the handout discuss answers to handout as a class.

### **Additional Activity**

- Have students read the News and Observer article “China Blamed for NC Losses” and write an essay based on the attached 10<sup>th</sup> Grade Writing Test Prompt.
- Often during conferences of world leaders on the topic of trade individuals protest either for or against reducing trade barriers. Have students choose what side they support and create protest signs based on their belief. Signs could include slogans and illustrations.

### **Differentiation**

#### **Students with Special Needs**

- Decrease the number of pages from the comic book that students are required to read and allow students more time to read.
- Have students break into groups. Each member should focus on one column of the chart, and then share their responses after completion.

### **AIG**

- To improve note taking and summarizing ability, do not provide students with Handout 1. Instead, have students read comic book and choose which topics they think are essential to understanding International Trade and Exchange
- Have students create a non-linguistic representation while reading from “Poverty in an Age of Globalization”. They should create a graphic organizer that represents the essential topics from the reading. Allow time for the students to share how they organized the information.
- Have students choose their favorite piece of clothing produced somewhere other than the US and research the working conditions in this country such as the use of sweatshops and child labor.

Name: \_\_\_\_\_

## **“The Story of Foreign Trade and Exchange” Guided Reading Questions**

***Read “The Story of Foreign Trade and Exchange” and answer the following questions.***

1. What were the two main ideas of mercantilism?
2. How did nations ensure that they exported more than they imported?
3. How did Adam Smith think that the true wealth of nations would increase?
4. What is absolute advantage?
5. Who first described comparative advantage?
6. Describe comparative advantage **(Read pages 6-9 fully!)**.
7. What is an opportunity cost?
8. What will happen if all nations exploit their comparative advantages?
9. What is a tariff?
10. What is a quota?
11. What countries participate in NAFTA?

12. What are the goals of the WTO?
13. Why would countries choose not to remove all trade barriers (3 reasons)?
14. Where is one currency traded for another at?
15. Who trades foreign exchange? How do they make a profit?
16. What is the exchange rate?
17. Where would a tourist exchange currencies at?
18. How do speculators earn money in foreign exchange transactions?
19. Suppose the exchange rate between dollars and euros is \$1.50 per euro. How much would you have to spend in US dollars to buy a Lamborghini that costs 200,000 euros?
20. How can central banks influence the value of a currency in order to maintain stability in the market place?



## **“The Story of Foreign Trade and Exchange” Guided Reading Questions- ANSWER KEY**

**Read “The Story of Foreign Trade and Exchange” and answer the following questions.**

1. What were the two main ideas of mercantilism? *Build up large stock of gold. Sell more exports than buy in imports.*
2. How did nations ensure that they exported more than they imported? *Founded colonies*
3. How did Adam Smith think that the true wealth of nations would increase? *Individuals being allowed to act in their own self-interest interacting in free markets.*
4. What is absolute advantage? *The ability of a nations to produce more of a good or service than another nation.*
5. Who first described comparative advantage? *David Ricardo*
6. Describe comparative advantage **(Read pages 6-9 fully!)**. *The ability of a nation to produce a good or service at a lower opportunity cost compared to another nation.*
7. What is an opportunity cost? *The cost of an action in terms of the forgone.*
8. What will happen if all nations exploit their comparative advantages? *World production will be higher.*
9. What is a tariff? *Tax on an imported good to increase cost and reduce sales, protecting domestic producers.*
10. What is a quota? *Numerical limit on the number of a good or service that can be imported into a nation in a given period of time.*
11. What countries participate in NAFTA? *USA, Mexico, and Canada*
12. What are the goals of the WTO? *Reduce protectionism and encourage free and fair trade.*
13. Why would countries choose not to remove all trade barriers (3 reasons)? *Protect domestic producer, decrease job loss, prevent dependence on imports.*
14. Where is one currency traded for another at? *Foreign exchange market*
15. Who trades foreign exchange? How do they make a profit? *Investors. Selling a currency at a higher value than they bought it.*
16. What is the exchange rate? *The cost of a currency in terms of another nation’s currency.*
17. Where would a tourist exchange currencies at? *A bank.*
18. How do speculators earn money in foreign exchange transactions? *Buy a currency with the hope that the value increases in the future.*
19. Suppose the exchange rate between dollars and euros is \$1.50 per euro. How much would you have to spend in US dollars to buy a Lamborghini that costs 200,000 euros? *\$300,000*
20. How can central banks influence the value of a currency in order to maintain stability in the market place? *Change the size of the money supply.*



## Tom's Journal: American Jobs in India (Transcript)

TERENCE SMITH: Tom Friedman's latest trip took him to Bangalore, India, where he looked into the issue of outsourced jobs. Tom, welcome home.

THOMAS FRIEDMAN: Good to be back.

TERENCE SMITH: Those are outsourced U.S. jobs.

THOMAS FRIEDMAN: Yes. Fortunately, mine can't be outsourced, Terry, but a lot of others can be, and that's really what I discovered on this trip. We visited, you know, everything from radiological labs that are reading the X-rays done by big American hospitals to accounting firms that are now using Indian CPAs to do your taxes, to cartoons and game companies that now have Indian artists drawing for American games and cartoons.

You know, you know you're in Bangalore, you know you're in the Silicon Valley of India, Terry, when you go to play golf and the caddy on the first tee says you can either aim at the Microsoft building or the IBM building. You know you're at Bangalore when you see the Pizza Hut advertisement says "gigabytes of taste." And you know you're at Bangalore when you see street signs sponsored by Texas Instruments. This is one hot town, and it's going to ... it's producing a lot of energy, and it's going to be a real challenge to American workers.

TERENCE SMITH: Why are these jobs going to India, and why to Bangalore?

THOMAS FRIEDMAN: Why to India? Why is India so well positioned for this? It's a lot of reasons that have come together. One is very simple. You have a huge number of educated people who speak English. You have a culture, also, where being a doctor or an engineer is absolutely the top of the pyramid. It's amazing. You go down any side street in Bangalore, and there seems to be an engineering school, you know, or some kind of software programming classroom.

Another oddity: Their day is exactly the opposite of ours. You can work all day in America, then outsource all the stuff you need done overnight to India. They work all day in India, and send it back the next day. And so a lot of these things have converged. And then there's a couple of just accidents, Terry.

One is the dot-com bubble and huge overinvestment in dot-com stocks in America. You know what it did? It laid all these pipes, these fiber optic cables around the world, and created all this excess capacity, which made it easy -- not only easy, almost cost-free -- to transmit data from America to India. And then there was something called Y2K.

Y2K comes along, and you need all these software programmers basically to go through code, to see if the date is going to be a problem in whatever software program you're running. Well, what country in the world had that many programmers easily available, cheaply available? And once the Indians did that, they said, by the way, could we do this for you? Maybe you'd like your taxes done also.

TERENCE SMITH: You mentioned that they speak English, and yet they have a wonderful little phenomenon there that you wrote about called the "accent neutralization class." What's going on there?

THOMAS FRIEDMAN: Accent neutralization class is very popular in Bangalore today, you know, because you have all ... a whole less sort of sophisticated side of this phenomenon are the call centers. Young men and women basically selling credit cards, tracing your lost luggage on Delta Airlines, and also providing tech support for big American computer companies from IBM to Microsoft and whatnot.

Well, these are all put together in these call centers and when you pick up the phone and dial that tech number, a young Indian answers. But they want to make sure that you're going to understand their accent so

they teach them or put them through accent neutralization courses where they learn to roll their R's and to soften their T's.

TERENCE SMITH: We have, in fact, a tape which you've brought back, shot by New York Times television, for a documentary you're working on what will appear on the Discovery Channel with a little clip of what goes on in an accent neutralization class. So let's take a look at it.

INSTRUCTOR: All right, class. I want you to take out your books and I'm going to give you a passage. Remember, the first day I told you that the Americans flat the "tuh" sound. You know, it sounds like an almost "duh" sound, not keep it crisp and clear like the British. So I would not say "Betsy bought a bit of better butter" or "insert a quarter in a meter." But they would say "insert a quarder in the meder," or "Beddy bought a bit of bedder budder."

So I'm just going to read it out for you once, and then we'll read it together. All right? "Thirty little turtles in a bottle of bottled water. A bottle of bottled water held 30 little turtles. It didn't matter that each turtle had a round metal ladle in order to get a little bit of noodles." All right, who's going to read first?

MAN: Thirty little turtles in a bottle of bottled water.

WOMAN: A bottle of bottled water held 30 little turtles.

MAN: It didn't matter that each turtle had a rattle ... a metal ladle.

MAN: In order to get a little bit of noodles, our total delicacy.

MAN: The problem was that they were ... sorry.

MAN: The turtle ... the little turtles are always lost because every time they thought about grappling with a....

INSTRUCTOR: Grappling.

MAN: Grappling with a haggler of turtles.

WOMAN: Grappling with a haggler of turtles, their little turtle minds boggled, and they only caught a little bit of noodle.

SPOKESPERSON: Good. Very good. ( Applause )

TERENCE SMITH: That looks like fun, for one thing, and yet the teacher had ... really had the accent down.

THOMAS FRIEDMAN: She had it down. She also does British accents, American accents. That was actually for a Canadian call center. They were actually working on a sort of flat North American Canadian accent. And while, you know, the whole thing is fun to watch, there's also something serious behind it, Terry, because if you looked at that class, most of them are women.

These are young college grads, most of these kids, who aren't engineers. They could never get jobs, not for \$200 to \$300 a month, which is the starting pay in a call center without this opportunity. And what this has given them is really a chance to grab the first rung of the ladder. A lot of them on the side are studying for MBAs or other college degrees. Some of them are now supporting their family. Many of them, their starting salary is more than their parents' retiring salary.

TERENCE SMITH: But what do you say, Tom, having made this trip, to the American whose job, the equivalent job, has been lost to the airline ticket counter agent who is out of work?

THOMAS FRIEDMAN: I mean, it's a very serious question. And I think one can only say two things. One is that there is simply no question that outsourcing our, you know, commodity jobs through places like India or grunt work functions that tend to be low-prestige, low-paying here and become high-prestige, high-paying there is, at the macro sense, good for our economy, because what it allows us to do is focus on what we do best, which is innovation. That's the macro answer.

But my micro answer is, I feel your pain. I think we as a society have an obligation to public policy and tax programs and subsidies and wage insurance and health care to find a way to cushion people who are in white collar jobs, just as we did -- or tried to, to some extent -- with blue collar, so they are not going to get steamrolled by this phenomena. We're talking about 4 million jobs that will be outsourced to India probably over the next ten years. And that's not an insignificant number.

Now, many more will be lost to technological change, whatever, but I think we have to take it seriously with a real public policy response, but what we must not do, Terry, is put up walls that will slow us down and deprive us of what we do best, which is to come up with new ideas, bring them to market, and sell them to the rest of the world.

TERENCE SMITH: You were there at a time, just recently, at a time when there is a real rapprochement between India and Pakistan settling some very long-standing differences, or working on it anyway. Is it related to the economic uplift of all these jobs?

THOMAS FRIEDMAN: Directly related, because India now is part of a global supply chain. These American companies -- GE, Microsoft, American Express -- have moved parts of their back rooms to India, to Bangalore. Now, comes along the India-Pakistan crisis -- I'll tell you exactly what happened. These American companies got on the phone and told their Indian back rooms, "Friends, we're going to have to look for an alternative for you. You don't want us to be looking for an alternative, and we don't want to be looking for an alternative."

When you're part of a global supply chain like that, you can't say, "Oh, we're going to take a week off to fight a war. We'll see you." You will shut down whole major corporations. Well, that has percolated up. And what's most interesting to the Indian leadership -- and this is definitely driving the rapprochement -- it's also got the Pakistanis looking, saying, "Jeez, the Indians, they're doing well at this. And what are we? We're just like them, too."

But even more, Terry, you know, you talk to these young kids like in that accent neutralization class, I would ask them all, "So what do you think of the Pakistan crisis?" "Oh, forget about it. We've got better things to do." And that's where, you know, this cease-fire brought to you not by General Powell, but by General Electric. We bring good things to life. So there is a geopolitical spin-off to this that we also have to keep in mind.

TERENCE SMITH: Tom Friedman, terrific as always. Thank you.

THOMAS FRIEDMAN: Pleasure.



## **“Poverty in an Age of Globalization”**

*World Bank, 2000*

The past century has seen more advances in global prosperity, and more people lifted out of poverty, than in all of human history. There are many reasons for this achievement, but globalization has played an important catalytic role. Yet there is a widespread perception that globalization is having a detrimental impact on the poor.

In spite of the wide usage and the intensive debate that is now underway, there is no precise or widely-accepted definition of globalization. **Globalization** can be summarized as the global exchange of goods, services and capital, but also of information, ideas and people. It has shaped all of the 20th century and has become an increasingly visible force in recent decades. Although there are many factors that have spurred and in turn have been reinforced by globalization, two have played a particularly important role in contributing to its accelerating pace in the 1980s and 1990s. The first is technical progress especially in information technology, international communication, and global transportation. Not only goods but also services and knowledge can flow much more easily because of innovations such as the Internet. The second major development is the shift in policies as governments everywhere have reduced trade barriers such as tariffs and quotas between countries.

These forces of globalization have contributed to global prosperity and development. Despite a population increase from 1.8 billion to 6.0 billion, and despite giant political upheavals and wars, average income per person has at least quintupled over the past century. Average global per capita income today exceeds that of the richest country at the turn of the century. And today’s average life expectancy exceeds that of the lead country 100 years ago.

The pace of progress has also accelerated. It took the United Kingdom some 60 years to double income per capita in the 19th century. Today we have seen that countries with populations ranging from millions to a billion can double income per person in a decade (China, Japan, Korea) and quickly reach life expectancy of more than 70 years. By enabling and indeed “pressuring” countries to adopt best practice pioneered elsewhere in the world, globalization has been an important agent for change and transformation.

Yet there are sharply divided views on the benefits that it has brought developing countries and the poor. One view is that globalization has “left out” most developing countries because they have been unable to reap its benefits. Another, contrasting view is that there has been “too much” globalization and that this has been detrimental to the poor.

It is important to distinguish between the rate of poverty as a percentage of a total population and the absolute number of the poor. The share of the population in poverty has declined for developing countries as a whole (from 28.3% in 1987 to 24% in 1998) and in all developing regions except Sub-Saharan Africa and Eastern Europe and Central Asia. Declines have been pronounced and sustained over a longer time period for the most populous developing countries. For example, the rate of poverty in India measured by the official

poverty line fell from 57% in 1973 to around 35% in 1998, whereas the incidence of poverty fell from 60% to 20% between 1985 and 1998 for Indonesia. Standards of living have also improved. Infant mortality rates globally have been cut in half during 1970-1997, from 107 to 56 per thousand; and life expectancy has risen from 55 years to 67 years.

However, in spite of this broad based progress, more than 40 developing countries with 400 million people have had negative or close to zero per capita income growth over the past thirty years. And the absolute number of poor have continued to increase in all regions except East Asia and the Middle East. Overall, despite impressive growth performance in many large developing countries, absolute poverty worldwide is still increasing.

Trends in global inequality depend on changes in inequality *between* and *within* countries. The gap between the richest and the poorest countries has progressively widened as a significant number of countries are falling further behind compared not only to industrial countries but to other developing countries. The income distribution between countries has consequently worsened. At the same time, there has been an acceleration in growth in many developing countries, including the most populous ones, so that the gap between their average incomes and that of industrial countries has begun to narrow. Overall, inter-country inequality weighted by population has decreased as a result. China and India account for the bulk of this improvement. While inter-country inequality has improved, inequality within many of the most populous countries, with a large number of poor, has increased modestly.

**Policies at the *country level* remain key for poverty reduction even in an age of globalization:**

- Increased economic growth is essential for poverty reduction. Macro stability, more open trade policies, and a vibrant private sector are core requirements to increase growth.
- Good governance and institutions have a crucial role in these processes. Governments should provide or foster the institutions which make markets work efficiently, thereby promoting entrepreneurship, competition and a positive investment climate. With weak institutions, poor governance and unsound policies, market reforms can go badly awry with great costs, particularly for the poor. Weak governance has been an overriding characteristic of the poorest performing economies. Globalization has put a premium on good governance, because of the need to put in place policies and institutions demanded by an increasingly competitive global market place, because of pressures on governments to be transparent and more accountable to their citizens, and because of the higher costs of mismanagement.
- Enhance the *capabilities of the poor*, particularly through the improved provision of education and health, which are fundamental to well-being and which promote participation in market opportunities. Reduce the *vulnerability* of the poor to ill-health, economic shocks, natural disasters, and violence.

**The following are the most critical areas where global collective action is needed to complement and reinforce country-based efforts on poverty reduction:**

- **Sustain steady global economic expansion, and reduce the likelihood of, and contain the effects of global volatility.** Poorer countries, and especially the least developed, remain dependent on the sustained growth of demand. Developing countries also remain more vulnerable to shocks in the global economy. There is a continued need for efforts to reduce volatility and manage financial crises better when they occur.
- **Mobilize adequate and more effective aid for poverty reduction.** A first priority is eliminating the debt of the poorest heavily indebted. But accelerated progress will also require more and better targeted financial support for poverty reduction in both low and middle income countries.
- **Remove barriers to trade and provide preferential access to the poorest countries.** Elimination of barriers by industrial countries and emerging markets in some key areas (agriculture, labor intensive manufactures, and services) can bring large benefits to the poor in developing countries. Trade restrictions are intensified by agricultural subsidies.
- **Provide increased support for international public goods.** These include: communicable disease control, including tackling the HIV/AIDS pandemic as well as malaria, tuberculosis and childhood disease; protecting the global environment commons; information and knowledge sharing; and agricultural research in semi-arid conditions with large benefits for poor farmers in many of the poorest countries.
- **Help prevent conflict, and support countries emerging from conflict.** Wars and civil conflict remain a major factor holding back several of the poorest countries, and threatening many others. Better conflict prevention and resolution mechanisms can have huge payoffs in reducing human suffering and deprivation in which the poor suffer the most. It will always be very costly for the international community to pay for military intervention to stop or contain a conflict. Large financial resources – and many human lives – could be saved if global collective action could help prevent conflict by appropriate and timely measures focusing on good governance and poverty reduction

Name: \_\_\_\_\_

### International Trade and Globalization + - Δ Chart

Complete the chart below based on the flash presentation and reading.

<p style="text-align: center;">+</p> <p style="text-align: center;">Positive Effects of Globalization</p>	<p style="text-align: center;">-</p> <p style="text-align: center;">International Problems</p>	<p style="text-align: center;">Δ</p> <p style="text-align: center;">Suggestions for Improvement</p>
<ul style="list-style-type: none"><li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li></ul>	<ul style="list-style-type: none"><li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li></ul>	<ul style="list-style-type: none"><li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li> <li>•</li></ul>

1. What is one definition of globalization?
  
  
  
  
  
  
  
  
  
  
2. What are two causes of the recent trend of increasing globalization in the past 3 decades?
  
  
  
  
  
  
  
  
  
  
3. Considering the videos, reading, and your previous experience, do you think globalization has been a positive or negative trend? Explain your answer with supporting details.



## **China blamed for N.C. losses**

**Nearly 80,000 jobs have gone to China since 2001, crippling key industries, group says**

John Murawski, Staff Writer

China's trade practices have cost North Carolina nearly 80,000 jobs since 2001, according to an analysis being issued today by the N.C. Justice Center, an advocacy group.

The report says that booming trade between this country and China has crippled this state's manufacturing, textile and apparel industries. It says that trade is beginning to claim higher-paying jobs in electronics manufacturing and technical fields.

The study repeats allegations long made against China: that the Communist behemoth is able to undercut U.S. workers by suppressing workers' wages and subsidizing national businesses while skirting environmental and workplace safety standards.

The study was prepared by the Economic Policy Institute in Washington and is being distributed via state organizations that advocate for working-class and low-income people. The study says that the United States has lost 2.3 million jobs since China entered the World Trade Organization in 2001 and trading channels opened.

The N.C. Justice Center is distributing the report as relations between North Carolina and China are at their highest.

The state is geared to do business with China, one of the world's fastest-growing economies. That nation is hungry for foreign investment and new markets.

North Carolina has a full-time trade representative in Hong Kong who lobbies for Asian business investment in this state. Businesses with a strong local presence -- such as Cisco Systems, Nortel Networks and Tekelec -- are angling for China's business.

But China's embrace of capitalism is primarily benefitting U.S. corporations and investors at the cost of this country's workers, said John Quintero, research associate at the N.C. Budget and Tax Center, a project of the N.C. Justice Center.

China cost the state 79,800 jobs, when job gains are measured against job losses, the study says.

"The benefits are concentrated at the firm level or corporate level," Quintero said. "They're bypassing the vast majority of working folk."

The debate is hardly new. Five years ago, free-trade advocate Sen. Elizabeth Dole in public speeches blamed China's trade practices for North Carolina's economic woes. Years before, angry American autoworkers staged events in which they crushed Japanese cars with sledge hammers for TV crews.

But many leaders defend North Carolina's engagement with China. They say this state is adapting to inevitable, global changes as it reinvents itself, going from a manufacturing and agricultural economy to a technology and research economy.

The changes are economically painful for some, but there is an upside: China is flooding this nation with cheap products, such as \$9.99 jeans, that help hold down inflation and increase the purchasing power of ordinary Americans.

Chinese labor costs can be 80 percent cheaper than Americans', said John Kasarda, a business professor at the UNC Kenan-Flagler Business School. But he said China's ascent is one of the economic miracle stories that has been repeated many times. The textile and manufacturing sectors migrated from industrial England to upstart New England, then to the post-Reconstruction American South, and later to Mexico and China.

"We did to England in the first half of the 20th century what China did to us in the last 20 years," Kasarda said. "We pulled the shoe industry, textiles, apparel and furniture all to North Carolina."

According to the state Department of Commerce, China is a major economic partner and one of North Carolina's top four export destinations, along with Canada, Japan and Mexico. China's biggest computer maker, Lenovo, invested \$1.6 billion in 2005 to acquire IBM's personal computer laptop division. The company continues to expand its headquarters in Morrisville.

The N.C. Justice Center says that U.S. authorities must do more to protect U.S. workers by pressuring China to allow broader labor rights and end unfair subsidies.

Mike Hubbard, who directs the Gastonia branch of the National Council of Textile Organizations, said struggling rural businesses are no match for Chinese might.

"You're not competing against a company; you're competing against a government," Hubbard said.

**Tenth-Grade Writing Prompt:  
Globalization and Outsourcing NC Jobs**

Read the article “China Blamed for NC Losses” and respond to the following prompt:

**Write a letter to the editor of the News and Observer explaining whether or not you think China should be blamed for the job losses in North Carolina’s textile industry. Based on your view, propose how North Carolina should deal with the job loss. Compare the benefits and drawbacks of North Carolina enacting protectionist measures such as tariffs and quotas against China. You may use the text, your own experiences, observations, and/or readings.**

As you write your letter, remember to:

- Clearly state and support your opinion.
- Consider the purpose, audience, and context of your letter.
- Organize your letter so that your ideas progress logically.
- Include relevant details that clearly develop your letter.
- Edit your letter for standard grammar and language usage.

### Practice EOC Multiple Choice Questions

1. Which *best* describes the stance of most economists on international trade issues?
  - A pro-free trade as it results in a more efficient allocation of resources
  - B anti-free trade as it results in a less efficient allocation of resources
  - C pro-protectionist as it results in a more efficient allocation of resources
  - D as likely to be free trade as protectionist
  
2. Which most likely occurs due to increased trade between individuals and between nations?
  - A greater self-sufficiency
  - B higher product prices
  - C lower living standards
  - D increased specialization
  
3. How do countries decide what goods to specialize in when participating in international trade?
  - A relative levels of GDP
  - B comparative advantage
  - C relative exchange rates
  - D relative inflation rates
  
4. In the theory of comparative advantage, when should a nation specialize in a good?
  - A its production possibilities line lies further to the right than the trading possibilities line
  - B its cost is least in terms of alternative goods that might otherwise be produced
  - C its absolute cost in terms of real resources used is least
  - D its absolute money cost of production is least
  
5. Which best describes a tariff?
  - A an excise tax on an imported good
  - B a government payment to domestic producers to enable them to sell competitively in world markets
  - C an excise tax on an exported good
  - D a law that sets a limit on the amount of a good that can be imported
  
6. What will mostly likely occur due to protective tariff?
  - A increase the sales of foreign exporters
  - B increase the sales of domestic producers
  - C increase the welfare of domestic consumers
  - D create an efficiency gain in the domestic economy
  
7. What is the dollar price of yen if the exchange rate between the U.S. dollar and the Japanese yen is \$1 = 200 yen?
  - A \$.005
  - B \$.05
  - C \$.50
  - D \$5
  
8. What will most likely result from the depreciation of the dollar?
  - A) decrease the prices of both U.S. imports and exports
  - B) increase the prices of both U.S. imports and exports
  - C) decrease the prices of U.S. imports, but increase the prices to foreigners of U.S. exports
  - D) increase the prices of U.S. imports, but decrease the prices to foreigners of U.S. exports
  
9. What term describes the specification of the maximum amounts of commodities which may be imported into a country in any period of time?
  - A tariff
  - B quota
  - C nontariff barrier.
  - D voluntary export restriction.

## Practice EOC Multiple Choice Questions- ANSWER KEY

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