COUNCIL on FOREIGN RELATIONS | CFR Education Global Matters

Lesson Plan

Trade: Policy

Length
One 45 minute period
Grade Level
High School

Learning Objectives

- Students will analyze how trade can be used as part of foreign policy.
- Students will simulate trading under different kinds of trade rules and then reflect on the advantages and disadvantages of each set of rules.

Trade: Policy

Guided Reading Handout

Presentation

Homework

- Students will complete Parts 1 and 2 of the guided reading handout.

Class One

1. **(5 Minutes) Homework Debrief**
2. **(35 Minutes) Activity- Trade Agreement Game:**
    1. NOTE: For this activity, you will need a collection of small items of various values to use as trade goods, such as small pieces of candy, sticks of gum, homework passes, and extra credit points
    2. Each student will pretend to be a country. (With a very large class, you may decide to have students make two-person teams.) Distribute trade goods to students unevenly, as if the students were countries that specialize: some students get only candy, others get only homework passes, and so on. When possible, distribute to students goods that they do not want (e.g., if a student has a sweet tooth, don't give them candy) in order to encourage trading.
    3. Explain that the students will be allowed to trade but that they first need to come up with ground rules.
    4. Divide the class into two groups.
        1. **Group 1:** Simulating the World Trade Organization (WTO), needs to come to a consensus on trade rules and write those rules on the board before anyone can trade.
        2. **Group 2:** Representing regional trade agreements (RTAs), can make any number of bilateral or "regional" agreements, each of which has to be written on the board (to simulate notifying the WTO). In this group, anyone can trade with anyone else they have an agreement with.
    5. Trade agreements (whether WTO-style or RTA-style) must clearly state:
        1. exchange rates for all products that will be traded under the agreement
        2. a dispute resolution mechanism if someone thinks they have been cheated (rock-paper-scissors, mediation by the teacher, etc.)

        3. how long the agreement stays in force (only for a few minutes, for the rest of class, the rest of the week, etc.)
3. **(5 Minutes) Debrief:** After the students have made their agreements and traded their goods, lead a reflection:
    1. Which group could start trading more quickly? Why?
    2. Which group was more chaotic? Why?
    3. What are the advantages and disadvantages to trading under the WTO and the RTAs?
    4. How did this exercise differ from how trade agreements work in real life? (One important difference is that in real trade agreements, the exchange rate would be set by market forces and not by the agreement.)

Homework

1. Students will complete Part 3 of the Guided Reading Handout to discuss during the next class.
2. Optional: You may have students write a brief reflection on the trade agreement game.

Vocabulary

acquisition

  when one company takes over another.

bilateral

  an agreement undertaken between two entities, generally countries.

Committee on Foreign Investment in the United States (CFIUS)

  an interagency committee created in 1975 that reviews the national security implications of foreign investments in the United States.

Doha Development Round

  a round of negotiations, also known as the Doha Development Agenda, that began in 2001 and intended to focus on a number of areas of trade, particularly the priorities of developing countries. After stalling in preceding years, the Doha Round was effectively ended in 2015 when countries decided not to reconfirm negotiations.

free trade agreement (FTA)

  an agreement between at least two countries that reduces trade barriers and promotes the exchange of goods and services.

foreign direct investment (FDI)

  when a person or firm in one country (the direct investor) controls a business entity (direct investment enterprise) in another country. Usually, “control” is defined as owning 10 percent or more of the ordinary shares or voting power of an enterprise.

General Agreement on Tariffs and Trade (GATT)

  an agreement signed on October 30, 1947, that governed global trade until the establishment of the World Trade Organization (WTO) in 1994. By the end of 1994, the GATT had 128 signatories.

greenfield investment

  a type of investment in which a company starts from scratch when establishing operations abroad, building facilities from the ground up.

intellectual property

original works created by an author, technological inventions, business marks and designs, and other “creations of the mind” that are protected by copyright, patent, and trademark laws.

investor-state dispute settlement (ISDS)

a mechanism, often built into FTAs, through which investors can sue countries that take allegedly discriminatory legal action.

mega-regional trade agreements

large, deeply integrated FTAs between countries or regions that make enforceable certain rules established under earlier agreements that were not previously enforceable.

market access

the ability of a company or country to sell goods and services to a foreign market.

merger

when two companies agree to combine and form a single entity.

multilateral

undertaken among three or more entities, usually countries. The term frequently describes organizations such as the United Nations (UN).

North American Free Trade Agreement

an agreement, entered into force in 1994, that eliminated or reduced most tariffs between Canada, Mexico, and the United States.

portfolio investment

the purchase of a country’s securities (e.g., stocks and bonds).

plurilateral negotiations

trade negotiations between several countries. Unlike multilateral negotiations, such as the Doha Development Round, they do not involve every member of the WTO and are not necessarily negotiated within the framework of the WTO.

tariff

a tax on goods arriving from a foreign country, generally used as a tool of trade and foreign policy to penalize adversaries or favor allies or domestic producers.

Trans-Pacific Partnership (TPP)

a proposed agreement between the United States, Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam that aimed to deepen economic ties and increase trade between countries. In addition to economic benefits, the TPP was meant to substantiate U.S. leadership and influence in Asia. President Donald J. Trump withdrew the United States from the agreement in 2017, killing the trade deal, though a smaller version, without the United States, advanced.

World Trade Organization (WTO)

an international institution created in 1995 that regulates trade between nations. A replacement for the 1947 General Agreement on Tariffs and Trade (GATT), the WTO manages the rules of international trade and attempts to ensure fair and equitable treatment for its 164 members. It does this by conducting negotiations, lowering trade barriers, and settling disputes. As of 2018, the WTO had 164 members.