

# **ENTREPRENEURSHIP & BUSINESS / UNIT VII**

*“The business of America is business” –Calvin Coolidge*

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## UNIT VII / LESSON 1

### The Effects of Globalization

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**Time Frame:**  
*1 day*

**Standards:**  
*NES: Economics: Explain the nature of international trade*  
*NES: Skills: Assess global trends and opportunities*  
*Determine issues and trends in business*

#### Guiding Question

How has the recent trend toward globalization impacted international trade?

#### Materials

- Hanging map of the world
- Handouts VII.1.A–D

#### Instructional Objectives

*Students will be able to:*

- describe the concept of globalization.
- provide examples of the effects of globalization on international trade.
- discuss the implications of globalization on entrepreneurs.

#### Teacher Background

Explain that globalization, the growing economic interdependence among people around the world, is a phenomenon which has profound effect on international trade and people in all walks of life. This lesson will illustrate the concept of globalization and its impact on consumers and entrepreneurs.

In preparation for this lesson, have students bring to class a small item of clothing (e.g., a hat, pair of gloves, belt, tee-shirt) that has a label identifying where that item was made. Using this item, have students explore the concept of global interdependence. They will read a 1967 statement by Dr. Martin Luther King, Jr., describing global interdependence; analyze the risks and rewards of global interdependence; and, examine the implications of global interdependence for entrepreneurs. This introductory lesson will set the stage for this unit dealing with international trade in an age of expanding globalization.

## **Teaching Strategies/Supporting Activities**

- Distribute Handout VII.1.A, "World Map" and hang a large map of the world, visible to the class. Explain the directions on the handout to the class. Call on ten different students to provide the item they brought to class and the name of the country where it was made. List the items identified and these countries on the board for the class to see and have the students you called on point to the country they identified on the hanging wall map.
- Have students explain their answers to the following questions:
  - What conclusions can you draw from this activity by looking at your map?
  - How can you explain the fact that so many everyday items we wear are made in different countries?
  - Based on what we learned so far, what does it mean when people say we live in an interdependent world?
  - What are some of the advantages and disadvantages in living in an interdependent world?
- Distribute Handout VII.1.B, "Import/Export Chart." Have students complete the exercise on the handout, then have them explain their answers to the following:
  - According to this chart, what are some of the items the U.S. imports from other countries?
  - According to this chart, what are some of the items the U.S. exports to other countries?
  - Based on the chart, what conclusions would an entrepreneur draw about the importance of world trade to the U.S.?
- Distribute Handout VII.1.C, "Martin Luther King, Jr. On Globalization." Have students follow the directions on the handout. After they complete the reading, have them explain their answers to the following questions:

What headline did you give this reading?

  - In your own words summarize what Dr. King was saying in this reading. Do you agree with what Dr. King was saying here?
  - In what ways is the fact that nations of the world are so interdependent a good thing?
  - In what ways is being so interdependent a bad thing?
- Distribute Handout VII.1.D, "International Trade and Entrepreneurs." Ask students to read the directions and complete the exercise. Then have them explain their answers to the following questions:
  - As an entrepreneur, what do you think is the greatest challenge that exists in expanding a business globally?
  - As an entrepreneur, what do you think is the greatest incentive that exists in expanding a business globally?

## **Summary/Assessment**

Ask students to explain their answers to the following question:

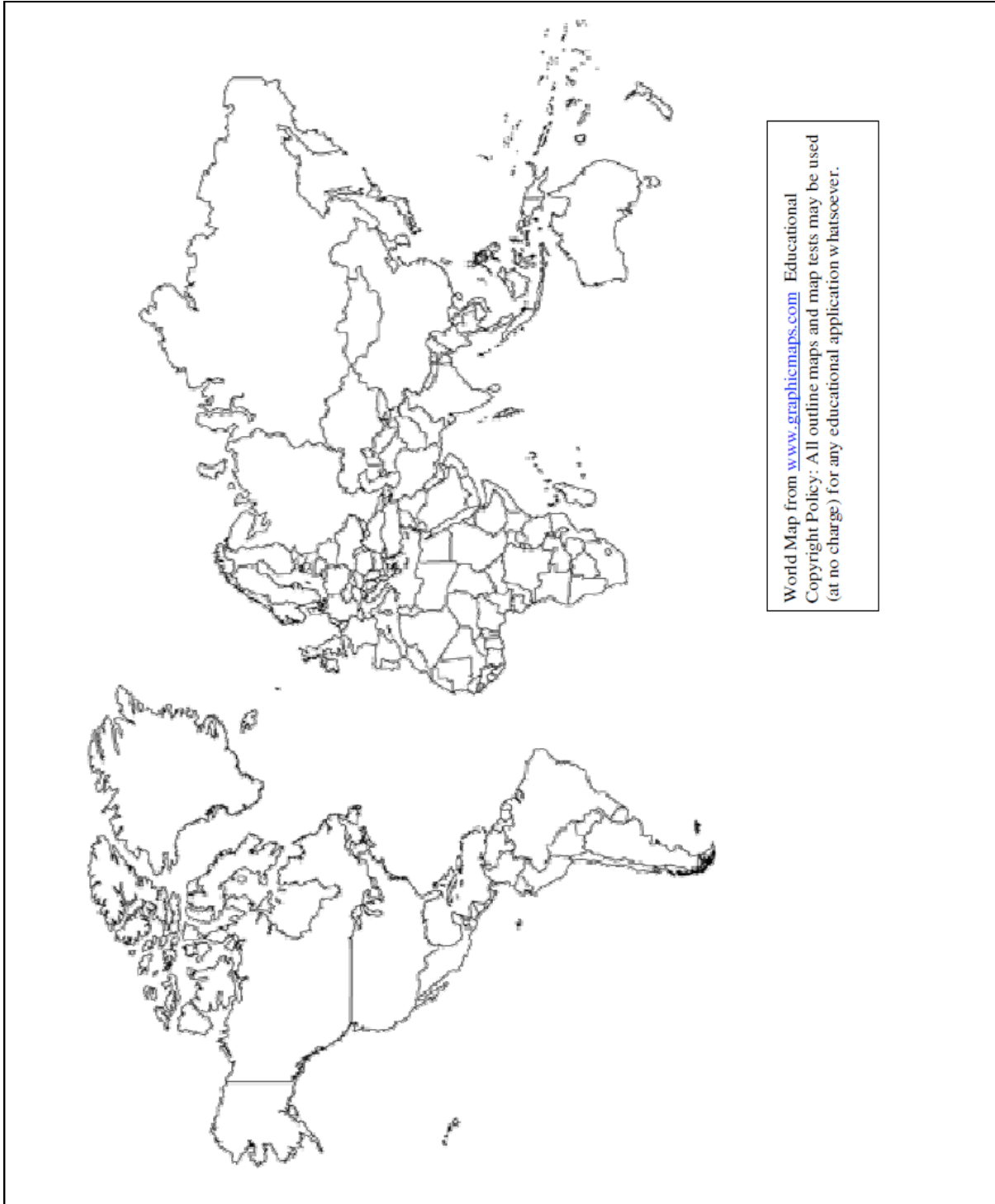
If you were an entrepreneur, would you conclude that the challenges outweigh the incentives for expanding a business globally or are the disadvantages greater?

## **Follow-Up**

For homework, ask students to interview an entrepreneur in their community to find out how that entrepreneur has been affected by expanding international trade. Ask students to make oral presentations to the class explaining what they learned from the interview.

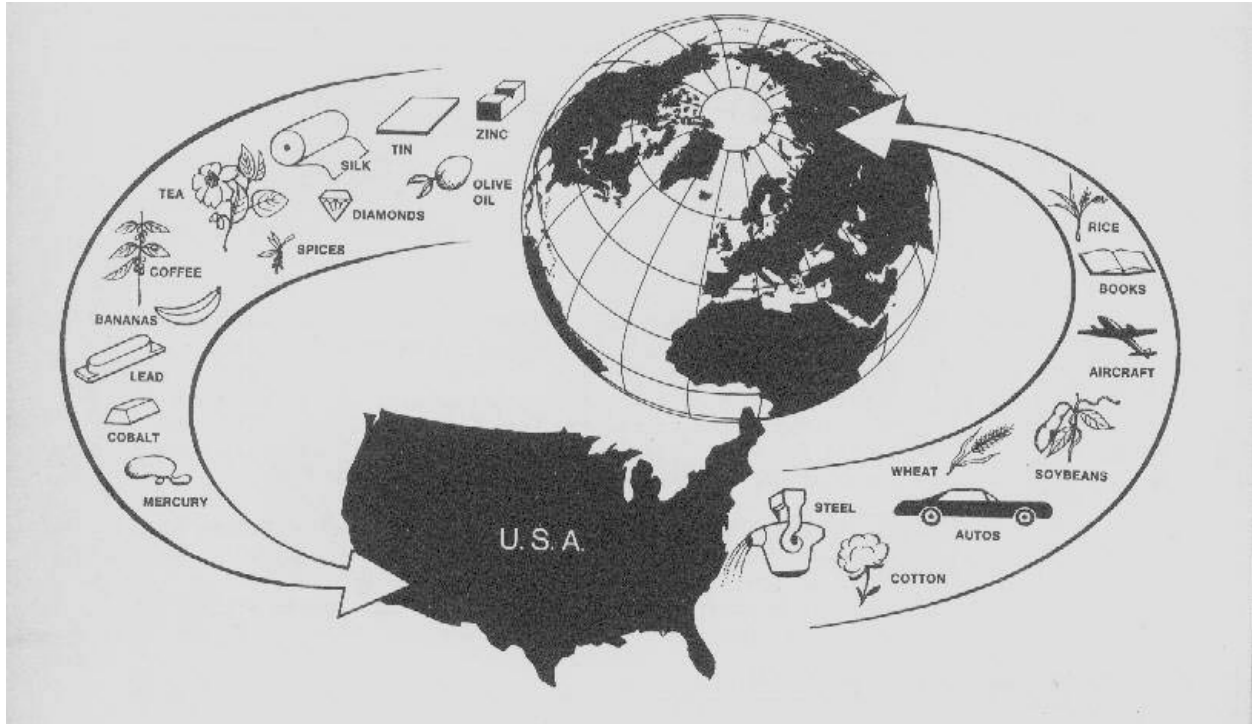
### HANDOUT VII.1.A, "World Map"

**Directions:** As each student mentions the place where his or her item of clothing was made, try to find it on the map below. After the countries have been identified on the large hanging wall map, write a number from 1 (for the first place mentioned) to 10 (for the last place mentioned) on the appropriate place on the map below.



### HANDOUT VII.1.B, "Import/Export Chart"

**Directions:** After studying the chart on this page, complete the exercise that follows



Based on the chart above:

1. List three products that the U.S. imports (buys from) from other countries:

- 1)
- 2)
- 3)

2. List three products that the U.S. exports (sells to) to other countries.

- 1)
- 2)
- 3)

3. Write in the space below one conclusion an entrepreneur can draw from this chart about the importance of international trade to the U.S.

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**HANDOUT VII.1.C, "Martin Luther King, Jr. On Globalization"**

**Directions:** Assume that the statement below, made by Dr. Martin Luther King, Jr., in 1967, came from a news article. Create a headline for the story and write it in the space provided.

Headline: \_\_\_\_\_

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*...And don't forget in doing something for others that you have what you have because of others. Don't forget that. We are tied together in life and in the world. And you may think you got all you got by yourself. But you know, before you got out here [...] this morning, you were dependent on more than half of the world. You get up in the morning and go to the bathroom, and you reach over for a bar of soap, and that's handed to you by a Frenchman. You reach over for a sponge, and that's given to you by a Turk. You reach over for a towel, and that comes to your hand from the hands of a Pacific Islander. And then you go on to the kitchen to get your breakfast. You reach on over to get a little coffee, and that's poured in your cup by a South American. Or maybe you decide that you want a little tea this morning, only to discover that that's poured in your cup by a Chinese. Or maybe you want a little cocoa, that's poured in your cup by a West African. Then you want a little bread and you reach over to get it, and that's given to you by the hands of an English-speaking farmer, not to mention the baker. Before you get through eating breakfast in the morning, you're dependent on more than half the world.*

—Dr. Martin Luther King, civil rights leader and Nobel Peace Prize winner. From "The Three Dimensions of a Complete Life," delivered at New Covenant Baptist Church in Chicago on April 9, 1967. Find complete transcribed text at:

<http://seattletimes.nwsourc.com/mlk/king/words/completelife.html>



**HANDOUT VII.1.D, “International Trade and Entrepreneurs”**

**Directions:** Expanding international trade presents challenges, as well as incentives, for entrepreneurs. Examine the chart below that highlights some of these challenges and incentives and place an X in the box next to greatest challenge and the greatest incentive that expanding international trade presents for entrepreneurs.

<b>Expanding International Trade: The challenges facing entrepreneurs</b>		<b>Expanding International Trade: The incentives presented to entrepreneurs</b>	
	The language and cultural barriers make it difficult to do business on a global scale.		Six billion potential customers exist beyond the borders of this country. That's virtually all new business—and what's more, business whose brand loyalties are likely still in play.
	Running a global organization requires much greater complexity than a business in one country.		Even if one reluctant to go global there is a good chance that one’s competitor is not. Your competitors may win away your customers by offering them higher quality products at lower prices that often come from doing business globally.
	Doing business in other countries requires finding the right partners to work with overseas.		Low cost internet-related tools such as Skype and WebEx make it possible to assemble coherent virtual enterprises using the best talent around the world.
	Doing business in one country takes a lot of time. Expanding one’s business around the world takes even more time and may involve too much work for a small business.		Entrepreneurs should welcome risk. Globalizing is risky. Therefore entrepreneurs should embrace globalization as risks are well worth taking to gain the potential rewards.

*Source: Inc. Magazine, Gone Global: Why expanding overseas is your ticket to new markets, new ideas, and a world of adventure, Leigh Buchanan, April 1, 2007*

## UNIT VII / LESSON 2

### The Reasons for International Trade\*

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**Time Frame:**  
*1 day*

**Standards:**  
*NES: Economics: Explain the nature of international trade*  
*NES: Skills: Discuss the entrepreneurial discovery processes*  
*Assess global trends and opportunities*  
*Determine issues and trends in business*

#### Guiding Question

Why do nations trade with each other?

#### Materials

Handouts VII.2.A–D

#### Instructional Objectives

*Students will be able to:*

- discuss the issues involved in the current debate over international trade.
- interpret charts related to U.S. trade.
- explain the reasons why nations engage in exporting and importing goods to and from other countries.
- describe the impact of trade on entrepreneurs.

#### Teacher Background

This lesson introduces key concepts related to international trade. The following questions are at the heart of the unit: What are key characteristics of international trade? What are the differences between exports and imports? What are the theories underlying the decisions made in international trade? What types of actions affect the flow of international trade, and who makes them? How does international trade affect a nation's economy? What role do governments play in making decisions about international trade?

\* (This lesson plan is a modified version of the one developed by staff members of the Globalization 101.org project of the Center for Strategic and International Studies in Washington, D.C.)

## Teaching Strategies/Supporting Activities

- Distribute Handout VII.2.A, "Scenario: Voting on Trade." Ask students to follow the directions on the handout. Then have students explain their answers to the following questions:
  - How would you summarize in your own words the position of Candidate A.
  - How would you summarize in your own words the position of Candidate B.
  - Which candidate would you be most likely to vote for?
- Distribute Handout VII.2.B, "Trade Charts." Have students follow the directions on the handouts that accompany Charts 1, 2, and 3 and complete the exercises that appear with each chart. Then, have them explain their answers to the following questions:
  - What important information do we learn about U.S. trade from Chart 1?
  - What important information do we learn about U.S. trade from Chart 2?
  - What important information do we learn about U.S. trade from Chart 3?
  - To what extent does the information in Charts 1, 2, and 3 support the positions of either Candidate A, who opposes expanding international trade, or Candidate B, who favors expanding international trade?
  - As a U.S. entrepreneur does the information presented in the charts show that increased trade with the world is more of an opportunity than a threat?
- Distribute Handout VII.2.C, "Why Do Countries Export?" Select eight students to play the following roles: VE Students 1-5 and Trade Experts 1-3. After students perform the play on the handout, have the rest of the class complete the exercise on the handout. Then have them explain their answers to the following:
  - What did you learn about exports from this play?
  - What reason best explains why the U.S. exports so many goods?
  - What is the most important lesson an entrepreneur can learn from this interview about exports?
  - What question would have asked the trade experts about exports?
- Distribute Handout VII.2.D, "Why Do Countries Import?" Select eight students to play the following roles: VE Students 6-10 and Trade Experts 4-6. After students perform the play, have the rest of the class complete the exercise on the handout. Then have them explain their answers to the following:
  - What did you learn about imports from this play?
  - In what ways are the reasons that nations import different from the reasons nations export?
  - What question would you have asked the trade experts about imports?

### **Summary/Assessment**

Ask students to explain their answer to the following questions:

- Based on what you learned in this lesson, do you think trading with other nations is more of a blessing than a curse for American consumers?
- How would most entrepreneurs answer this question?

### **Follow-Up**

For homework, give students the task of gathering research and preparing updates of Chart 1, "Top U.S. Exports" and Chart 3, "Top U.S. Trading Partners for the Current Year," from Handout VII.2.B.

**HANDOUT VII.2.A, “Scenario: Voting on Trade”**

**Directions:** Read the scenario below and follow the directions.

**Scenario:** It is your first time voting and the major issue in the election deals with what should be the position of the U.S. with regard to international trade. Here are the views of the two candidates you can vote for. Place an X in the box of the candidate whose views on trade you favor most.

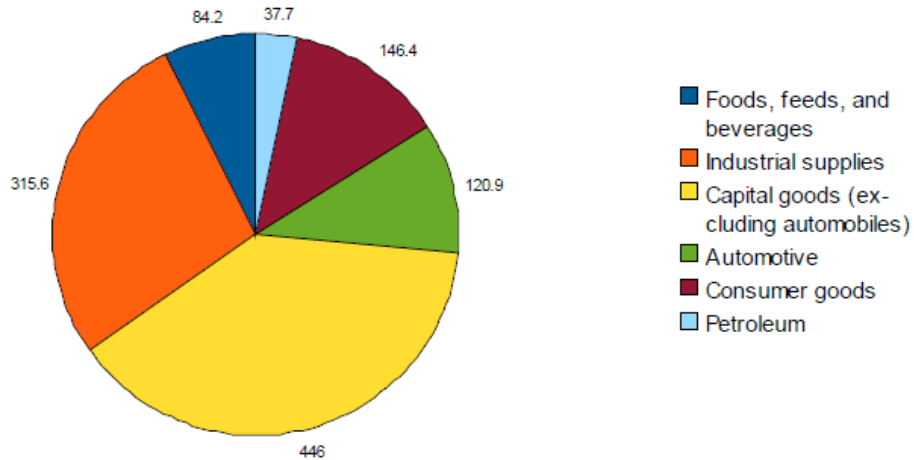
<b>Candidate A</b>	Place X here if you favor this candidate’s views on trade	<b>Candidate B</b>	Place X here if you favor this candidate’s views on trade
<p>The U.S. must do everything it can to limit trade with the rest of the world. We are a country rich in resources that needs little from other countries. By learning how to survive on our own, we will keep jobs here, end our dependence on the goods produced in other countries, and as a result realize a higher standard of living.</p>		<p>By engaging in international trade, the U.S ensures a more prosperous life for most Americans. We trade to provide an expanded market for goods produced here and to meet our growing needs for resources like oil, gas, and timber found elsewhere around the globe. Sure, world trade results in some people losing their jobs here. However, as a result of engaging in trade with other nations, many more, and even better, jobs are created for Americans than are lost.</p>	

### HANDOUT VII.2.B, "Trade Charts"

**Directions:** Study the charts on the following pages and answer the questions below each chart.

#### Chart 1

Figure 1: Top U.S. Exports of Goods in 2007 (in billions of dollars)



The year 2008 marked record-breaking numbers of imports and exports for the United States.

Source: <http://www.census.gov/foreign-trade/statistics/highlights/annual.html>

1. What is the title of this chart? \_\_\_\_\_

2. According to this chart which categories of goods did the U.S. export most and least in 2007?

Most: \_\_\_\_\_ Least: \_\_\_\_\_

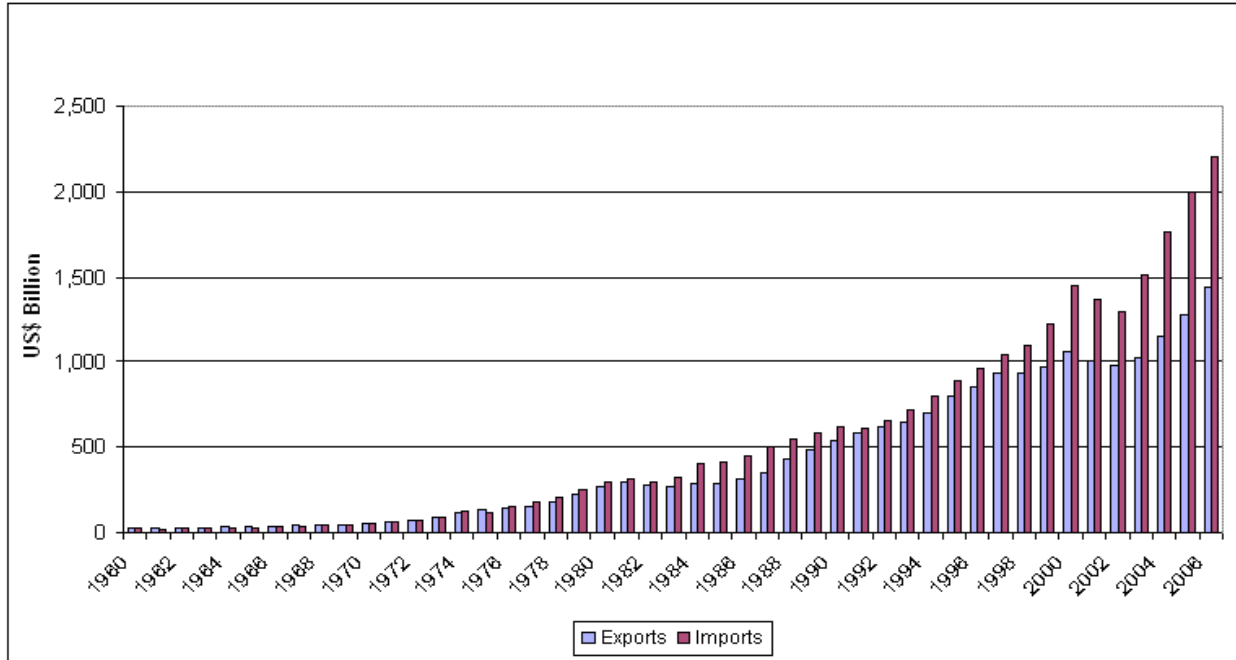
3. As an entrepreneur, what is one conclusion you can draw from the information in the chart?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

HANDOUT VII.2.B, "Trade Charts" (continued)

Chart 2

Figure 2: U.S. Exports and Imports in Goods and Services 1960-2006



Source: <http://www.globalpolicy.org/soecon/crisis/tradedeficit/tables/trade.htm>

1. What is the title of this chart? \_\_\_\_\_
2. In 1988, what was the approximate value of U.S. exports in billions of dollars? \_\_\_\_\_  
 In 1988, what was the approximate value of U.S. imports in billions of dollars? \_\_\_\_\_
3. In 2006, what was the approximate value of U.S. exports in billions of dollars? \_\_\_\_\_  
 In 2006, what was the approximate value of U.S. imports in billions of dollars? \_\_\_\_\_
4. As an entrepreneur, what is one conclusion you can draw from the information in the chart?  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

HANDOUT VII.2.B, "Trade Charts" (continued)

Chart 3



<sup>4</sup> Source: <http://www.census.gov/foreign-trade/statistics/highlights/top/top0810yr.html>

1. What is the title of this chart? \_\_\_\_\_
2. According to this chart, what was the approximate value in billions of dollars of U.S. exports to Germany in 2008? \_\_\_\_\_  
  
What was the value of imports from Mexico in 2008? \_\_\_\_\_
3. List two countries in which the U.S. exports were greater than imports in 2008?  
  
\_\_\_\_\_  
  
\_\_\_\_\_
4. As an entrepreneur, what is one important conclusion you can draw from the information in the chart?  
  
\_\_\_\_\_  
  
\_\_\_\_\_  
  
\_\_\_\_\_



**HANDOUT VII.2.C, “Why Do Countries Export?”**

**Directions:** After listening to the interview that appears in the script below, write one question that you would have asked about exports in the space provided at the end of the script.

<b>VE Student #1</b>	Welcome to WVEE, the Internet radio station for news of interest to VE Entrepreneurship students.
<b>VE Student #2</b>	On today’s broadcast we’ll be interviewing three experts on international trade. They’ll be answering an important question for entrepreneurs: “Why do nations export?”
<b>VE Student #3</b>	I’d like to thank our three experts on international trade for being with us today. Let me begin by asking Expert #1 an obvious question. What is an export?
<b>Trade Expert #1</b>	In international trade, exports are goods that are shipped from your country to another. For example, when an entrepreneur in the U.S. sells his goods to someone in Canada. The goods being sold are U.S. exports.
<b>VE Student #4</b>	Expert #2, so why do countries export goods in the first place?
<b>Trade Expert #2</b>	Let me start with some history and go back almost three centuries to the beginning of the industrial era. At that time countries saw the advantages of selling things to other countries for a couple of reasons. The first reason was that it was a way to get rid of certain goods that you had more of than could be sold in your own country.
<b>Trade Expert #3</b>	A second reason was that you could sell certain goods or services to another country at a higher price that you could get in your own country.
<b>VE Student #5</b>	Is the explanation about why countries export different today?
<b>Trade Expert #1</b>	Somewhat. Developing countries, which are, generally, poorer than industrialized countries, often times produce goods and services that can’t be consumed in their own countries. So the excess amounts are exported to industrialized nations. One example is coffee, which a number of Latin American countries export to the U.S.
<b>VE Student #1</b>	What other reasons would developing nations have for exporting?
<b>Trade Expert #2</b>	For many developing countries, exports also serve the purpose of earning foreign currency, really additional money, with which they can buy essential imports—foreign products that they are not able to manufacture, mine, or grow at home.
<b>VE Student #2</b>	I can see a lot of reasons why nations would export. Are there any risks?
<b>Trade Expert #3</b>	Yes there are dangers. Let’s take the case of Japan, which until 2008 did a booming export business with the United States. That worked well until the great recession hit and suddenly American consumers lost their appetite for spending on Japanese products. As a result, Japanese companies lost a lot of business and the economy suffered heavily.
<b>VE Student #3</b>	That’s about all we have time for today. I’ll like to thank our three guests. Now a word about our next show.
<b>VE Student #4</b>	Our next broadcast will deal with the other side of the trade issue we discussed today. Specifically, we discuss the issue, Why do nation’s import goods from other countries? Have a great day, listeners.
<b>Your Question</b>	

**HANDOUT VII.2.D, “Why Do Countries Import?”**

**Directions:** After listening to the interview that appears in the script below, write one question that you would have asked about imports in the space provided at the end of the script.

<b>VE Student #6</b>	Welcome to WVEE, the Internet radio station for news of interest to VE Entrepreneurship students.
<b>VE Student #7</b>	Today, we’ll be broadcasting Part II of our program on international trade, interviewing three experts on the subject. We’ll be asking the question “Why do nation’s <i>import</i> ,” an issue of great interest to entrepreneurs:
<b>VE Student #8</b>	I’d like to thank our three panelists for being with us today. Let me begin by asking Expert #4 a similar question to the one we started the broadcast about exports with. The question is: “What is an import?”
<b>Trade Expert #4</b>	Imports are goods that are shipped from another country to your country. For example, when the Japanese build a car in their country and sell it here in the U.S. That car is a U.S. import.
<b>VE Student #9</b>	Tell us some of the reasons why countries, even those relatively rich in resources, like the U.S., still rely on importing goods from abroad?
<b>Trade Expert #5</b>	The reasons countries import goods is less obvious than the reasons for exporting. One general reason for importing is to provide goods that are considered essential to the nation’s economic well being or goods that consumers desire but cannot be produced in one’s own country.
<b>VE Student #10</b>	What would be another general reason for importing?
<b>Trade Expert #6</b>	A second reason for importing would be the desire to meet the needs and wants of consumers for goods that can be produced less expensively and more efficiently by another country.
<b>VE Student #6</b>	How about goods like oil? I know the U.S. produces a lot of oil, yet we are still major importers of that source of energy.
<b>Trade Expert #4</b>	We sure are, importing almost 8.5 million barrels a day. However, we use almost 21 billion barrels a day so we have to import oil from Nigeria, Venezuela, Saudi Arabia, and other places.
<b>VE Student #7</b>	I hear people say we should stop importing oil all together. Is that possible?
<b>Trade Expert #5</b>	Possible, but unlikely. To do that we would either have to discover an enormous amount of oil reserves, find a way to produce oil as cheaply as other countries, or use alternatives to oil, which are still difficult to produce and generally very expensive.
<b>VE Student #8</b>	How about other goods like cars? Can’t we stop importing cars?
<b>Trade Expert #6</b>	Even though U.S. car manufacturers produce a wide range of automobiles, the qualities and features of some cars produced in Asia and Europe are preferred by U.S. consumers over American autos.
<b>VE Student #9</b>	Well, we sure learned a lot about why nations trade.
<b>VE Students #10</b>	We also learned why, for better or worse, we’re so dependent on trade.
<b>Your Question</b>	

## UNIT VII / LESSON 3

# Absolute and Comparative Advantage: Explaining International Trade

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**Time Frame:**

**1 day**

**Standards:**

*NES: Economics: Explain the nature of international trade*

*NES: Skills Assess global trends and opportunities:*

*Write informational messages*

*Write persuasive messages*

### Guiding Question

How do the theories of absolute and comparative advantage explain international trade?

### Materials

Handouts VII.3.A–C

### Instructional Objectives

*Students will be able to:*

- explain the theories of absolute and comparative advantage and their relationship to international trade.
- apply theories of absolute and comparative advantage to a hypothetical situation.
- examine the implications of comparative advantage for entrepreneurs.

### Teacher Background

This lesson plan explores the theories of absolute and comparative advantage and their relationship to international trade. In this activity, students will have the opportunity to apply the theory of comparative advantage to a realistic situation in which they are asked to advise the president on trade policy.

### Teaching Strategies/Supporting Activities

- Distribute Handout VII.3.A, “Mary’s Decision.” Have students complete the exercise on the handout. Then have them explain their answers to the following:
  - Summarize in your own words the decision Mary faces.
  - What are the strongest arguments you can make for Mary performing all tasks herself?
  - What are the strongest arguments you can make for Mary hiring an administrative assistant?
  - If you were Mary, what decision would you make about hiring someone?

- Explain to students that the decision Mary faces is somewhat similar to the one that some nations face in deciding whether or not to trade with other nations. Specifically, even when one nation finds it can produce almost everything more efficiently than most other countries, it still must decide whether it would be better off specializing on those products and services that are most profitable to it, allowing other nations to specialize in producing items that are most profitable to them (and less profitable to the first nation). Distribute Handout VII.3.B, "Entrepreneur Online." Have students follow the directions on the handout. Then have them explain their answers to the following:
  - What headline did you create for this article?
  - Based on what you read, how would you compare the theories of absolute and comparative advantage?
  - How does the theory of comparative advantage explain why countries might specialize in producing only certain products even if they can produce all products more efficiently than other nations?
  - How does the theory of comparative advantage explain the expansion of world trade over the past few centuries?
- Distribute Handout VII.3.C, "Trade with Japan: Comparative Advantage Application." Have students complete the exercise on the handout, then have them explain their answers to the following:
  - Describe the existing trade situation with Japan as explained in Handout VII.3.C.
  - How would the "Proposal for the Future" change the existing trade situation with Japan?
  - To what extent is the "Proposal for the Future" based on the theory of comparative advantage?
  - What are the strongest arguments for supporting the "Proposal for the Future?"
  - What are the strongest arguments for opposing the "Proposal for the Future?"

### **Summary/Assessment**

Ask students to explain their answer to the following question:

- If you were the U.S. trade representative, what recommendation would you make to the president about the "Proposal for the Future"?
- What are the lessons entrepreneurs can learn from studying the theory of comparative advantage?

### **Follow-Up**

Have students bring to class a newspaper article that highlights the theory of comparative advantage.

### HANDOUT VII.3.A, “Mary’s Decision”

**Directions:** Read the story below, then complete the chart in the exercise that follows.

*Mary is an entrepreneur who is opening a new business. The business creates web sites for private and public sector companies. Mary knows that she will need a lot of administrative help in running her business. Most of this work involves using various software programs, contacting customers and suppliers about their needs and concerns, and keeping a record of income and expenses. Mary knows that she either can hire someone to do this administrative work or do it herself. If she hires someone, she estimates that person would be needed two days a week, at a rate of pay of \$150 a day. At the same time, Mary thinks that she can probably handle these administrative tasks by herself in probably less than two days’ time, having done similar work while she was a college student. However, if Mary takes on the administrative tasks, she can’t work on creating web sites which pay a lot more than \$150 day. What decision should Mary make about hiring an administrative assistant?*

**Exercise:** In order to help Mary make her decision, complete the chart below by listing at least two advantages in hiring an administrative assistant and two disadvantages in hiring an administrative assistant.

#### Mary’s Decision

Advantages in hiring an administrative assistant	Disadvantages in hiring an administrative assistant
1.	
2.	

## HANDOUT VII.3.B, "Entrepreneur Online"

**Directions:** The excerpt below comes from *Entrepreneur Online*, a make-believe online newspaper for VE students. The excerpt discusses absolute and comparative advantage, two theories that help explain the reasons why international trade is expanding, even between resource-rich industrialized nations and resource-poor, developing nations. Read the article below and create a headline for the story. Write the headline on the line provided.

# Entrepreneur ONLINE

*The Internet Magazine for Virtual Enterprise Entrepreneurs*

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(Write a headline on the line above)

Entrepreneur ONLINE is devoting this issue to two important theories explaining international trade. Before we introduce these theories, ask yourself this question: Would Country XYZ, rich in resources and capable of producing most goods efficiently trade, with Country ABC, poorer in resources and less efficient as a producer? The answer is most definitely yes. Economists would say that Country XYZ has an absolute advantage over Country ABC. **Absolute advantage** refers to the ability of an individual, firm, or country to produce more of a good or service than competitors, using the same amount of resources.

The reason why Country XYZ with an absolute advantage over Country ABC would trade with it is best explained by understanding a second theory, the theory of comparative advantage. **Comparative advantage** refers to the benefit countries derive in international trade when they specialize in making the goods that they produce most efficiently, while allowing other countries to specialize in goods that *they* make most efficiently.

A specific example may help readers better understand the idea of comparative advantage. Take the case of make-believe countries A & B. Assume "A" can produce nearly 10 times as much cotton (a very valuable resource) as "B." In addition, assume "A" can also produce more than five times as many cocoa beans (not as valuable a resource as cotton) as "B." Clearly A would be better than B in producing both cotton and cocoa beans. However, the theory of comparative advantage says that "A" should specialize in producing the goods that it produces most efficiently (cotton) and allow "B" to produce the goods that it produces most efficiently (cocoa beans).

The idea of comparative advantage explains why the U.S. chooses to produce high-end technology products rather than oil, which it chooses to import. In understanding the theory of competitive advantage it is important to realize that each country only has a limited number of people who can spend a limited amount of time on a specific task. Even if one country can produce most things more cheaply than other countries, it cannot produce everything it needs more cheaply, since the time it spends producing some products comes at the expense of producing other products, which might generate more income.

**HANDOUT VII.3.C, “Trade with Japan: Comparative Advantage Application”**

**Directions:** Assume you are the U.S. Trade Representative, the top government official responsible for developing this country’s international trade policies. The president has asked you to study the document below, labeled “U.S. Trade with Japan.” It is a make-believe description of the existing trade relationship with Japan and a proposal for the future. It has two parts. One part is labeled the “Existing Situation,” intended to portray a simplified version of the trade situation between the two nations. The second is labeled, “Proposal for the Future,” putting forth an idea for changing the relationship going forward. After reading both parts of the document, write a memo in the space provided, either supporting or opposing the “Proposal for the Future.”

**U.S. Trade with Japan**

Existing Situation

Assume the U.S. and Japan produce only two types of products which they trade with each other: digital video recorders (DVRs) and bulldozers. Given the quantity of land, labor, and capital that it has, the U.S. can produce three bulldozers and 1,000 DVRs in one year, while Japan can produce two bulldozers and 1,200 DVRs annually. Furthermore, suppose that a bulldozer sells for \$100,000 dollars and a DVR sells for \$200. This situation is illustrated in the following chart:

Product	In one year the U.S. produces (number x suggested price)	In one year Japan produces (number x suggested price)	Total value of the products
Bulldozers	3 x \$100,000 = \$300,000	2 x \$100,000 = \$200,000	\$500,000
DVRs	1,000 x \$200 = \$200,000	1,200 x \$200 = \$240,000	\$440,000
Total Value of Product	\$500,000	\$440,000	\$940,000

Proposal for the Future

The president is considering a proposal for future trade with Japan, as a result of which the U.S. will only make bulldozers, discontinuing the production of all DVRs. For its part, the President will suggest that the Japan make only DVRs, discontinuing all future production of bulldozers. The ‘Proposal for the Future’ is illustrated in the following chart:

Product	Produced by the U.S. (number x cost)	Produced by Japan (number x cost)	Value of the Products
Bulldozers	6 x \$100,000 = \$600,000	0	\$600,000
DVRs	0	2,400 x \$200 = \$480,000	\$480,000
Total Value of Product	\$600,000	\$480,000	\$1,080,000

(The activity on this page is adapted from Economics and Institutions, Amsco Publishing Co.: New York 1997, by Gerson Antell and Walter Harris, pp. 506-7).

**HANDOUT VII.3.C, "Trade with Japan: Comparative Advantage Application" (continued)**

**MEMO**

**From:** The U.S. Trade Representative  
**To:** POTUS (President of the United States)  
**Subject:** U.S.-Japanese Trade

I read your proposal on changing future trade policy with Japan, with great interest.

Here is my opinion on the proposal: \_\_\_\_\_

---

Here are three reasons supporting my opinion on the "Proposal for the Future":

- 1) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
  
- 2) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
  
- 3) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



## UNIT VII / LESSON 4

# Small Business Opportunities in International Trade

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**Time Frame:**  
1 day

**Standards:**  
*NES: Economics: Describe small business opportunities in international trade*  
*Entrepreneurial Processes: Assess global trends and opportunities*  
*Describe entrepreneurial planning considerations*  
*NES: Skills Make oral presentations:*  
*Prepare simple written reports*  
*Participate as a team member*

### Guiding Question

Where are the best opportunities for small businesses involving international trade?

### Materials

Handouts VII.4.A–C

### Instructional Objectives

*Students will be able to:*

- examine some of the business opportunities available for entrepreneurs involving international trade.
- explain the reasons why entrepreneurs are finding expanding opportunities involving international trade at the present time.
- discuss the risks entrepreneurs face doing business with people in other countries.
- analyze Asia, Latin America, and Europe as places entrepreneurs should explore for possible business opportunities.

### Teacher Background

In this lesson students will explore the available small business opportunities that result from international trade. They will consider examples of businesses that already exist, consider the reasons why entrepreneurs should consider doing business on the international stage, and look at areas of the world that are potentially profitable for entrepreneurs.

### Teaching Strategies/Supporting Activities

- Distribute Handout VII.4.A, “Global Opportunities for Entrepreneurs.” Have students follow the directions on the handout. Then have them explain their answers to the following questions:
  - From looking at this handout, what conclusions can you draw about the global opportunities available to entrepreneurs?

- Which business opportunities appearing on this handout interest you most?
- Which of these businesses do you think have the potential to be most successful?
- Distribute Handout VII.4.B, "Calling All Entrepreneurs." Have students follow the directions and complete the exercise on the handout. Then have them explain their answers to the following questions:
  - Why do you think this brochure is titled, "Think Globally, But Beware"?
  - What were some key messages for entrepreneurs in this handout?
  - How would lowering the barriers to trade lead to more opportunities for entrepreneurs?
  - In what ways would advances in technology help entrepreneurs doing business around the world?
  - What are the most important risks for entrepreneurs doing business overseas that are mentioned in this brochure?
  - Do you think the rewards of doing business around the world outweigh the risks?
- Distribute Handout VII.4.C, "Map: Opportunities for Entrepreneurs." Divide the class into groups of four students each. Assign each group the study of business opportunities for entrepreneurs in a different one of the three areas (Latin America, Europe, or Asia) that appear on the map. Have students complete the Map Exercise that accompanies Handout VII.4.C. After they complete this exercise, call on one group that studied Latin America, one group that studied Asia, and one that studied Europe to present their reports to the class. After the three reports are presented, have students explain their answers to the question: "What's the most important thing you learned about opportunities for entrepreneurs in the area you studied?"

### **Summary/Assessment**

Ask students to explain their answer to the following question:

- If you were asked to provide advice to a new entrepreneur who was considering opening a business in another country, what would that advice be?

### **Follow-Up**

Ask students to send letters to select nations outside of North America asking for materials about the small business opportunities outside the United States. Consider creating a bulletin board with the materials the students received from other nations.

## HANDOUT VII.4.A, "Global Opportunities for Entrepreneur"

**Directions:** This page highlights opportunities for entrepreneurs involving trade. Circle three businesses that interest you most.



### Elite Vending Concepts

EVK / Jitterbeans Candy offers a High Energy, Low Cost vending business opportunity. **Startup Costs:** \$4,000 - \$100,000. **Business can be run from home and can be run part-time.**



### Extreme Pita

Extreme Pita, the right concept, Inspiring Healthier Living. Specializing in unique, fresh and healthy Pita sandwiches, and Salads. **Startup Costs:** \$140,500 - \$333,000. **Business can be run part-time.**



### Right at Home

Right at Home is one of the best opportunities in franchising today. The senior care market is HUGE, and GROWING. **Startup Costs:** \$63,590 - \$99,680.



### Environmental Kitchen Solutions

FiltaFry Offers Environmental Sustainability Combined with Franchise Profitability. **Startup Costs:** \$79,000 - \$88,500. **Business can be run from home.**



### Ecoroq USA, Inc.

Ecoroq provides environmental solutions for any business utilizing refrigeration almost anywhere in the world. Potential customers are: Restaurants, Hospitals, Hotels, Food manufacturers, Butchers, Florists, Cafe's, Schools etc. **Startup Costs:** \$100,000 - \$150,000. **Business can be run from home.**



### Yogen Früz

Join the global franchising leader in frozen yogurt. Franchises now available. Prime locations, Training and ongoing support. **Startup Costs:** \$135,565 - \$472,065



### The Utility Company

Revolutionary partnership opportunity designed specifically for the marketing, sales and service delivery of remote managed services and Virtual IT to small- and medium-sized businesses. **Startup Costs:** \$36,321 - \$61,987. **Business can be run from home and part-time.**



### The Growth Coach

Leader in Small Business Coaching provides strategic process to help drive success and balance lives of small business owners and managers. **Startup Costs:** \$47,200 - \$76,400. **Business can be run from home and part-time.**



### Pak Mail

Partner with the premier packing, shipping, and business solutions franchise. Together, we can think beyond the box! **Startup Costs:** \$135,840 - \$166,050.



### Global Broker Training Systems

Earn up to 15% commissions by making business loans from \$25,000 to \$3,000,000. Total independence with full support and training. Unlimited need. No ongoing fees. **Startup Costs:** \$19,950 - \$19,950 **Business can be run from home Can be run part-time.**



### American Leak Detection

We are the world leader in the industry – we created the accurate, non-destructive detection of hidden leaks. We set the standard for non-invasive leak detection. **Startup Costs:** \$83,300 - \$233,500.



### Top Seek Internet Marketing

Leading Internet Services Franchise providing affordable Internet solutions to small and medium size businesses. **Startup Costs:** \$8,900 - \$34,900. **Business can be run from home and part-time.**

## HANDOUT VII.4.B, "Calling All Entrepreneurs"

**Directions:** At a recent conference for entrepreneurs a "Think Globally," brochure was distributed. Excerpts from that brochure appear below. Circle the three most important messages that entrepreneurs can learn from this brochure.

### Think Globally... But Beware

Calling all entrepreneurs! There is a significant competitive advantage to be gained from taking your business to other countries. That's right! If you're interested in being an entrepreneur, look globally, think globally, and act globally. We live in a global economy. This means that the economies of all countries are linked in one marketplace.

Two reasons explain why entrepreneurs should think globally. The first is that trade barriers have fallen. (Trade barriers are restrictions on goods entering or leaving a country. Some examples of trade barriers include quotas and tariffs. Many of these barriers have been lessened or reduced.) This has increased the flow of goods among countries. Three examples of falling trade barriers are:

- 1) North American Free Trade Agreement (NAFTA) which makes trade among Canada, Mexico, and the United States much easier;
- 2) The General Agreement on Tariffs and Trade (GATT) which reduces or eliminates tariffs (Tariffs are taxes imposed by a government on imported and exported goods.) among 117 countries around the world;
- 3) The establishment of World Trade Organization (WTO), the only international organization dealing with the global rules of trade among countries. Its main function is to ensure that trade flows as smoothly, predictably, and freely as possible. Countries that interfere with the free flow of trade or break the rules agreed upon in the WTO face penalties that the WTO can impose.

A second reason that entrepreneurs should think globally is that technology has made the world smaller. As a result, it is easier than ever to communicate with people in other countries using telephones, e-mails, etc. We can set up a small business using the Internet and reach customers anywhere in the world as inexpensively as a large multi-billion dollar company.

Remember, entrepreneurs: opportunities abroad have never been greater. The international market is four times larger than the U.S. market. The top ten

countries for exporting American goods are China and Taiwan, India, the Association of Southeast Asian nations, South Korea, Argentina, Brazil, Mexico, Poland, Turkey, and South Africa. These countries make up 25% of the world's gross domestic product (GDP). (The Gross Domestic Product is the total value of all the goods produced in a given year.) These same ten countries are expected to make up 50% of the world's GDP by 2010.

However, a word of caution is necessary here. Doing business that involves international trade has numerous risks. Among them the most important to consider are the following:

- 1) Size of the market;
- 2) Needs of the customer;
- 3) Nature of the competition.

For example, in doing business in other countries, keep in mind the following:

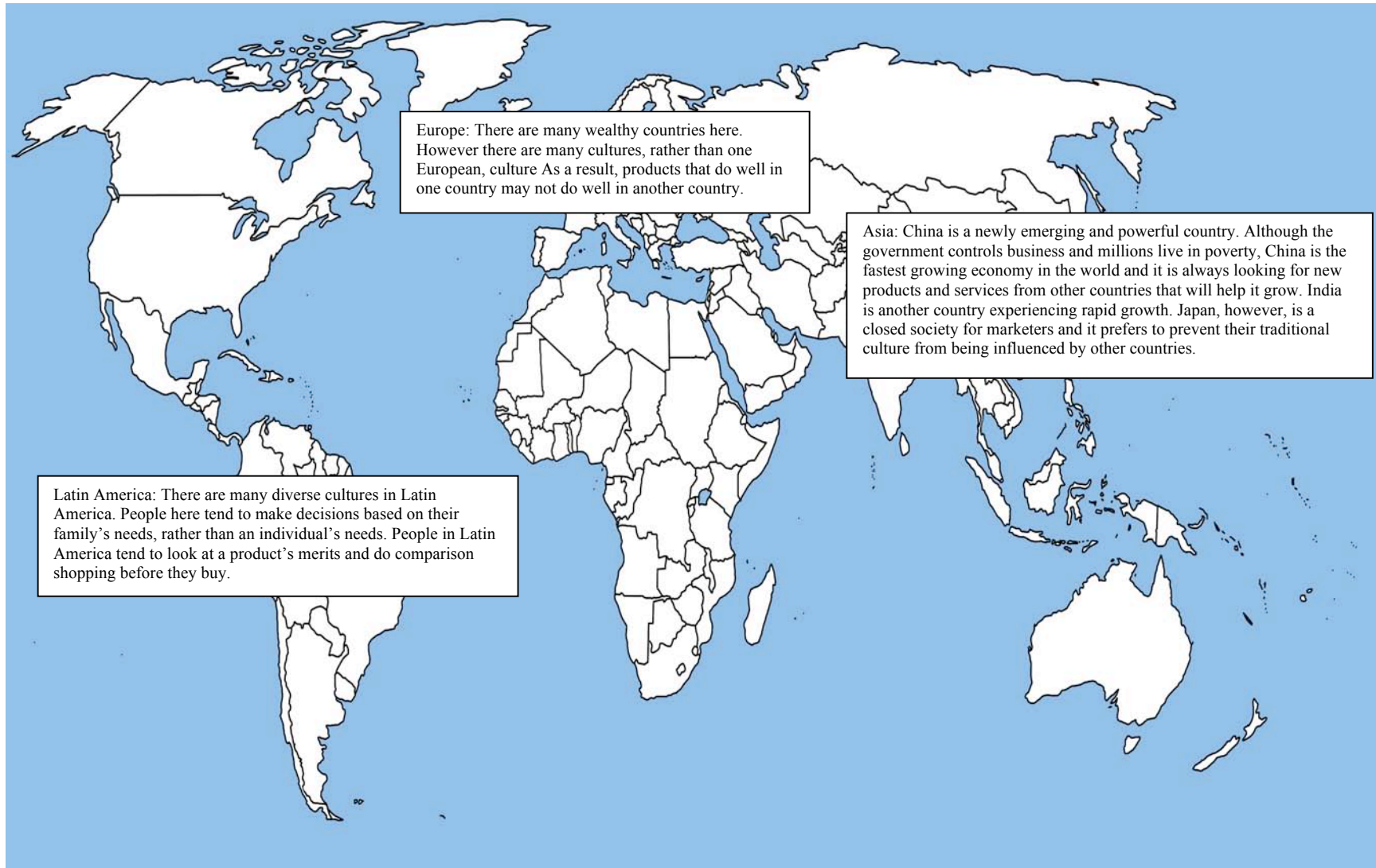
- 1) Local market practices;
- 2) Culture and customs;
- 3) Legal requirements on business;
- 4) Political trends and power structures;
- 5) Currency regulations and/or restrictions;
- 6) Language and communication norms;

Many of these factors change greatly from country to country; it is extremely important to spend the time learning about a market and finding the best partners possible. If you are doing business offshore, ask your bankers, lawyers, and accountants for personal introductions to trusted contacts in your new market. Use these introductions to make sure that you get off to the right start. But, don't rely on advisors alone. You also need to travel there to see things for yourself. Take the time to examine the local situation, get to know your partners, and/or your employees. And do your homework:

- Are you asking your international partners to do something they're experienced in doing?
- How do their references check out?
- Have you evaluated the risks against your expected return?

### **HANDOUT VII.4.C, "Map: Opportunities for Entrepreneurs"**

**Directions:** You will be divided into groups of four and asked to complete the Map Exercise on the following page.





## UNIT VII / LESSON 5

### International Trade Barriers (Part 1)\*

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**Time Frame:**  
*2 days (Day One)*

**Standards:**  
*NES: Economics: Explain the influences on a nation's ability to trade*  
*Entrepreneurial Processes: Assess global trends and opportunities*  
*Describe entrepreneurial planning considerations*  
*NES: Skills Make oral presentations:*  
*Participate as a team member*

#### Guiding Question

How do international trade barriers influence a nation's ability to trade?

#### Materials

Handouts VII.5.A–C

#### Instructional Objectives

*Students will be able to:*

- differentiate among tariffs, quotas, embargoes, subsidies and other barriers to international trade.
- evaluate the beneficial and harmful effects of various trade barriers on the economies of individual nations.
- discuss the ramifications of trade barriers on the opportunities available to entrepreneurs.

#### Teacher Background

Many economists believe that trade restrictions limit world trade, diminish economic efficiency, reduce total production and employment, raise prices, and encourage retaliation. However, most nations employ some form of trade barriers because they find them beneficial to some domestic companies and their workers (at the expense of foreign companies and workers), and domestic consumers. Arguments in support of trade restrictions include the infant industry argument and the national security or strategic industry argument. In this lesson, students will examine a cartoon to learn about the effects trade barriers have on the nations imposing them and on those against whom they are imposed. Students will also learn to differentiate among the different kinds of trade barriers in effect at the present time. Finally, the class will be asked to analyze from various perspectives the pros and cons of imposing trade barriers.

\* (This lesson has been adapted from a lesson developed by the Council on Economic Education that can be found at [ecedweb.unomaha.edu/lessons/feoga.htm](http://ecedweb.unomaha.edu/lessons/feoga.htm).)

## **Teaching Strategies/Supporting Activities**

- Distribute Handout VII.5.A, "Trade Barriers Cartoon." Have students follow the directions on the handout. Then have them explain their answers to the following questions:
  - What do you see in this cartoon?
  - According to this cartoon, what is the effect of trade barriers on the U.S.?
  - According to this cartoon, what is the effect of trade barriers on countries like Argentina, Bolivia, Chile, and Peru?
  - How do you explain the title of the cartoon "Trade Barriers: Uncle Sam's Best Friend?"
- Distribute Handout VII.5.B, "Online About Trade Barriers." Have students follow the directions and complete the exercise on the handout. Then have them explain their answers to the following:
  - What did you learn about the different form of trade barriers from this handout?
  - In your own words, summarize the difference between the four different types of trade barriers mentioned in this handout.
  - Considering that many economists say we are better off without trade barriers, how can you explain why so many nations resort to using one or more of these?
  - Would U.S. entrepreneurs be better off if all trade barriers around the world were eliminated?
- Distribute Handout VII.5.6, "Pros and Cons of Trade Barriers." Have students follow the directions and complete the exercise on the handout. Then, have the explain their answers to the following questions:
  - What are the strongest arguments in favor of trade barriers?
  - What are the strongest arguments against trade barriers?
  - Which side has the stronger arguments?

## **Summary/Assessment**

Ask students to explain their answer to the following question:

- Would the U.S. be better off today if all trade barriers around the world were prohibited?

## **Follow-Up**

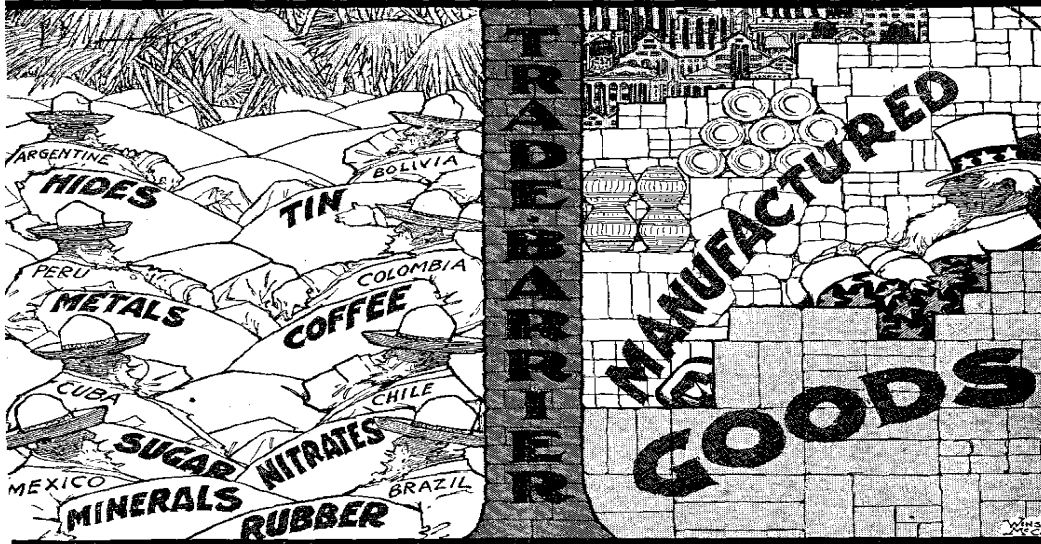
Invite a panel of entrepreneurs in the class to discuss the following question: "Should we eliminate all trade barriers?" In selecting panel members, make an effort to have at least one member who supports existing trade barriers and one who opposes such trade barriers.



**HANDOUT VII.5.A, "Trade Barrier Cartoon"**

**Directions:** To help you understand the meaning of this cartoon, complete the questions that appear below.

**Trade Barriers: Uncle Sam's Best Friend?**



[www.nisk.k12.ny.us/fdr/FDRforeignrelations.html](http://www.nisk.k12.ny.us/fdr/FDRforeignrelations.html)

1. What is the title of this cartoon? \_\_\_\_\_
2. Describe what you see on the left side of the trade barrier.  
 \_\_\_\_\_  
 \_\_\_\_\_
3. Describe what you see on the right side of the trade barrier.  
 \_\_\_\_\_  
 \_\_\_\_\_
4. According to this cartoon, what are some of the ways the U.S. or other countries benefit from these trade barriers? What are some of the ways the U.S. or other countries are harmed by these trade barriers?

Beneficial effects of trade barriers	Harmful effects of trade barriers
1.	1.
2.	2.

**HANDOUT VII.5.B, “Online About Trade Barriers”**

**Directions:** After reading the article below, complete the exercise that follows.

# Entrepreneur ONLINE

*The Internet Magazine for Virtual Enterprise Entrepreneurs*

## Watch Out for Trade Barriers

As entrepreneurs involved in international trade, you will frequently come across the term “trade barriers” in your business. The purpose of this edition of *Entrepreneur ONLINE* is to acquaint you with some of the trade barriers that exist between nations and inform you about how these trade barriers influence a nation’s ability to trade.

As you know, when nations specialize and trade, total world output is increased. In spite of the benefits of international trade, many nations put limits on trade for various reasons. The main types of trade restrictions are tariffs, quotas, embargos, licensing requirements, standards, and subsidies. Here is a list that explains the difference among these trade barriers.

**Tariffs** are taxes put on goods imported from abroad. The effect of a tariff is to raise the price of products made abroad, which discourages exporters from other countries from doing business in the country with the tariffs. On the other hand, tariffs help domestic producers of similar products to sell them at higher prices than they would be able to without the tariffs.

**Quotas** are limits on the amount of goods that can be imported. Putting a quota on a good creates a shortage, which causes the price of the good to rise and allows domestic producers to raise their prices and to expand their production. Quotas obviously limit the amount of goods a foreign producer can sell in certain countries.

**Import or export licenses** are permits required by certain countries that must be obtained before importers or exporters can do business in that country. Very often export licenses have been used to restrict trade with certain countries or to keep domestic prices on agricultural products from rising.

**Subsidies** are grants a government gives to its domestic producers. With the extra money the government gives them, these producers can afford to charge less for their goods than foreign producers. Subsidies make it difficult for foreign producers to do business in certain countries because domestic producers have a substantial advantage due to the grants given them by their governments.

**Exercise:** Identify the type of trade barrier in the four examples below by placing the correct letter in the space provided:

T = Tariff                      I = Import or export license  
 Q = Quota                      S = Subsidy

**Example:**

1. An entrepreneur needs a government permit to sell her goods in Country A.
2. Country B taxes all goods from abroad of the kind Mr. E makes.
3. Country C gives its farmers, who grow apples, a certain amount of money per bushel.
4. Ms. K learns that Country D, in which she’d like to do business, only allows 1,000 imports of the type of good she produces.

**Trade barrier used:**


**HANDOUT VII.5.C, “Pros and Cons of Trade Barriers”**

**Directions:** A chart on the pros and cons of having trade barriers appears below. Use the following symbols to rate each argument: +1 = a strong argument, -1 = a weak argument, 0 = not sure.

<b>Pros</b> “Trade barriers do more good than harm”		<b>Cons</b> “Trade barriers do more harm than good”	
<b>Argument</b>	<b>Rating</b>	<b>Argument</b>	<b>Rating</b>
1. Trade restrictions protect industries and workers in one’s own country.		1. Trade without barriers benefits the world economy and the economies of all nations. Trade barriers limit world trade, which means a reduction in the total number of goods and services produced.	
2. Developing countries need tariffs, quotas, and subsidies to help their industries get started and until they can compete without government help.		2. Reducing imports reduces the income of foreigners. As a result, foreigners will reduce their purchases from other countries, hurting exporting industries and workers in the nation that put the trade restriction on the imports.	
3. Trade barriers keep strategic industries strong. For example, during a war such industries have included steel, cars, chemicals, and munitions, which are vital during a war. One way of insuring that such industries remain strong is to protect them from foreign competition.		3. Trade barriers shift production from more effective exporting producers to less effective domestic producers. When production is lowered, there are fewer workers earning income.	
4. Tariffs and subsidies help domestic farmers earn enough profits to continue farming.		4. Trade restrictions also raise prices, hurting people who now have to pay more for the things they need.	
5. Exporters who control a large part of the world's supply of a product can use trade restrictions to change the terms of trade, reducing the amount of their goods and services they must give up to obtain imports. This was done by the Organization of Petroleum Exporting Countries (OPEC) when they restricted their output of oil in the 1970s. By driving up the price of oil, they were able to get more imports for less oil.		5. Trade limits in one country usually lead to limits being imposed in other countries. If the United States places a high tariff on cars made in Japan, for example, Japan may then put tariffs on American goods sold in Japan.	
6. Trade barriers enable nations whose workers earn relatively higher wages to compete with nations where wages may be far lower.		6. When a country limits trading with others it leads to less competition. Without much competition, companies may also use less efficient production methods. This can lead to the production of goods with poorer quality.	

## UNIT VII / LESSON 6

### International Trade Barriers (Part 2)\*

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**Time Frame:**  
*2 days (Day Two)*

**Standards:**  
*NES: Economics: Explain the influences on a nation's ability to trade*  
*Entrepreneurial Processes: Assess global trends and opportunities*  
*Describe entrepreneurial planning considerations*  
*NES: Skills Make oral presentations:*  
*Participate as a team member*

#### Guiding Question

How do international trade barriers influence a nation's ability to trade?

#### Materials

Handout VII.6.A

#### Instructional Objectives

*Students will be able to:*

- participate in a debate presenting the pros and cons about trade barriers.
- apply what they learned about trade barriers from a previous lesson.
- evaluate the benefits and risks of imposing trade barriers and their effect on entrepreneurs.

#### Teacher Background

In this lesson, the class will be divided into groups. Each group will conduct its own mini-debate about a hypothetical tariff issue, as the students apply what they learned about trade barriers from a previous lesson. After the debates, the whole class will be brought together to examine the tariff issue and evaluate the arguments made in each group by both sides in the debate.

#### Teaching Strategies/Supporting Activities

- Divide the class into approximately six groups, consisting of five members each. Explain that each group will conduct its own mini-debate. Within each of the six groups, assign students the following roles: moderator-note taker (one student), Team A – the side favoring the tariff (two students), and Team B – the side opposing the tariff (two students). If there are extra students, the role of moderator and noter take should be divided into two roles. Distribute Handout VII.6.A, "Debate Scenario, Preparation, and Format."

\* (This lesson has been adapted from a lesson developed by the Council on Economic Education that can be found at [ecedweb.unomaha.edu/lessons/feoga.htm](http://ecedweb.unomaha.edu/lessons/feoga.htm))

- Allow the students 10-15 minutes to read Handout VII.6.A, "Debate Scenario, Preparation, and Format" and prepare for the debate. Be sure to have extra copies available of Handout VII.5.C, "Pros and Cons of Trade Barriers" from the previous lesson, as students will need this handout to prepare for today's mini-debate.
- After the time allotted for debate preparation has expired, tell the moderator of each group to start the debate, following the 10 steps on the handout. The debates should last a maximum of 15 minutes.
- Ask the whole class to come together. Have students explain their answers to the following questions:
  - What did you learn about the tariff issue from these debates?
  - What was the strongest argument raised in your group in favor of the tariff? (Call on participants from 2-3 groups in the class.)
  - What was the strongest argument raised in your group against the tariff? (Call on participants from 2-3 groups in the class.)

### **Summary/Assessment**

Ask the moderators the following question:

- Who won the debate in your group? (Call on 2-3 moderators.)

### **Follow-Up**

As a research assignment, have students investigate a case involving a tariff about which there was considerable controversy. Have students write a newspaper-type article about the controversy in which they identify the tariff issue and briefly explain the pros and cons of the tariff.

## HANDOUT VII.6.A, "Debate Scenario, Preparation, and Format"

**Directions:** Read the debate scenario below and the instructions for preparing for the debate. The moderator should follow the steps in the debate format when the time comes to conduct the debate.

### 1. Debate Scenario

*You live in a town whose major industry is the manufacture of athletic shoes. Workers for the athletic shoe manufacturers are skilled and dedicated. Consequently, they are paid above-average wages. Recently, foreign companies that produce less expensive athletic shoes have begun to challenge the town's producers for the athletic shoe business in the country. As a result of this competition, profits for the hometown shoe manufacturers have begun to sink. More and more consumers around the country have begun buying the less expensive athletic shoes. Now the local athletic shoe manufacturers are asking the U.S. government to pass a tariff on all imported shoes, hoping that it will drive up the price of the imported shoes significantly and discourage the foreign competition.*

### 2. Preparing for the Debate

Each team will be given **10 minutes** to get ready for the debate. Using Handout VII.5.C, "Trade Barriers: Pros and Cons," from the last lesson, for most of their information, Teams A and B should each prepare the following for the debate:

- a. An opening statement of no more than **one minute** in which they make a brief statement of what they intend to prove in the debate (e.g., "In today's debate, we intend to prove that passing this tariff is not only important to the athletic shoe manufacturers in our town, but to all Americans. We will do this by showing that . . .").
- b. At least three arguments, lasting no more than **two minutes**, that they will use during the debate to support their team's point of view (e.g., "The strongest argument favoring our position on the tariff is . . . Another argument in support of our point of view . . . A third reason for supporting our opinion is . . .").
- c. A closing statement of no more than **one minute** in which they will summarize the arguments supporting their team's point of view (e.g., "In today's debate we proved that imposing a tariff would be a big mistake for the following reasons . . .").

(continued)

**HANDOUT VII.6.A, “Debate Scenario, Preparation, and Format” (continued)**

**3. Debate Format**

The debate moderator should lead the debate, following the 10 steps below.

<b>Steps</b>	<b>Maximum time allowed</b>
1. Team A makes its opening statement.	<b>one minute</b>
2. Team B makes its opening statements.	<b>one minute</b>
3. Team A presents its three arguments.	<b>two minutes</b>
4. Team B discusses privately among themselves their responses to the three arguments made by Team A.	<b>two minutes</b>
5. Team B presents to Team A their responses to the three arguments.	<b>one minute</b>
6. Team B presents its three arguments.	<b>two minutes</b>
7. Team A discusses privately among themselves their responses to the three arguments made by Team B.	<b>two minutes</b>
8. Team A presents to Team B their responses to the three arguments.	<b>one minute</b>
9. Team B presents its closing statement.	<b>one minute</b>
10. Team A presents its closing statement.	<b>one minute</b>

## UNIT VII / LESSON 7

### Exchange Rates and Trade\*

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**Time Frame:**  
*1 day*

**Standards:**  
*NES: Economics: Explain the impact on exchange rates on trade*  
*Entrepreneurial Processes: Assess global trends and opportunities*  
*Describe entrepreneurial planning considerations*  
*NES: Skills Make oral presentations*  
*Skills Follow directions*

#### Guiding Question

How do changes in exchange rates affect business between people in different countries?

#### Materials

Handouts VII.7.A–D

#### Instructional Objectives

*Students will be able to:*

- discuss the importance of exchange rates to U.S. entrepreneurs doing business with other countries.
- explain some of the reasons that might cause the exchange rates of a country's currency to increase or decrease in value.
- examine a forward contract and explain how it might mitigate risks for entrepreneurs created by unanticipated changes in exchange rates.

#### Teacher Background

In this lesson, the class will examine how changes in exchange rates between one country and another might impact on people doing business in those countries. Students will discuss some of the reasons explaining why a nation's currency might appreciate (increase in value) or depreciate (decrease in value) relative to another currency. Finally, the class will engage in an exercise in which they attempt to predict how certain events might affect the value of the U.S. dollar.

\* (Some of the materials in this lesson were taken from How Stuff Works: Exchange Rates, which can be found at <http://money.howstuffworks.com/exchange-rate.htm>)



## **Teaching Strategies/Supporting Activities**

- Distribute Handout VII.7.A, “Letter.” Have students explain their answers to the following questions:
  - What do we learn from this letter about foreign exchange rates?
  - According to the letter, why does the entrepreneur have to pay more money for the recent order?
  - After reading the letter on this handout, what question(s) would you want to ask about exchange rates?
  
- Distribute Handout VII.7.B, “How Exchange Rates Work.” Have students follow the directions on the handout, then have them explain their answers to the following questions:
  - What did you learn about how exchange rates work from this reading?
  - Based on what you read here, what kinds of things should an entrepreneur in the U.S. doing business with other countries know about exchange rates?
  - How does this reading explain why one country’s currency might increase or decrease vis-à-vis another country’s currency?
  - Under what circumstances is it a good thing for a country’s currency to increase in value as compared to the value of the currencies of other countries? Under what circumstances is it a bad thing?
  
- Distribute Handout VII.7.C, “Predicting Changes in Exchange Rates.” Have students complete the exercise on the handout, then have them explain their answers to the following questions:
  - Which of the events mentioned in these headlines would most likely result in an increase in the value of Country X’s currency?
  - Which of the events mentioned in these headlines would most likely result in a decrease in the value of Country X’s currency?
  - Which of the events mentioned in these headlines make you uncertain about whether the value of Country X’s currency would increase or decrease?
  
- Distribute Handout VII.7.D, “Forward Contracts.” Have students read the handout. Then have them explain their answers to the following questions:
  - What is a forward contract?
  - How would a forward contract protect a buyer or seller from problems created by changes in a currency’s exchange rate?
  - What are some of the risks involved in signing a forward contract?
  - Would you have advised the entrepreneur who received the letter you read at the beginning of this lesson to sign a forward contract with the seller? If you were the seller, would it be in your interest to agree to a forward contract?

### **Summary/Assessment**

Suppose you worked for an entrepreneur who knew little about exchange rates who asked you for a briefing on what's most important to know. What would you tell him or her?

### **Follow-Up**

As an assignment, have students look in a newspaper or online to find the value of the U.S. dollar vs. the Euro or the Yen (the other major currencies in the world). Each week for two months, have the students look in a newspaper to find one event a week that might have an impact on the value of the U.S. dollar. Have the students save each article they have collected, summarize the story in the article, and predict what effect the story might have on the value of the dollar. After two months, have the students check the value of the dollar to see whether it actually increased or decreased in value, since they first recorded the value of the dollar two months ago. Have them explain, based on the articles they collected, what caused any change in value of the U.S. dollar over the past two months.

### HANDOUT VII.7.A, "Letter"

**Directions:** Read the letter below and follow the instructions that accompany the exercise after the letter.

**Date: Some time in the future**

Dear Entrepreneur:

Thank you for your recent order. We greatly appreciate business from our American customers, like you.

Since you placed your order, there has been a significant change in the dollar/euro exchange rate. As a result of that change, the value of the euro has increased in relation to the dollar. Specifically, at the time you originally placed your order, one dollar could purchase one euro. Today, one dollar can purchase only .80 euro. Due to this change, we find it necessary to inform you that you now owe us an additional \$10,500 for the goods you ordered.

It is with regret that we must take this action. However, as you are aware we discussed this possibility and both agreed that under such circumstances this corporation would be entitled to a price adjustment.

Sincerely,  
Johann Doe, President  
Vienna Technology Corporation

**Exercise:** In the space provided below, write one question about exchange rates that you would like answered, based on the letter above.

Question: \_\_\_\_\_

\_\_\_\_\_ ?

## HANDOUT VII.7.B, "How Exchange Rates Work"

**Directions:** After reading the letter to the entrepreneur in Handout VII.7.A, assume you wanted to learn more about exchange rates. As a result, you went to the Internet and found a web page titled, "How Things Work: Exchange Rates," Read the page below and complete the exercise following the reading.

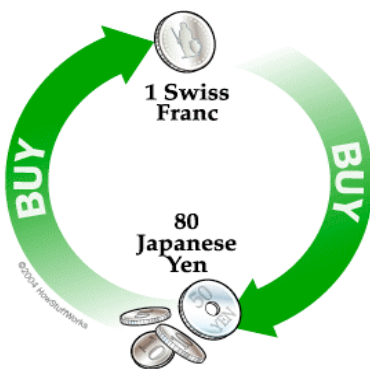
### How Things Work: Exchange Rates

If you've lived in another nation, or traveled abroad you probably know that each country has its own money. What this often means is that if you are in Mexico or Canada, for example, and wish to buy something there you will have to change your American dollars to pesos (the name for the Mexican money) or Canadian dollars (the name for the Canadian money).

You might also be aware that when you turn in your American dollars for another currency for the other currency, the amount of the other country's currency you receive will be probably be different from one day to the next. For example, today one American dollar might buy 12 Mexican pesos. Tomorrow, you might find that one American dollar can only buy 11 Mexican pesos. This is an example of the kinds of changes in foreign exchange rates that occur.

In this article from *How Things Work*, we'll tell you what exchange rates are and explain some of the factors that can affect the value of currency in countries around the world.

National [currencies](#) are vitally important to the way modern economies operate. They allow us to consistently express the value of an item across borders of countries, oceans, and cultures. We need exchange rates because one nation's currency is not always accepted in another. For example, you can't walk into a store in Japan and buy a loaf of [bread](#) with Swiss francs. First, you'd have to go to a [bank](#) and buy some Japanese yen with your Swiss francs. An exchange rate is simply the cost of one form of currency in another form of currency. In other words, if you exchange one Swiss franc for 80 Japanese yen, you really just purchased a different form of money.



You can express that exchange rate as: one Swiss franc costs 80 Japanese yen.

So why do the exchange rates between different currencies change from day to day? Exchange rates between different currencies change for the same reasons as the prices of any goods change; that is, they are affected by the forces of supply and demand. For example, American dollars may be in greater demand than Japanese yen, if people feel that the U.S. economy is stronger than Japan's. In that case the value of the dollar rises relative to the value of the yen. Of course, depending on events, the value of the dollar relative to the yen can go up or down.

Grabianowski, Ed. "How Exchange Rates Work." 06 February 2004. HowStuffWorks.com. <<http://money.howstuffworks.com/exchange-rate.htm>> 16 June 2010.

(continued)

**HANDOUT VII.7.B, "How Exchange Rates Work" (continued)**

**Exercise:** Based upon what you read in *"How Things Work: Exchange Rates,"* indicate whether the statements below are true, false, or you're not sure by placing a check mark in the appropriate box.

Statement	True	False	Not sure
1. The value of one country's currency relative to another country's currency usually stays the same for long periods of time.			
2. In order to purchase an item in another country an American would most likely have to exchange U.S. dollars for the other country's currency.			
3. The reason why most countries have their own currency, rather than all countries using the same currency, has a lot to do with the different colors and designs on each country's flag.			
4. Supply and demand are the most important factors explaining the changes in the value of one country's currency in relation to another.			

**HANDOUT VII.7.C, “Predicting Changes in Exchange Rates”**

**Directions:** Based on what you learned about exchanges rates thus far, predict how the four events below would affect the value of Country X’s currency. For each of the events mentioned in the headlines below, indicate whether you believe the event would most likely cause the value of Country X’s currency to increase, or decrease. If you are not sure, indicate this in the appropriate column. Under “comments” explain the reasons for your answer in one or two sentences.

<b>Headline</b>	<b>Increase</b>	<b>Decrease</b>	<b>Not sure</b>	<b>Comments</b>
1. “Country X Reports Its Inflation Rate Soared Over Past Year”				
2. “Country X Elects New President”				
3. “Most Workers in Country X Report Big Rise in Income”				
4. “5-Year War Ends: Country X Defeats Country Y, Takes over Y’s Huge Oil Fields”				

## HANDOUT VII.7.D, "Forward Contracts"

Entrepreneurs can protect themselves from paying additional money or receiving less money than expected due to exchange rates changes by signing a "forward contract." **A forward contract** is a way for a buyer or a seller to lock in a purchasing or selling price for a product or service with the transaction set to occur in the future. Basically a forward contract is a legal agreement obligating the buyer to buy, and the seller to sell, a given good or service at a predetermined price and date in the future. No cash or valuables are exchanged until the delivery date of the contract. On the delivery date, the buyer pays the seller the agreed-upon price and receives the agreed-upon quantity of the product or services. Because no money exchanges hands initially, there is some risk involved with forward contracts. If the deal does not go through, the buyer may not receive needed goods or services or the seller may not receive needed money.

A very simple forward contract might look like this:

January 1, 2012

ABC Supermarkets agrees to buy from Valdez Coffee 100 pounds of coffee on April 1, 2012 at a price of \$5.00 per pound.

Signed:

ABC Supermarkets \_\_\_\_\_

Valdez Coffee \_\_\_\_\_

According the forward contract above, if on April 1, 2012 the market price of coffee is greater than \$5.00, at say \$6.00 a pound, then ABC has gained something. Rather than having to pay \$6.00 a pound for coffee, it only needs to pay \$5.00. However, ABC's gain is Valdez's loss. Valdez must now sell 100 pounds of coffee at only \$5.00 per pound when it could sell it in the open market for \$6.00 per pound. Rather than ABC giving Valdez \$500 for 100 pounds of coffee as he would for physical delivery, Valdez simply pays the ABC \$100. The \$100 is the cash difference between the agreed upon price and the current market price, or  $(\$6.00 - \$5.00) \times 100$ .

## UNIT VII / LESSON 8

# Cultural Considerations and International Trade\*

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**Time Frame:**  
1 day

**Standards:**

*NES: Economics: Determine the impact of social and cultural environments on international trade*  
*Entrepreneurial Processes: Assess global trends and opportunities*  
*Describe entrepreneurial planning considerations*  
*NES: Skills Make oral presentations*  
*Skills Follow directions*

### Guiding Question

How important is it to understand the cultural differences of people in different countries when doing business with them?

### Materials

Handouts VII.8.A–Z

### Instructional Objectives

*Students will be able to:*

- discuss the value for business people of understanding the cultural differences of people in other countries.
- make presentations about the unique practices involved in doing business in the following countries: Argentina, China, United Arab Emirates, and India.

### Teacher Background

In this lesson, the class will look at some of the different cultural practices for doing business in selected countries. Students will be divided into groups to participate in a cooperative learning activity in which each group learns and makes a presentation about the cultural patterns of doing in business in one of the following countries: Argentina, China, the United Arab Emirates, and India.

\* (This lesson uses materials from “International Business Etiquette and Manners,” which can be found at <http://www.cyborlink.com>)



## **Teaching Strategies/Supporting Activities**

- Distribute Handout VII.8.A, “Doing Business in the U.S.” Have students follow the directions on the handout. Then, have them explain their answers to the following questions:
  - Why would a person doing business in the U.S. be interested in the information provided in this handout?
  - What other advice would you give someone about how to conduct oneself while doing business in the U.S.?
  - How important is it to be knowledgeable about the different cultural practices of people in other countries when doing business in those countries?
  
- Divide the class into groups of four. Distribute a different one of the following handouts to each group: VII.8.B,C,D,E. Have each group read its handout and prepare an oral report for the class. The report should include a discussion about the two most interesting factors of doing business in the country they read about, in each of the following categories: Appearance, Behavior, and Communication.
  
- Call on each group to report on its assigned country. (Remind each group that it should discuss only the two most interesting factors about doing business in those countries in the categories of Appearance, Behavior, and Communication.)
  
- After all the reports are given, have students explain their answers to the following:
  - What did we learn about some of the cultural differences in doing business in other countries?
  - Based on what you heard from these reports, what is the one most important piece of advice that you would give to an American doing business in:
    - Argentina?
    - China?
    - United Arab Emirates?
    - India?

## **Summary/Assessment**

How important is it for an entrepreneur to be aware of the differences we discussed in this lesson?

## **Follow-Up**

Have each student select a country other than the ones discussed in this lesson and write a report about some of the cultural differences entrepreneurs should be aware of in their business dealings. Have students use these reports to create a bulletin board highlighting some of the most important differences in business practices around the world.

### **HANDOUT VII.8.A, "Doing Business in the U.S."**

**Directions:** Assume you were hired by an entrepreneur from a foreign country who wished to do business in the U.S. This businessperson wants you to provide some tips about the culture of doing business in the U.S. by answering the questions below.

#### **Appearance**

In doing business in the office, is it best for:

- A. men to wear a jacket and tie?
- B. women to wear a low cut evening gown?
- C. both men and women to wear shorts when the temperature is over 80° ?

Other suggestions:

#### **Behavior**

At a business luncheon, is it expected that the guest:

- A. will order at least two rounds of alcoholic drinks for the hosts?
- B. will pick up the food in his or her hands?
- C. will take his/her shoes off before eating at a restaurant?

Other suggestions:

When meeting a potential client for the first time:

- A. giving a gift is unnecessary.
- B. giving a large sum of cash is expected.
- C. giving gifts for all unmarried males and females at the office is appropriate.

Other suggestions:

#### **Communication**

In greeting someone you've never met before at a business meeting, is it best to:

- A. kiss people on both cheeks?
- B. shake hands?
- C. say and do nothing?

Other suggestions:

## HANDOUT VII.8.B, "Doing Business in Argentina"

**Directions:** Read the following suggestions for doing business in Argentina. In each of the three categories below, underline the one practice that you think is most different from business customs in the U.S.

### Appearance

- Dress is very important for making a good impression in Argentina; your entire wardrobe will be scrutinized. Business dress is conservative: dark suits and ties for men; white blouses and dark suits or skirts for women. Indian clothing is for Indians—don't adopt any native costumes!
- A sweeping gesture beginning under the chin and continuing up over the top of the head is used to mean "I don't know" or "I don't care."
- With thumb and finger touching (as if holding a pinch of salt), one taps them with the index finger to indicate "hurry up" or "a lot."

### Behavior

- Argentine executives may put in a very long day, often lasting until 10:00 P.M. An 8:00 P.M. business meeting is not unusual.
- Business dinners are popular and are usually held in restaurants; business lunches are uncommon outside of Buenos Aires, since most people go home to eat lunch.
- Long meals and conversation are the norm. Crossing the knife and fork signal "I am finished." Never pour wine back-handed; it's considered impolite. When dining, keep your hands on the table, not in your lap.
- Gifts to be avoided include personal items such as ties and shirts, leather, and knives. High taxes on imported liquor make this a highly appreciated gift; the most popular are Scotch and French champagne.
- If the visitor is entertained in the Argentine home, he/she should arrange to send flowers or candy to his hostess. Bird-of-paradise flowers are highly prized.
- A guest should always wait for the host to sit down before sitting, and to open the door for him before leaving.
- Be punctual for business appointments, but prepare to wait thirty minutes for your counterpart.
- The pace of business in Argentina is slower than in the United States. A meeting that is going well could last much longer than intended, even if it means postponing the next engagement. Argentines often need several meetings and extensive discussion to make deals.

## HANDOUT VII.8.B, "Doing Business in Argentina" (continued)

### Communication

- Handshaking is common when meeting for the first time.
- Address a person directly by using his or her title only. A Ph.D. or a physician is called *Doctor*. Teachers prefer the title *Profesor*, engineers go by *Ingeniero*, Those without professional titles should be addressed as Mr. or *Señor*, Mrs. or *Señora*, or Miss or *Señorita* plus their surnames.
- Argentines are tough negotiators. Contracts are lengthy and detailed. A contract is not final until all of its elements are signed. Any portion can be re-negotiated. Get everything in writing.
- Good conversation topics: soccer, history, culture, home and children, opera.
- Bad conversation topics: the Peron years, religion, the Falkland Islands conflict.

## HANDOUT VII.8.C, "Doing Business in China"

**Directions:** Read the following suggestions for doing business in China. In each of the three categories below, underline the one practice that you think is most different from business customs in the U.S.

### Appearance

- Conservative suits for men with subtle colors are the norm. Women should avoid high heels and short-sleeved blouses.
- The Chinese frown on women who display too much. Revealing clothing for women is considered offensive to Chinese businessmen.

### Behavior

- Do not use sudden or sweeping hand movements. The Chinese do not speak with their hands. Your movements may be distracting to your host.
- Personal contact must be avoided at all cost. It is highly inappropriate for a man to touch a woman in public.
- Do not point when speaking.
- It is illegal to give gifts to government officials; however, it has become more commonplace in the business world. It is more acceptable to give gifts in private. Quality writing pens are considered favored gifts. The following gifts and/or colors are associated with death and should not be given: clocks; straw sandals; a stork or crane; handkerchiefs; or anything white, blue, or black.
- At meals: 1) Do not discuss business. 2) Do not start to eat or drink before the host. 3) Taste all the dishes you are offered, but do not eat all of your meal. If you eat all of your meal, the Chinese will assume you did not receive enough food and are still hungry. 4) Women do not usually drink alcohol. 5) Tipping is considered insulting.

### Communication

- Bowing or nodding is the common greeting; however, you may be offered a handshake. Wait for the Chinese to offer their hand first.
- Applause is common when greeting a crowd; the same is expected in return.
- Being on time is vital in China.
- The decision-making process is slow. You should not expect to conclude your business swiftly.
- Many Chinese will want to consult with the stars or wait for a lucky day before they make a decision.
- Present and receive cards with both hands.
- Never write on a business card or put it in your wallet or pocket. Carry a small card case.
- The most important member of your company or group should lead important meetings. Chinese value rank and status.
- Allow the Chinese to leave a meeting first.

## HANDOUT VII.8.D, "Doing Business in the United Arab Emirates (UAE)"

**Directions:** Read the following suggestions for doing business in the UAE. In each of the three categories below, underline the one practice that you think is most different from the U.S.

### Appearance

- Do not adopt native clothing. Traditional clothes on foreigners may be offensive.
- Despite the heat, most of the body must always remain covered.
- A jacket and tie are usually required for men at business meetings. Men should wear long pants and a shirt, preferably long-sleeved, buttoned up to the collar. Men should also avoid wearing visible jewelry, particularly around the neck.
- Women should always wear modest clothing in public. High necklines, sleeves at least to the elbows are expected. Hemlines, if not ankle-length should at least be well below the knee. Pants or pant suits are not recommended. It is a good idea to keep a scarf handy, especially if entering a mosque.

### Behavior

- When offered a gift, it is impolite to refuse.
- Shoes are often removed before entering a building. Follow the lead of your host.
- Alcohol and pork are not consumed by those that observe the Muslim religion.
- There are several styles of greetings in use; it is best to wait for your counterpart to initiate the greeting. Men shake hands with other men. Some men will shake hands with women; however it is advisable for a businesswoman to wait for a man to offer his hand. A more traditional greeting between men involves grasping each other's right hand, placing the left hand on the other's right shoulder and exchanging kisses on each cheek.
- The left hand is considered unclean and reserved for hygiene. Gesture and eat with the right hand. Do not point at another person.
- Men walking hand in hand is a sign a friendship.
- Do not cross your legs when sitting; showing the bottom of your shoe or foot is offensive.
- The "thumbs up" gesture can also be considered offensive by some.
- Gifts are not necessary, but appreciated. If you do give a gift, it will be opened in private.
- Gifts to avoid giving include: alcohol, pork, personal items such as underwear, knives, toy dogs or gifts that picture dogs, and images of nude or partially clad women (even in paintings or sculptures with artistic merit).

**HANDOUT VII.8.D, "Doing Business in the United Arab Emirates (UAE)" (continued)**

**Communication**

- Do not discuss the subject of women, not even to inquire about the health of a wife or daughter. The topic of Israel should also be avoided. Sports is an appropriate topic.
- Communication is slow, do not feel obligated to speak during periods of silence. "Yes" usually means "possibly."
- Meetings are commonly interrupted by phone calls and visits from friends and family.
- The person at a meeting who asks the most questions is likely to be the least important. The decision maker is likely a silent observer.
- A customary greeting is "*Salaam alaykum.*" Shaking hands and saying, "*Kaif halak*" follows.

## HANDOUT VII.8.E, "Doing Business in India"

**Directions:** Read the following suggestions for doing business in India. In each of the three categories below, underline the one practice that you think is most different from business customs in the U.S.

### Appearance

- Men are generally expected to wear a suit and tie for business, although the jacket may be removed in the summer. Women should wear conservative dresses or pantsuits.
- Shorts are acceptable only when exercising. Women must keep their upper arms, chest, back, and legs covered at all times. Women should wear long pants when exercising.
- The use of leather products including belts or handbags may be considered offensive, especially in temples. Hindus revere cows and do not use leather products.

### Behavior

- The head is considered the seat of the soul. Never touch someone else's head, not even to pat the hair of a child.
- Beckoning someone with the palm up and wagging one finger can be construed as an insult. Standing with your hands on your hips will be interpreted as an angry, aggressive posture.
- Whistling is impolite and winking may be interpreted as either an insult or a sexual proposition.
- Never point your feet at a person. Feet are considered unclean. If your shoes or feet touch another person, apologize.
- Gifts are not opened in the presence of the giver. If you receive a wrapped gift, set it aside until the giver leaves.
- Business lunches are preferred to dinners. Hindus do not eat beef and Muslims do not eat pork.

### Communication

- The word "no" has harsh implications in India. Evasive refusals are more common, and are considered more polite. Never directly refuse an invitation; a vague "I'll try" is an acceptable refusal.
- Do not thank your hosts at the end of a meal. "Thank you" is considered a form of payment and therefore insulting.
- Titles are very important. Always use professional titles.



## UNIT VII / LESSON 9

# Global Business Summit Simulation

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**Time Frame:**  
*2 days (Day One)*

**Standards:**  
*NES: Economics: Evaluate influences on a nation's ability to trade*  
*NES: Skills Assess global trends and opportunities:*  
*Participate as a team member*  
*Make oral presentations*

### Guiding Question

Can the world's industrialized and developing nations resolve the global issues that divide them?

### Materials

Handouts VII.9.A–E

### Instructional Objectives

*Students will be able to:*

- describe the economic situations in the world's most important developing and industrialized nations.
- identify significant economic challenges confronting the world's developing and industrialized nations that will impact on business.
- debate the significant economic issues confronting developing and industrialized nations that impact on business and that are related to globalization.

### Teacher Background

In this two-day culminating activity for the unit on globalization and international trade, students will participate in the Global Business Summit Simulation. In this related summit, students learn about the economic situations existing in some of the key industrialized and developing nations, discuss key business-related issues confronting industrialized and developing nations, and try to resolve these contentious issues to the satisfaction of all. On the first day of this activity, teachers will provide an overview of the simulation, assign roles, and explain the responsibilities of each student. On the second day of the activity, the simulation will take place and will conclude with a debriefing of the activity.

## DAY ONE

### Teaching Strategies/Supporting Activities

- For this lesson, which should be scheduled one week before running the simulation, ask students to bring a newspaper to class. Distribute Handout VII.9.A, “Invitation.” Ask students to follow the directions that accompany the handout. Then have them explain their answers to the following questions:
  - What did you identify as the most important global economic issue to be resolved? (List all issues identified on the board.) Why do you think the issue you identified is so important?
  - Why are issues such as the ones you identified so difficult to resolve?
  - Which of the issues listed is the most important for the nations of the world to resolve?
  
- Explain to students that during the next class they will participate in a simulation in which they will:
  - describe the economic situations (key economic data and other information) in the world’s most important developing and industrialized nations.
  - identify significant economic challenges confronting the world’s developing and industrialized nations.
  - debate and resolve significant economic issues related to globalization.
  
- Assign two students to act as: (1) Summit Chairperson – to lead the class through the Summit agenda (see Handout VII.9.C) and (2) Summit Secretary – to take notes describing what took place at the Summit. Then assign two students each to serve as members of the delegations representing the following countries that will participate in the Summit simulation:
 

United Kingdom	Poland	China
Nigeria	Mexico	Iran
France	Venezuela	India
Russia	Japan	Israel
U.S.A.	Argentina	South Africa
  
- Distribute Handout VII.9.C, “Information Cards” to the class. Explain the assignment, described in the directions on the handout, for each nation’s delegation.
  
- Distribute Handout VII.9.C, “Global Business Summit Agenda.” Review with the class the order of business at the Summit and all tasks for which students will be responsible in Parts I and II of the simulation.

- After reviewing the agenda, distribute Handout VII.9.D. "Background Summit Resolution #1." Make students aware that in the simulation they will be asked to debate and vote on resolutions related to two issues. Resolution #1 deals with global environmental regulations. To prepare them to discuss this resolution, have students follow the directions on the handout. Then have them explain their answers to the following questions:
  - What are the arguments in favor of eliminating environmental regulations to allow for more exploration and use of various energy sources? Which is the strongest argument?
  - What are the arguments against eliminating the environmental regulations to allow for more exploration and use of various energy sources? Which is the strongest argument?
  
- Distribute Handout VII.9.E. "Background Summit Resolution #2." Make students aware that the second resolution they will debate and vote on deals with free trade. To prepare them to discuss Resolution #2, have students follow the directions on the handout. Then have them explain their answers to the following questions:
  - What are the arguments in favor of doing away with all barriers to free trade? Which is the strongest argument in favor of free trade?
  - What are the arguments against free trade? Which is the strongest argument against free trade?

### **Summary/Assessment**

If a real-life Global Business Summit was held to discuss the two resolutions we will be dealing with, what would be the difficulties the nations of the world would have in reaching an agreement?

### **Follow-Up**

Ask students to explain their answers to the following question:

- Besides reading the handouts you received today, what other things might you do to prepare for the simulation?

### HANDOUT VII.9.A, “Invitation”

**Directions:** Read the invitation below and complete the exercise that’s included.

*You are invited to participate in the Global Business Summit Conference.*

*This year’s summit will focus on the major global economic and trade issues that matter most to business people. To help us create a conference that best meets your needs, write in the space below the one global economic issue (dealing with jobs, the environment or international trade) that most concerns you. Think about the issues that were discussed in the lessons about globalization and international trade. Then, in one sentence, explain why this issue is so important.*

*Issue* \_\_\_\_\_

*Why this issue is so important* \_\_\_\_\_

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### HANDOUT VII.9.B, “Information Cards”

Study the information card below for the country you were assigned. Based on what you read on the card, make an oral presentation of no more than one minute at the Summit in which you: 1) Summarize the information on the card describing the economic situation in your country, and 2) identify one economic challenge that your country faces. (The two members of the delegation should divide this work.)

<p>The <b>United Kingdom</b>, a leading trading power and financial center, is one of the major economies of Western Europe. Over the past two decades, the government has greatly reduced public ownership and contained the growth of social welfare programs. The UK has large coal, natural gas, and oil resources, but its oil and natural gas reserves are declining and the UK became a net importer of energy in 2005. Services, particularly banking, insurance, and business services, represent the largest sectors in the economy. In 2008, the global financial crisis hit the economy particularly hard, due to the importance of its financial sector. Presently the British people must confront sharply declining home prices, high consumer debt, and the global economic slowdown all of which pushed the economy into recession in the latter half of 2008.</p>	<p><b>France</b> is in the midst of change. It is moving from a well-to-do modern economy that has featured extensive government ownership and into one that relies much more on privately owned businesses. With at least 75 million foreign tourists per year, France is the most visited country in the world and maintains the third-largest income in the world from tourism. France has weathered the global economic crisis better than most other big European economies. However, France has experienced an economic slowdown recently and an important problem it faces is convincing its people that the government can no longer afford to pay for the services it now provides: health care, early retirement, and extensive unemployment benefits. French citizens pay among the highest taxes in Europe.</p>
<p><b>Russia</b> has undergone significant changes since the collapse of the Soviet Union in 1991, moving from a globally isolated, centrally planned economy to a more market-based and globally integrated economy. Economic reforms in the 1990s privatized most industries. However, this change has led to only a relatively few people gaining great wealth. In 2009 Russia was the world's largest exporter of natural gas, the second largest exporter of oil, and the third largest exporter of steel and primary aluminum. This reliance on selling these goods abroad makes Russia vulnerable to boom-and-bust cycles that occur periodically around the world. A revival of Russian agriculture has taken place in recent years. The economy had grown significantly since the 1998 Russian financial crisis, resulting in increased incomes for most people and the emergence of a middle class. The Russian economy, however, was one of the hardest hit by the 2008-09 global economic crisis as oil prices fell dramatically. The economic decline appears to have bottomed out in mid-2009 and by the second half of the year there were signs that the economy was growing, although slowly. Long-term challenges include a shrinking workforce, a high level of corruption, and poor highways and roads in need of large capital investment.</p>	<p><b>Poland</b>, a developing economy, has experienced many recent changes, moving from a government-run system to one in which private businesses play a key role. Economic growth has been led by consumers spending more, and the private sector increasing investments. Nevertheless, Polish economic growth still trails significantly behind other European giants like Germany, France, and the UK. However, unemployment remains below average in Europe. In 2008 inflation reached more than the upper limit of the National Bank of Poland's target range, but fell in January 2010 due to global economic slowdown. Poland's economic performance could improve over the longer term if the country addresses some of the remaining deficiencies in its road and rail infrastructure and its business environment. Bureaucratic red tape, a burdensome tax system, and corruption keep the private sector from performing up to its full potential. Rising demands to fund health care, education, and the state pension system present a challenge to the Polish Government's effort to keep government spending down. The Polish government has promised to increase workforce participation, reduce public sector spending growth, lower taxes, and increase the privatization of businesses. The government, however, has moved slowly on major reforms.</p>

HANDOUT VII.9.B, "Information Cards" (continued)

<p><b>China's</b> economy during the past 30 years has changed from a centrally planned system that was largely closed to international trade to a more market-oriented economy that has a rapidly growing private sector and is a major player in the global economy. The restructuring of the economy and resulting gains in efficiency have contributed to a more than tenfold increase in GDP since 1978. China in 2009 stood as the second-largest economy in the world after the US, although in per capita terms the country is still lower middle-income. The Chinese government faces numerous economic development challenges, including: (a) reducing its high domestic savings rate and correspondingly low domestic demand; (b) sustaining adequate job growth for tens of millions of migrants and new entrants to the work force; (c) reducing corruption; and (d) containing environmental damage. China is now one of the most rapidly aging populations in the world. Deterioration in the environment—notably air pollution, soil erosion, and the steady fall of the water table—is another long-term problem. The Chinese government seeks to add energy production capacity from sources other than coal and oil, and is focusing on nuclear and other alternative energy development. In 2009, the global economic downturn reduced foreign demand for Chinese exports for the first time in many years. The government vowed to continue reforming the economy and emphasized the need to increase domestic consumption in order to make China less dependent on foreign exports for GDP growth in the future. Many Chinese economists fear that their overheated economy will create inflation.</p>	<p><b>Japan</b> – In the years following World War II, government-industry cooperation, a strong work ethic, and mastery of high technology, helped Japan develop a technologically advanced economy. Today, Japan is the third-largest economy in the world after the US and China. Japan's industrial sector is heavily dependent on imported raw materials and fuels. A tiny agricultural sector is highly subsidized and protected, with crop yields among the highest in the world. For three decades, overall real economic growth had been spectacular. Growth slowed markedly in the 1990s, because of the after-effects of inefficient investment and an asset price bubble in the late 1980s. In October 2007 Japan's longest post-war period of economic expansion ended after 69 months and Japan entered into recession in 2008. A sharp downturn in business investment and global demand for Japan's exports in late 2008 pushed Japan further into a recession. Debate continues on the role of and effects of reform in restructuring the economy and funding to stimulate consumption in the face of a tight fiscal situation. Japan's huge government debt, estimated to have reached 192 percent of GDP in 2009, and an aging and shrinking population, are two major long-run problems.</p>
<p><b>India</b> is developing into an open-market economy. Economic liberalization, including reduced controls on foreign trade and investment, began in the early 1990s and has served to stimulate the country's growth. India's diverse economy encompasses traditional village farming, modern agriculture, handicrafts, a wide range of modern industries, and a multitude of services. Slightly more than half of the work force is in agriculture, but services are the major source of economic growth. India has capitalized on its large educated, English-speaking population to become a major exporter of information technology services and software workers. Domestic demand, driven by purchases of consumer durables and automobiles, has re-emerged as a key driver of growth, as exports have fallen since the global crisis started. India's long-term challenges include widespread poverty, inadequate physical and social infrastructure, limited employment opportunities, and insufficient access to basic and higher education. Over the long-term, a growing population and changing demographics will only make social, economic, and environmental problems even more challenging.</p>	<p><b>Iran's</b> economy is one in which the government plays a major role. The economy relies a great deal on the oil sector, which provides the majority of government revenues. Most economic activity is controlled by the government. Private businesses play a minor role in the economy, limited to small-scale workshops, farming, and services. Government regulations weigh down the economy, preventing private-sector-led growth. High oil prices in recent years allowed Iran to greatly increase its export earnings and collect nearly \$100 billion from other countries. But with Iran's oil export price from March to December 2009 way down and with a slight decline in oil production over the past four years, the Iranian government is facing budget problems. Although inflation has fallen substantially because of lower oil prices, Iran continues to suffer from double-digit unemployment and underemployment. Underemployment among Iran's educated youth has convinced many to seek jobs overseas, resulting in a significant "brain drain."</p>

**HANDOUT VII.9.B, “Information Cards” (continued)**

<p><b>Israel</b>, considered an industrialized nation, has a technologically advanced market economy. It depends on imports of crude oil, grains, raw materials, and military equipment. Despite limited natural resources, Israel has intensively developed its agricultural and industrial sectors over the past 20 years. Cut diamonds, high-technology equipment, and agricultural products (fruits and vegetables) are the leading exports. Roughly half of the government's external debt is owed to the U.S., its major source of economic and military aid. The global financial crisis of 2008-09 led to a brief recession in Israel, but this has shown signs of recovery. The global economic downturn affected Israel's economy primarily through reduced demand for Israel's exports in the United States and Europe, Israel's top trading partners. Exports account for about 45 percent of the country's economy.</p>	<p><b>South Africa</b> is a middle-income, developing economy with an abundant supply of natural resources and well-developed financial, legal, communications, energy, and transport sectors. At the end of 2007, South Africa began to experience an electricity crisis. State power supplier Eskom encountered problems with aged plants, necessitating “load-shedding” cuts to residents and businesses in the major cities. Economic growth was strong from 2004 to 2008, but began to slow in the second half of 2008 due to the impact of the global financial crisis. Serious economic problems remain from the apartheid era—especially poverty, lack of economic empowerment among the disadvantaged groups, and a shortage of public transportation. South Africa's economic policy is fiscally conservative, focusing on controlling inflation, and achieving a budget surplus. More than one-quarter of South Africa's population currently receives social grants from the government.</p>
<p><b>Venezuela</b>, a developing nation, remains highly dependent on selling oil to other nations. Oil accounts for roughly 90 percent of export earnings, about 50 percent of government revenues. As a result of high oil prices, record government spending helped to boost the economy a great deal until 2008, when the world recession hit. Higher government spending, combined with recent minimum wage hikes has led to very high rates of inflation. Imports also jumped significantly before the recession of 2009. Declining oil prices in the latter part of 2008 have prevented the government from spending as much money on social programs. President Hugo Chavez in 2008-09 continued his efforts to increase the government's control of the economy by nationalizing firms in the agribusiness, banking, tourism, oil, cement, and steel sectors. In 2007, he nationalized firms in the petroleum, communications, and electricity sectors.</p>	<p><b>Mexico</b>, a developing nation, has a free market economy. It contains a mixture of modern and outmoded industry and agriculture, increasingly dominated by the private sector. Per capita income is roughly one-third that of the U.S. Large gaps exist between the richest and poorest people in Mexico. Trade with the US and Canada has nearly tripled since the NAFTA began in 1994. Mexico has free trade agreements with over 50 countries including, Guatemala, Honduras, El Salvador, the European Free Trade Area, and Japan, putting more than 90 percent of trade under free trade agreements. In 2009, Mexico's economy took a nose dive as a result of the global recession. Mexico continues to face many economic challenges, including improving the public education system, upgrading roads and highway, modernizing labor laws, and fostering private investment in the energy sector. The government has stated that its top economic priorities remain reducing poverty and creating jobs.</p>

**HANDOUT VII.9.B, "Information Cards" (continued)**

<p><b>Argentina</b>, a developing nation, benefits from rich natural resources, a highly literate population, significant agricultural exports, and a large industrial base. Although one of the world's wealthiest countries 100 years ago, Argentina suffered during most of the 20th century from recurring economic crises, including high inflation. As a result of the downturn in the world economy, Argentina has recently fallen into recession. Its government nationalized private pension funds in late 2008 in an attempt to bolster government coffers, but the move also adversely affected private investment spending.</p>	<p>Oil-rich <b>Nigeria</b>, a developing nation, has struggled because of a weak government, corruption, inadequate roads and highways; and poor governmental economic policies. Nigeria's rulers have failed to change the economy, which depends too much on oil exports. Since 2008 the government has begun showing some willingness will to make important changes, such as modernizing the banking system, curbing inflation by preventing excessive wage demands, and resolving disputes over the distribution of earnings from oil exports. Based largely on increased oil exports and high global crude prices, the economy strongly expanded in 2007-09. Nigeria needs to continue economic reform, with emphasis on improving its poor roads and highways, which are a major impediment to growth. The government is working toward developing stronger public-private partnerships for electricity and roads.</p>
<p>The <b>US</b> has the largest and most technologically powerful economy in the world. In this market-oriented economy, private individuals and business firms make most of the decisions, and the federal and state governments buy needed goods and services predominantly in the private marketplace. Trade is very important to the U.S. However, American exporters face higher barriers to enter their rivals' home markets than foreign firms face entering U.S. markets. The onrush of technology largely explains the gradual development of a "two-tier labor market" in which people lacking the education and the professional/technical skills of those at the top fail to get comparable pay raises, health insurance coverage, and other benefits. Imported oil accounts for about two-thirds of U.S. consumption. Long-term problems include inadequate investment in economic infrastructure, rapidly rising medical and pension costs of an aging population, sizable trade and budget deficits, and sluggish growth of family income in the lower economic groups. The global economic downturn pushed the United States into a recession by mid-2008, creating the deepest and longest downturn since the Great Depression of the 1930s. Recently, economic conditions have been improving and even though growth has been slow, it appears the recession is over in the U.S.</p>	



## HANDOUT VII.9.C, "Global Business Summit Simulation Agenda"

### Part I

(Time limit for Part I: 20 minutes. Part I consists of **A, B, and C** below. Each delegation **must** participate in A & B and is encouraged to participate in C. For A & B, delegations will be given a total of one minute's time to present. The discussion in C should take no more than five minutes.)

- A. Each delegation will summarize the economic situation in its nation.
- B. Each delegation will describe one significant economic challenge facing their nation.
- C. All delegations are encouraged to participate in a discussion on the following question:

Considering all of the challenges each of your countries face, what is the **one** global economic challenge that you would like to see the developing and industrialized nations devote most of their efforts to combat?

### Part II

(Time limit for Part II: 25 minutes for discussing and voting on each of the resolutions. **Part II consists of D–H.**)

- D. Roll call of all the delegations.
- E. Discussion of Resolution #1: "**Global environmental standards should be suspended to allow for the discovery and use of vital energy resources such as oil.**" For the discussion of this resolution, each delegation is encouraged to give its opinion (*10 minutes maximum time to discuss this resolution*).
- F. Vote on Resolution #1. (Each nation will have only one vote, no matter how many people are in the delegation.)
- G. Discussion of Resolution #2: "**All trade barriers, such as tariffs, quotas, and trade subsidies shall be eliminated.**" For the discussion of this resolution, each delegation is encouraged to give its opinion (*10 minutes maximum time to discuss this resolution*).
- H. Vote on Resolution #2. (Each nation will have only one vote no matter how many people are in the delegation.)

## HANDOUT VII.9.D, "Background Summit Resolution #1"

**Directions:** Read the following page and underline the strongest argument under "Yes" and the strongest argument under "No."

**RESOLVED:** Global Environmental Standards Regulating Exploration and Use of Energy Resources Should Be Relaxed.

### Yes

Global environmental standards regulating the exploration and use of energy resources should be relaxed for a number of reasons. First, relaxing environmental standards would encourage the growth of business and allow for the creation of jobs. Taking actions like drilling for oil will lower the price of this vital resource, leading to another economic boom. Second, most nations are too dependent on others for their energy resources—eliminating these standards for a period of time would lessen the dependence of importing oil from other nations. The exploration for alternative energy sources could be achieved without damaging the environment. Finally, encouraging the exploration and use of energy resources, without fear of penalties resulting from environment regulations, will create millions of jobs in nations around the world.

### No

Those who argue that we should relax, reduce, or eliminate global regulations protecting our environment are missing an important point. That is, the reason why we suffer from oil shortages and the like is due to our excessive demand for such products. We must learn to conserve our energy sources and live within our means. Reducing global environmental regulations will harm existing wildlife and disturb our precious eco-system. Current proposals for exploring and using various sources of energy by doing away with environmental regulations provide little guarantee that we will find new sources of energy. Using the example of drilling for oil, even if we allow the activity to proceed without any restrictions, it could take decades before any significant oil is ready for use.

## **HANDOUT VII.9.E, "Background Summit Resolution #2"**

**Directions:** Read the following page and underline the strongest argument under "Yes" and the strongest argument under "No."

**RESOLVED:** Trade Barriers, Such As Tariffs, Quotas, and Other Conditions Should Be Removed  
Worldwide

### **Yes**

#### **1) Free Trade Increases Sales and Profits World wide**

Removal of costly and delaying trade barriers, such as tariffs, quotas, and conditions, inherently leads to easier and swifter trade of consumer goods. The result is an increased volume of sales in all countries. Also, the use of less expensive materials and labor acquired through free trade leads to a lower cost to manufacture goods. The result is either increased profit margins (when sales prices are not lowered) or increased sales volume caused by lower selling prices.

#### **2) Free Trade Creates Jobs**

The theory is that as businesses grow from greatly increased sales and profits, demand will grow for jobs to facilitate the sales increases. A pro-business think tank located in the U.S. issued a report which stated: "Expanded trade was undeniably a key part of the high-growth, low-inflation, high-wage economic expansion of the 1990s; even now it plays a key role in keeping inflation at historically impressive levels and limiting unemployment."

#### **3) Trade Benefits Poorer, Non-Industrialized Countries**

A final argument in favor of reducing trade barriers is that free trade benefits poorer, non-industrialized nations through increased purchases of their materials and labor services by industrialized nations. Economic benefits from international trade arise from the fact that countries are not all the same in their production capabilities. They vary from one another because of differences in natural resources, levels of education of their work forces, technical knowledge, and so on. Without trade, each country must make everything it needs, including things it is not very efficient at producing. When trade is allowed, by contrast, each country can concentrate its efforts on what it does best.

(continued)

## HANDOUT VII.9.E, “Background Summit Resolution #2” (continued)

**RESOLVED:** Trade Barriers, Such As Tariffs, Quotas, and Other Conditions Should Be Removed  
Worldwide

### No

#### 1) Free Trade Has Caused Jobs Losses in Industrialized Nations

While corporate profits soar, individual wages stagnate, held in check at least partly by the brave new fact of offshoring—that millions of jobs in industrialized nations can be performed at a fraction of the cost in developing nations near and far. In his 2006 book *Take This Job and Ship It*, Sen. Byron Dorgan (D-ND) decries, “... In this new global economy, no one is more profoundly affected than American workers... In the last five years, we’ve lost over 3 million U.S. jobs that have been outsourced to other countries, and millions more are poised to leave.”

#### 2) Many Free Trade Agreements Help One Country and Hurt Another

In June 2007, the *Boston Globe* reported about a pending new trade agreement: “Last year, South Korea exported 700,000 cars to the United States while U.S. carmakers sold only 6,000 in South Korea. Surely this agreement did not help U.S. car makers.”

#### 3) Free Trade Often Results in Exploitation of Workers and Damage to the Environment

In Mexico, as a result of NAFTA, real wages have fallen sharply and there has been a steep decline in the number of people holding regular jobs in paid positions. Many workers have been shifted into subsistence-level work in the “informal sector.” Additionally, a flood of subsidized, low-priced corn from the U.S. has decimated farmers and rural economies. The impact on workers in such countries as India, Indonesia, and China has been even more severe, with innumerable instances of starvation wages, child workers, slave-labor hours, and perilous work conditions.

## UNIT VII / LESSON 10

### Global Business Summit Simulation

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**Time Frame:**  
*2 day (Day Two)*

**Standards:**  
*NES: Economics: Evaluate influences on a nation's ability to trade*  
*NES: Skills Assess global trends and opportunities:*  
*Participate as a team member*  
*Make oral presentations*

#### Guiding Question

Can the industrialized and developing nations resolve global issues that divide them?

#### Materials

Handout VII.9.C from Lesson 9

#### Instructional Objectives

*Students will be able to:*

- describe the economic conditions existing in the world's most important developing and industrialized nations.
- identify significant economic challenges confronting the world's developing and industrialized nations.
- debate significant economic issues that are related to globalization confronting developing and industrialized nations.

#### Teacher Background

This is the second day of a two-day culminating activity for the unit on globalization and international trade. On this day, students will actually participate in the Global Business Summit simulation, in which students learn about the economic situations existing in some of the key industrialized and developing nations, discuss key business-related issues confronting industrialized and developing nations, and try to resolve these contentious issues to the satisfaction of all.

#### DAY TWO

#### Teaching Strategies/Supporting Activities

- Distribute Handout VII.9.C, "Global Business Summit Agenda" from Lesson 9 to all students participating in the Summit simulation. (For easy reference, this handout is also included at the end of this lesson.) If possible, arrange desks in the classroom in an oval conference style configuration, with the two members of each country's delegation sitting together.
- Have the chairperson call the meeting to order and then follow the agenda in conducting the Summit simulation.

- After all Summit simulation business has been concluded and all votes have been taken, have students explain their answers to the following debriefing questions:
  - What did you learn from this simulation about the problems facing the developing and industrialized nations of the world?
  - What were the strongest arguments presented in favor of suspending environmental regulations at the present time?
  - What were the strongest arguments presented against suspending environmental regulations at the present time?
  - What were the strongest arguments presented in favor of establishing free trade with all countries?
  - What were the strongest arguments presented against establishing free trade with all countries?
  - How difficult would it be to get the actual nations of the world to resolve issues such as these in a real-life summit meeting?

### **Summary/Assessment**

What other important economics and business issues do you think should be discussed, if an actual Summit meeting were being held today?

### **Follow-Up**

Have students gather research on the most recent G20 meeting, involving 20 of the world's most important industrialized and developing nations. Students should report to the class on the issues the G20 nations discussed and the problems they faced in reaching agreements on those issues.

## HANDOUT VII.9.C, "Global Business Summit Simulation Agenda"

### Part I

(Time limit for Part I: 20 minutes. Part I consists of **A, B, and C** below. Each delegation **must** participate in A & B and is encouraged to participate in C. For A & B, delegations will be given a total of one minute's time to present. The discussion in C should take no more than five minutes.)

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### Part II

(Time limit for Part II: 25 minutes for discussing and voting on each of the resolutions. **Part II consists of D–H.**)

- D. Roll call of all the delegations.
- E. Discussion of Resolution #1: "**Global environmental standards should be suspended to allow for the discovery and use of vital energy resources such as oil.**" For the discussion of this resolution, each delegation is encouraged to give its opinion (*10 minutes maximum time to discuss this resolution*).
- F. Vote on Resolution #1. (Each nation will have only one vote, no matter how many people are in the delegation.)
- G. Discussion of Resolution #2: "**All trade barriers, such as tariffs, quotas, and trade subsidies shall be eliminated.**" For the discussion of this resolution, each delegation is encouraged to give its opinion (*10 minutes maximum time to discuss this resolution*).
- H. Vote on Resolution #2. (Each nation will have only one vote no matter how many people are in the delegation.)