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| **TEXAS CTE LESSON PLAN**[www.txcte.org](http://www.txcte.org) |
| **Lesson Identification and TEKS Addressed** |
| **Career Cluster** | Government & Public Administration |
| **Course Name** | Political Science I |
| **Lesson/Unit Title** | International Trade Policies and the Economy |
| **TEKS Student Expectations** | **130.203 (c) Knowledge and Skills** (6) The student identifies the roles played by local, state, and national governments in public and private sectors of the U.S. free enterprise system (E) The student is expected to explain the effects of international trade on U.S. economic and political policies |
| **Basic Direct Teach Lesson**(Includes Special Education Modifications/Accommodations and one English Language Proficiency Standards (ELPS) Strategy) |
| **Instructional Objectives** | Students will be able to:* Identify international trade agreements established by the US
* Explain how international trade policies affect the US economy
* Explain how political parties and the US government have influenced the US and global economies
* Explain international trade policies in a global economy
* Create a historical chart of international trade agreements
* Research and represent one of the six continents that engage in international trade
* Research and represent a member country of the World Trade Organization
* Present their research of a member country of the World Trade Organization
* Negotiate mock trade agreements
* Explain the positive and negative effects that the World Trade Organization has had on the global economy
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| **Rationale** | International trade policies affect economies worldwide. Understanding the dynamic between trade policies and economies (US and global) allows students to effectively live and work in our globalized economy. |
| **Duration of Lesson** | 7 to 10 hours |
| **Word Wall/Key Vocabulary***(ELPS c1a,c,f; c2b; c3a,b,d; c4c; c5b) PDAS II(5)* | * Balance of Trade – the difference between the value of a nation’s exports and imports; limited to trade in goods
* Bilateral trade – trade between two countries
* Economic Interdependency – a mutual reliance in which actions in nations reverberate and affect the economic well-being of people in other nations
* Fiscal Policy – the deliberate use of the national government’s taxing and spending policies to maintain economic stability
* Free Trade Policy – an elimination of tariffs and nontariff trade barriers so that international trade is expanded
* Global economy – a worldwide economy created by the integration and interdependence of national economies
* Isolationism – a national policy of avoiding participation in foreign affairs
* Subsidies – tax breaks or any kind of financial support that encourage behaviors the government deems beneficial to the public good
* Tariff – a special tax on imported goods
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| **Materials/Specialized Equipment Needed** | * International Trade Policies & the Economy Key Terms
* Computer with Internet access, a projector/screen, and computer-based presentation software
* Computers with Internet access (one per student or one per group) or other research sources
* Computers with computer-based presentation software or other presentation materials (posters, markers, etc.)
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| **Anticipatory Set**(May include pre-assessment for prior knowledge) |  |
| **Direct Instruction \*** | Key PointsI. How do international trade policies affect the global economy?  A. Overview of the global economy 1. The global economy – a worldwide economy created by the integration and interdependence of national economies 2. To participate in the global economy a nation must establish its own trade policies and agreements a) Trade policy (1) Is a collection of tax laws and regulations that supports the country’s international commerce (2) Theoretically, promotes prosperous economies around the world b) Gross domestic product (GDP) (1) Is the total market value of all goods and services produced during the year (2) These goods and services are typically used for trade with other countries 3. A government’s trade policy usually takes one of two basic forms: free trade or protectionism a) Protectionism is similar to the economic isolation approach b) Prior to World War II, most of the world followed the isolationist approach to international trade 4. Isolationism is no longer feasible in today’s global economy a) Most countries are dependent on one another’s economies b) Economic interdependency – a mutual reliance, in which actions in nations reverberate and affect the economic well-being of people in other nations c) The health of America’s economy depends dramatically on the prosperity of its trading partners d) Some of the US’s largest trading partners include: (1) Canada (2) China (3) Japan (4) Mexico B. Basic approaches to constructing international trade policy 1. Protectionist Policy – when countries take steps to close their markets to foreign goods a) The government provides domestic producers with subsidies to help them compete against foreign imports (1) Subsidies – tax breaks or any kind of financial support that encourage behaviors the government deems beneficial to the public good b) The government can protect domestic production by imposing a tariff on imported goods (1) A tariff – a special tax on imported goods  c) This was the trade policy of the US until the Great Depression (1) The first Secretary of the Treasury, Alexander Hamilton, argued that taxes on imported goods could be set high enough to protect American goods (2) Tariffs on imported goods were eventually set so high they contributed to the failure of the American economy and eventually the Great Depression d) In today’s global economy, Communist countries have a protectionist trade policy (e.g. The North Korean government has closed trade relations with many countries and highly regulates its international trade) 2. Strategic Trade Policy – when governments identify key industries that they want to increase then enact policies to support this economic enlargement a) Economic support is provided by offering (1) Tax breaks (2) Low interest loans b) Recently the US government has identified several sectors as key industries (1) Computers (2) Aerospace (3) Biotechnology c) The driving force behind strategic trade policies for many countries is trade with other countries (e.g. The US implemented tax breaks for key industries (above) as an attempt to expand trade relations with China) 3. Free Trade Policy – an elimination of tariffs and nontariff trade barriers so that international trade is expanded  a) This allows for little government interference in international trade (1) Goods and services are traded internationally based on supply and demand (2) Free trade has been the goal of the US since World War II b) By establishing free trade it opens markets to a greater diversity of products and more competition for businesses c) With the elimination of tariffs, the US and other nations can participate in the global marketplace at a lower cost (1) This can help to stimulate the US economy because it creates a larger demand for US goods and services d) If a country cannot produce enough goods and services, it has the opportunity to obtain them from other countries (1) This allows for the economies to remain more stable and provide enough resources for citizensII. What international trade agreements have been established by the US government? A. North American Free Trade Agreement (NAFTA) 1. United the US, Canada, and Mexico 2. Was an attempt to adapt to globalization and incorporate more trading partners for the US 3. Was established in 1993 4. Created the world’s largest regional free trade area a) NAFTA affects 439 million people and $16.2 trillion in goods and services produced annually (O’Conner, Sabato & Yanus, 2011, p. 624) 5. Removed tariffs in order to lower the price of goods and services and transition from protectionism 6. Had the following effects on the US a) Initially NAFTA seemed to benefit the US economy, but that perception has changed since 1993. b) In the 2008 US Presidential election, both John McCain and Barack Obama agreed that NAFTA was hurting the US economy (1) They criticized the loss of American jobs to companies that established operations in Mexico (2) Some companies moved operations to Mexico because labor is cheaper than in the US, which leads to an increase in profits for the companies c) NAFTA was opposed by an alliance in the US known as Citizens Trade Campaign (1) This alliance consisted of environmentalist, labor, and consumer groups (2) These groups opposed NAFTA for various reasons including pollution, loss of American jobs, and a decline in pay for many American workers B. General Agreement on Tariffs and Trade (GATT) 1. A multilateral agreement a) Was established in 1947 b) Was an agreement signed by the US and twenty-three other countries (1) Some of the original GATT members were Belgium, Australia, Cuba, and the US c) Established international trade guidelines and resolved trade disputes from 1947 to 1995 d) Advocated for a free trade policy while punishing countries that still practiced protectionism (1) The US became a part of GATT because its economy was still suffering from the Great Depression and it wanted to expand its economy internationally e) Negotiations for GATT occurred in rounds that initially began in Geneva (1) GATT officially began January 1, 1948, and the US was one of the original members (2) GATT eventually evolved into the World Trade Organization (WTO) in 1995 2. Three basic objectives of the GATT a) To not discriminate against one another in trade matters (1) All trade needed to be equal and countries could not impose trade sanctions for political matters b) To work toward eliminating all tariff and regulatory barriers to trade among its countries (1) Countries worked to lower or even eliminate tariffs in order to increase trade among these allied nations c) To consult and negotiate with one another to resolve any trade conflicts or damages caused by trading activities of another signatory country  (1) All trade conflicts would be resolved by the GATT  C. The World Trade Organization (WTO) 1. Was created on January 1, 1995 by President Bill Clinton and other Democrats under the World Trade Agreement Treaty to replace the GATT 2. Advocates for the same policies as GATT a) Free trade b) Punishment of protectionism 3. Is much larger than GATT ever was; 153 countries are members of the WTO currently (Harrison & Harris, 2011, p. 483) 4. Meets every two years to a) Discuss and deliberate on international trade rules b) Monitor the adherence to international trade rules c) Resolve charges of rules violations 5. Has the objective to remove all types of trade barriers, including obstacles for countries to invest in another country’s economy 6. Accounts for more than 97 percent of trade that occurs around the world 7. Settles trade disputes among countries that are members of the WTO a) More than 30 countries are currently trying to obtain membership in the WTO (Schmidt, Shelly, Bardes & Ford, 2012, p. 606) 8. Has an arbitration panel that consists of members from countries in the WTO a) The arbitration panel settles trade disputes between countries 9. Establishes policies concerning intellectual property, which consists of copyrights and patents 10. Has many groups that oppose it and its effect on the global economy a) The WTO has created political turmoil in the US with regard to economic and social violations b) Activists argue that free trade creates issues such as violations of environmental protection policies (1) Environmentalists argue that global trade is polluting the Earth because of the side effects of manufacturing and heavy traffic in the oceans (2) Many jobs are moved to countries with cheap labor and less environmental restrictions (3) These countries include China, Mexico, and Taiwan c) Labor groups (1) Advocate for human and worker rights around the world (2) Advocate for banning forced and child labor (3) Prohibit discrimination in the workplace (4) Safeguard the rights of workers to organize for collective bargaining purposes (5) Example: International Labour Organization (ILO), which is also a part of the United Nations d) Groups are concerned that free trade (1) Ignores small farmers, goods sold in local markets, and poor people in general (2) Only benefits corporations and big global businesses e) Many Americans are also dissatisfied with the WTO because many believe that it has led to the loss of jobs in the US (1) American labor jobs have been outsourced to countries like China and India because labor is cheaper than in the USIII. How does international trade affect the US economy?  A. Globalization trends 1. Advances in transportation and communication technologies have increased free trade a) As a result, American companies have expanded their markets internationally and reduced their costs b) Many countries are engaged in free trade agreements and have interdependent economies (1) The US economy (a) Is intensively tied to global economic factors (b) Operates at a deficit (c) Is almost $4 trillion in debt to foreign countries (O’Conner, Sabato & Yanus, 2010, p. 580) (i) China=$877.5 billion (ii) Japan=$768.5 billion (iii) Great Britain= $321.7 billion (2) The US economic crisis in 2008 affected all of the countries that had investments in the US economy 2. There has been a drastic reduction of the manufacturing of “American-made” products because of a) Cheap labor costs abroad (1) Lower labor costs create higher profits (2) Even food products are imported from more than 100 countries b) Rising cost of labor in the US (1) The US is required to pay a minimum wage of $7.25/hour to all employees (a) Congress is attempting to pass a bill that would raise minimum wage to $10.10/hour (b) Minimum wage in China is under $3.00/hour (2) An increase in labor costs creates an increase in the price of goods (3) Bringing labor jobs back to the US would increase the price of goods B. Negative balance of trade 1. Balance of trade – the difference between the value of a nation’s exports and imports; limited to trade in goods 2. Current account balance – a much broader term; includes balance of trade in services, unilateral transfers, and other items 3. Both of these balances are becoming increasingly negative for the US a) The US has consistently had a large trade deficit since the late 1970s (Schmdit, Shelly, Bardes & Ford, 2012, p. 607) b) In order for the US to continue to operate at its current level, it must continue to borrow from other countriesIV. How has the US government affected international trade? A. Three broad policy options exist for the US under the free trade approach* 1. Bilateral trade (trade between two nations) is no longer the popular option, but it is still used on a limited basis by the US
		1. In 2008 George W. Bush
			1. Gained congressional approval for bilateral trade agreements with Australia, Chile, and Singapore
			2. Did not gain congressional approval for the agreements he signed with South Korea, Columbia, Panama, and Vietnam
		2. Congress typically opposes bilateral trade agreements for several reasons
			1. Workers’ rights
			2. Labor standards
			3. Environmental protection policies
		3. Globalization and increases in technology have led the US and many other nations to steer away from bilateral trade
	2. The President can override congressional approval/disapproval
		1. Presidents have sought to overcome congressional opposition by obtaining “fast-track authority” that stops legislators from inserting amendments to bilateral trade agreements
		2. Congress gives this power to the President for a specific period of time
			1. This requires Congress to vote on, but not to amend, trade agreements concluded by the President
	3. The Federal Reserve System was established by Woodrow Wilson in 1913 to help regulate the US and global economies
		1. It is composed of a Board of Governors that is
			1. Nominated by the President
			2. Confirmed by the Senate
		2. It includes 12 Federal Reserve Banks and the Federal Open Market Committee
		3. It is responsible for
			1. Setting monetary policy
			2. Supervising and regulating banking
			3. Maintaining stability in all financial markets
			4. Providing financial services to international organizations
1. Some US policies that affect international trade
	1. Trade Act of 1974
		1. Was a result of the US’s involvement in the Cold War for two decades
		2. Was an attempt for Congress and the President to impose tariffs onto Communist countries
		3. Gave the President the power to extend “favorable” tariffs to certain Communist countries
			1. The President could only extend favorable tariffs on a year-by-year basis, and they were subject to congressional review after each year
			2. When the Cold War eventually ended in the early 1990s, President Bill Clinton urged Congress to drop the year-by-year trade policy with China
			3. The US worked with China to create a bilateral trade agreement that made China part of the World Trade Organization in 1999
			4. Clinton worked with Congress to create Permanent Normal Trade Relations (PNTR) that would grant formal trading status to the country of China
			5. The US Chamber of Commerce and Business Roundtable launched a $10 million ad campaign for the passage of this bill (O’Conner & Sabato, 2011, p. 264)
			6. This is the largest ad campaign ever launched for a single legislative issue
			7. The new bill was signed by President Clinton in October 2000 and normal trading status was granted to China
	2. Smoot-Hawley Tariff Act
		1. This act was passed in 1930 in order to protect American industry from international competition by imposing a significant tax on imported goods
			1. This bill raised taxes on imports more than 52 percent (Schmidt, Shelley, Bardes & Ford, 2012, p. 605)
		2. Other nations responded to this by placing high tariffs on American goods that were imported into their country
		3. As a result, international trade dropped dramatically, which

heavily affected the economies of many countries around the world* + - 1. The lower demand for imported goods dropped, which caused many economies to fail
		1. This act sent the US and many other European countries further into the Great Depression

V. How have political parties in the US influenced fiscal policy, as well as the US and global economies? A. US fiscal policy a) Fiscal policy – the deliberate use of the national government’s taxing and spending policies to maintain economic stability b) The President and Congress formulate fiscal policy and conduct it through the federal budget process c) The first significant contemporary application of fiscal policy occurred in the early 1960s with the Democrats and President John F. Kennedy (1) This was an attempt to stimulate the US economy (2) Democrats believed that (a) It was the government’s responsibility to intervene to resolve inefficiencies in the private sector (b) Addressing the budget stimulus could be done by cutting taxes rather than increasing government spending (3) Republicans believed it was not the responsibility of the federal government to oversee the private sector d) The Revenue Act of 1964 (1) Was adopted by President Lyndon Johnson (2) Reduced personal and corporate income tax rates (a) The tax-cut stimulus contributed to the expansion of the American economy abroad and lowered unemployment (b) Republicans Ronald Reagan and George H. W. Bush used a similar philosophy by pushing tax cuts through Congress to stimulate faltering economies B. Fiscal policy in a global context a) Because of economic interdependency, the global economy can essentially be threatened by a single country b) Many modern-day Republicans believe that the US should eliminate as many trade barriers as possible c) Many modern-day Democrats believe that trade sanctions and barriers need to be imposed on countries that do not adhere to human rights, environmental protection, and labor standards |
| **Guided Practice \*** | **Trade vs. Humanity** Divide the class into six groups. Have each group represent one of the six continents that engage in international trade. Have each group identify the major imports and exports, and average minimum wage for a major country on the continent. Then have the students research and identify the labor standards for their assigned countries and identify any difference between imports/exports, minimum wage, and labor standards. Use the students’ research and the following question for class discussion: “What is more important: free trade or human rights?” Use the Research Rubric, the Discussion Rubric and/or the Group Evaluation Rubric for assessment.*Individualized Education Plan (IEP) for all special education students must be followed. Examples of accommodations may include, but are not limited to:*NONE |
| **Independent Practice/Laboratory Experience/Differentiated Activities \*** | **Model World Trade Organization**Have each student represent a member country of the World Trade Organization. Have each student research his or her assigned country and identify the country’s major import/exports, minimum wage, and major trading partners. Have each student create a computer-based presentation of his or her research. Have each student present his or her findings to the class. Then have the students negotiate trade agreements with one another. Use the Individual Work Rubric and/or the Presentation Rubric for assessment.*Individualized Education Plan (IEP) for all special education students must be followed. Examples of accommodations may include, but are not limited to:*NONE |
| **Lesson Closure** |  |
| **Summative/End of Lesson Assessment \***  | * International Trade Policies & the Economy Quiz and Key
* Discussion Rubric
* Group Evaluation Rubric
* Individual Work Rubric
* Presentation Rubric
* Research Rubric

*Individualized Education Plan (IEP) for all special education students must be followed. Examples of accommodations may include, but are not limited to:*None |
| **References/Resources/****Teacher Preparation** | * Edwards, George, Martin Wattenberg, and Robert Lineberry. *Government in America: People, Politics and Policy*. 15. New York City: Longman, 2011. Chapter 17 & 21. Print.
* Harrison, Brigid, and Jean Harris. *American Democracy Now. 2*. New York City: McGrawHill Company, 2011. Chapter 15 & 18. Print.
* O'Conner, Karen, Larry Sabato, and Alixandra Yanus. *American* *Government: Roots and Reform*. 2011. New York City: Longman,2011. Chapter 4 & 18. Print.
* Patterson, Thomas. *The American Democracy*. 9th. New York City: McGraw Hill Higher Education, 2009. Ch. 15 & 18. Print.
* Schmidt, Steffan, Mack Shelley, Barbara Bardes, and Lynne Ford. *American Government and Politics Today*. 2011-2012. Boston:Wadsworth Cenage Learning, 2012. Chapter 17 &19. Print.
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| **Additional Required Components** |
| **English Language Proficiency Standards (ELPS) Strategies** |  |
| **College and Career Readiness Connection[[1]](#footnote-1)** | Social Studies Standards I. Interrelated Disciplines and Skills D. Change and continuity of economic systems and processes1. Identify and evaluate the strengths and weaknesses of different economic systems.
2. Analyze the basic functions and structures of international economics.
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| **Recommended Strategies** |
| **Reading Strategies** |  |
| **Quotes** |  |
| **Multimedia/Visual Strategy****Presentation Slides + One Additional Technology Connection** |  |
| **Graphic Organizers/Handout** |  |
| **Writing Strategies****Journal Entries + 1 Additional Writing Strategy** |  |
| **Communication****90 Second Speech Topics** |  |
| **Other Essential Lesson Components** |
| **Enrichment Activity**(e.g., homework assignment) | Students will write a 2-3-page research paper about the positive and negative effects that the World Trade Organization has had on the global economy. Use the Research Rubric for assessment. |
| **Family/Community Connection** |  |
| **CTSO connection(s)** | SkillsUSABPAFBLA |
| **Service Learning Projects** |  |
| **Lesson Notes** |  |

1. Visit the Texas College and Career Readiness Standards at <http://www.thecb.state.tx.us/collegereadiness/CRS.pdf>, Texas Higher Education Coordinating Board (THECB), 2009. [↑](#footnote-ref-1)