

# 8. U.S. TRADE POLICY

## KEY TERMS

**fast-track authority/trade promotion authority (TPA):** authority given to the U.S. president by Congress to make international trade agreements that Congress can pass or reject but not amend or block by filibuster

**free trade agreement:** a treaty between two or more countries that establishes a free trade zone or area

**General Agreement on Tariffs and Trade (GATT):** the principal method by which international trade agreements were regulated from 1948 until 1995 (when the WTO was formed)

**globalization:** the increasing worldwide integration of world markets for goods and services

**import substitution:** a development strategy that replaces imports with domestic production

**mercantilism:** the economic view that originated in the 16th and 17th centuries with European colonialism that trade should serve to benefit a country, and that therefore imports are generally undesirable and exports are desirable and beneficial

**most favored nation (MFN) status:** the principle of providing every country with the lowest tariffs that any country is receiving

**North American Free Trade Agreement (NAFTA):** the 1994 agreement between the U.S., Canada and Mexico to form a free trade area

**sovereignty:** the right of a nation to control its own people and affairs

**tariff:** a tax on trade

**trade deficit:** the difference between imports of goods and services and exports (i.e., when exports exceed imports)

**trade liberalization:** the reduction or removal of tariffs

**World Trade Organization (WTO):** the international body (formed in 1995, succeeding GATT) that governs international trade agreements and regulations among member nations

# LESSON ONE

## Student Objectives

Upon completion, students will be able to:

- Identify current trends in U.S. public opinion regarding international trade
- Analyze current assumptions about the pros and cons of international trade

## Materials

- Classroom set of Handout #8-1
- *Great Decisions* article
- Computers with access to Internet resources featuring news and current events.

## Time

Approximately 45–60 minutes

## Lesson Development

1. Warm-up/formative assessment: Begin the lesson by showing students recent public opinion polls on American views of foreign trade. What generalizations can students make about:
  - a. recent trends in American attitudes?
  - b. differences in various subgroups (age, gender, ideology, educational level, etc.)?

Ask students to speculate on the reasons why these trends exist.

2. Tell students they will now learn more about American attitudes about international trade, as well as how one author has challenged some of the conventional wisdom about U.S. trade policy. Have them read the *Great Decisions* article (in class or for homework).
3. After students have read the *Great Decisions* article, give them the handout and ask them to complete it. (Allow them to work in pairs or small groups, if desired.) Discuss student responses.
4. Break students into five groups. Assign each group to one of the following “misconceptions about trade.”
  - a. U.S. manufactured goods are not competitive in the world market.
  - b. Free trade always lowers prices to consumers.
  - c. U.S. multinational corporations invest in low-wage countries at the expense of American workers.
  - d. International trade agreements can force the U.S. government to change domestic law.
  - e. Restricting imports will increase U.S. employment.

Give the students 10 minutes to prepare an explanation their assigned misconception to the class orally with the aid of a visual (such as a poster) or brief skit.

# LESSON TWO

## Student Objectives

Upon completion, students will be able to:

- Identify current U.S. trade policies and priorities
- Identify specific individuals and organizations within the U.S. government that are responsible for the creation and execution of foreign trade policy

## Materials

- Classroom set of Handout #8-B
- *Great Decisions* article “U.S. trade policy”
- Access to computers with Internet access to:
  - The White House ([www.whitehouse.gov](http://www.whitehouse.gov))
  - U.S. Trade Representative ([www.ustr.gov](http://www.ustr.gov))
  - U.S. Department of Commerce ([www.commerce.gov](http://www.commerce.gov))
  - U.S. Senate ([www.senate.gov](http://www.senate.gov))

## Time

45 – 60 minutes

## Lesson Development

1. Ask students what they know about how U.S. foreign trade policy is made. Who is responsible for setting priorities? Negotiating trade agreements? Promoting the interests of American consumers and businesses? Discuss.
2. Tell students they will learn more about trade policy through a WebQuest. Give each student a copy of Handout #8-A and a computer with Internet access and ask them to visit the sites listed on the handout as directed. (Alternatively, depending on the availability of computers, students may work on this assignment in pairs, using their own devices or smartphones, or at home.)
3. Once students have completed the WebQuest, discuss: What are the president’s current priorities? How is his administration working to carry these out? Are these priorities the same as those of the Senate?

## Additional Suggestions

Consider extending this lesson by having students learn more about U.S. trade policy with one specific country, such as China or Mexico. What trade agreements exist between the U.S. and this country? Is this country a member of the WTO? What does the U.S. export to and import from this country? Have students share their findings (in writing, small group discussions, or oral presentations to the class).

# HANDOUT #8-1

## CURRENT THREATS FACING THE U.S.

NAME: \_\_\_\_\_

How do the views of economists and economic policy elites differ from those of the American public with regard to the benefits of globalization and free trade? Explain.

Examine what Americans have to gain and to lose by creating a market that is open to foreign imports.

Complete the following chart.

|                           | <b>Benefits of open trade</b> | <b>Disadvantages of open trade</b> |
|---------------------------|-------------------------------|------------------------------------|
| <b>U.S. Consumers</b>     |                               |                                    |
| <b>U.S. Manufacturers</b> |                               |                                    |

Explain how the author challenges the following conventional view of foreign trade known as mercantilism: Imports are bad because they result in a loss of jobs, while exports create jobs. What do you think of this statement?

## **HANDOUT #8-2**

### **WEBQUEST: U.S. TRADE POLICY**

**NAME:** \_\_\_\_\_

Visit the White House website ([www.whitehouse.gov](http://www.whitehouse.gov)) and search for recent statements and events related to international trade policies of the Obama administration. What do you find? What seem to be the president's priorities? List at least 3 items that you find and what you learned by reading/viewing them.

1.

2.

3.

Find out more about how the administration implements U.S. trade policy by visiting the website of the Office of the United States Trade Representative ([www.ustr.gov](http://www.ustr.gov)). What can you learn about the following topics?

Trade Promotion Authority (TPA) –

World Trade Organization (WTO) –

Current statements or actions of the President or other U.S. officials –

Find out how the Commerce Department ([www.commerce.gov](http://www.commerce.gov)) works to make U.S. businesses more competitive abroad. What can you find out about the president's policy initiatives from this website?

Visit the Senate's website ([www.senate.gov](http://www.senate.gov)). Find the Senate Foreign Relations Committee webpage. Explore the site and find out what issues related to foreign trade are currently before the committee. What hearings are scheduled (or have been held recently)? What legislation is being considered?