

TRADE IS A TWO-WAY STREET (AND MORE)

OBJECTIVE:

Students will gain a better understanding of the dynamics of trade transactions

KEY POINTS:

- Trade often involves many transactions between many people
- Raw materials produced in one country can return as finished goods

Background: Trade transactions have been thought of as “two-way” for many years. A simple exchange of goods from one country for the cash of another; or the idea that in order for American business to sell their products overseas, we have to let those countries sell products to us. However, as “Erica’s Coffee” shows, in many cases trade transactions are multifaceted with numerous stops along the way.

In the jeans example we saw these trade interactions involving Mecca USA:

- A. The cotton is grown in the U.S., and shipped to Mainland China via ocean-going freighter to be spun into thread.
- B. The thread is transported, often by rail or barge, to a manufacturer called Mou Fung Ltd. in the Kowloon area of Hong Kong. Here it is dyed (with indigo dye made in China), and then woven into fabric for denim jeans.
- C. The rolls of fabric are loaded onto a truck and sent to a factory called Jade Knitting and Manufacturing Company. At Jade, the fabric is cut into the pieces needed for the jeans.
- D. Some of these pieces are actually shipped by rail to another Jade plant in Mainland China to be sewn together, and then sent back to the Hong Kong plant for final assembly. Then the jeans are inspected by employees of the design firm Purple Pin, Mecca USA’s agents in Hong Kong.
- E. Finally, the jeans are packaged and shipped by ocean-going freighters to the U.S. and other countries in containers, where they are then distributed by truck and rail to a retail store.

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ACTIVITY: Research the life cycle of a product

(grades 7-12, adjust expectations to grade level)

Students (as individuals or small groups) select a simple consumer product or food item (shoes, clothing, fruits & vegetables, for example).

Research the following questions and prepare a report for the class that includes a sample of the product and a map which shows all of the locations referenced as well as probable transportation routes and cash flows involved:

1. Where is the product development and design done? Who creates the idea for how a garment is styled, chooses where the raw material should come from, where it should be manufactured and so on?
2. Where did the raw material for the product originate? If there are several possible sources of supply, present a plausible reason for why one source might be more likely than another.
3. Where and how is the raw material turned into the final consumer product? Remember that for clothing and many other goods there may be several intermediate steps involved; for example, spinning yarn and making cloth before the actual finished product is made. In some cases you may find labels that read “Assembled in *–one location–* from components made in *–a different location–*.” Be sure to list all locations on your map.
4. Where is the final product sold? If it is sold in more than one location, select a few representative locations to show on your map.
5. What are the likely transportation routes and modes (truck, rail, river, ocean, and air) from the source of supply to the manufacturing locations to the retail locations?
6. Follow the money. Who gets paid along the way, and how many currencies might be involved in the process (for extra initiative points, bring in some examples of currency from the countries involved)? Chart the money flow on your map.
7. Who works? What jobs are needed along the way to transform a raw material into a useful finished product? Encourage lateral thinking—beyond those workers who actually touch the product; infrastructure workers, regulators, inspectors, transportation workers and so on?

Suggestions for assessment:

- A. Classroom grading—have students evaluate each other for completeness of information and quality of presentation.
- B. Have students send their reports to the companies that they research, requesting feedback.