

The IMF Center of the International Monetary Fund, in partnership with the U.S.'s National Council on Economic Education (NCEE), has launched an instructional program for secondary school students about the effects of globalization and the importance of understanding the dynamics of the global economy. *Thinking Globally: Effective Lessons for Teaching about the Interdependent World Economy* are eight classroom-tested lessons on globalization, comparative advantage, economic growth, exchange rates, and other international topics.

Lessons #1 and 2 focus on the IMF and its role in the global economy.

Lesson #1: [Ten Basic Questions about Globalization](#) focuses on the history, impact and future implications of living in a globalized economic system.

Lesson #2: [What is the IMF and What Does it Do?](#) Introduces the IMF and its role in fostering global economic stability through monetary and financial cooperation.

Lessons #3-8, on trade, international organizations, currencies and foreign exchange, are previously-released lesson plans produced by NCEE.

Lesson #3: [Why People Trade](#) Students participate in a trading simulation and use this experience to discover the benefits of free trade.

Lesson #4: [Comparative Advantage and Trade in a Global Economy](#) Students observe or participate in a role-play situation in which one person is better at both of two activities.

Lesson #5: ["Hey, Hey! Ho, Ho! Why Do We Need the WTO?"](#) Several activities are used to introduce students to six international institutions that play important economic roles, especially in the areas of international trade, finance and development.

Lesson #6: [Why are Some Nations Wealthy?](#) Students work in groups to examine data from several nations regarding size, natural resources and population.

Lesson #7: [Foreign Currencies and Foreign Exchange](#) Students participate in a simulated foreign exchange market. Provides an opportunity for students to use supply and demand analysis to explain how flexible exchange rates are established in currency markets.

Lesson #8: [Exchange Rates: Money around the World](#) Students participate in two auctions to demonstrate the determination of flexible exchange rates and the need for foreign currency to purchase goods from other countries.

See also:

Press Release: IMF Launches Lesson Plans for Secondary School Economics Teachers, September 21, 2005 (<http://www.imf.org/external/np/sec/pr/2005/pr05211.htm>)

Lesson plans #1-8 are available in PDF format here:
<http://www.imf.org/external/np/exr/center/econed/index.htm#think>

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LESSON ELEVEN “HEY, HEY! HO, HO! WHY DO WE NEED THE WTO?”

LESSON DESCRIPTION

Several activities are used to introduce students to six international institutions that play important economic roles, especially in the areas of international trade, finance, and development: the World Trade Organization (WTO), the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), the United Nations Department of Economic and Social Affairs (UNDESA), the International Bank for Reconstruction and Development (The World Bank), and the International Court of Justice (The World Court). The WTO is examined in greater depth, and students explore issues related to recent global protests of the WTO.

INTRODUCTION

In November 1999, in Seattle, Washington, protesters smashed windows at a McDonald's, a Starbucks Coffee, an FAO Schwartz toy store, a Joan and David shoe store, and a bank (see Activity 1). Were these violent demonstrations part of “traditional” anti-war protests or protests against U.S. government policy in Central America? No, the protestors were trying to disrupt the annual meeting of the World Trade Organization (WTO). Many people had never heard of the WTO, so media covering the protests had to try to explain – often very incompletely – what the organization does, and why it had suddenly sparked so much controversy.

Since the end of WWII, economic activity has become increasingly globalized, mainly through dramatic increases in the level of international trade (imports and exports), and

related changes in the financial arrangements required to make that trade possible. Inevitably, those developments raised important political issues, too, and during this same period many **international economic institutions** were established or evolved to provide the necessary ‘formal or informal sets of rules’ for the global economy.

Such international economic institutions are not new, however. For example, in the 11th century, the Maghribi tribe of North Africa wanted to expand their trading beyond their borders. At that time, cross-border trade entailed many high risks, including robbery by thieves, legal taxes on or outright prohibitions against imports, and greater uncertainty about prices and product quality for competing goods in other countries. The Maghribi solved many of these problems by developing one of the earliest international networks of overseas trade agents: representatives who looked after Maghribi interests and communicated back to the traders.¹

Since World War II, the global economy has faced similar, but much larger and even more complicated problems. Today, the international institutions listed above try to help nations achieve common but important economic goals. These institutions sometimes do this by providing financial aid, or in other cases by promoting sound economic policies and developing institutions in nations that help to:

- Improve economic efficiency and maintain competitive markets.
- Provide **public goods** (e.g., elementary education and inoculations against infectious diseases) and correct for other **market failures** (e.g., externalities such as pollution).

¹ World Bank. *World development report 2002: Building institutions for markets*. New York, NY: Oxford University Press; 2002, p. 3.

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- Clearly define and enforce **property rights** (i.e., the rights of individuals to own and distribute property).
- Promote economic development in low-income nations.
- Improve the quality of life while lowering the costs of both intranational and international trade by providing better public infrastructure (e.g., transportation systems and basic health and safety services and regulations).
- Encourage sound macroeconomic stabilization policies (i.e., fiscal and **monetary policies**) that help to reduce unemployment and inflation not only in the short run, but especially over the long run.
- Reduce **tariffs** and other barriers to trade.

CONCEPTS

International economic institutions
Gains from trade
Tariffs
Public goods
Market failures
Monetary policy
Property rights
Competition

CONTENT STANDARDS

Voluntary exchange occurs only when all participating parties expect to gain. This is true for trade among individuals or organizations within a nation, and usually among individuals or organizations in different nations.

When individuals, regions, and nations specialize in what they can produce at the lowest cost and then trade with others, both production and consumption increase.

Institutions evolve in market economies to help individuals and groups accomplish their goals. Banks, labor unions, corporations, legal systems, and not-for-profit organizations are examples of important institutions. A different kind of institution, clearly defined and enforced

property rights, is essential to a market economy.

Investment in factories, machinery, new technology, and in the health, education, and training of people can raise future standards of living.

There is an economic role for government to play in a market economy whenever the benefits of a government policy outweigh its costs. Governments often provide for national defense, address environmental concerns, define and protect property rights, and attempt to make markets more competitive. Most government policies also redistribute income.

BENCHMARKS

Free trade increases worldwide material standards of living.

Despite the mutual benefits from trade among people in different countries, many nations employ trade barriers to restrict free trade for national defense reasons or because some companies and workers are hurt by free trade.

When imports are restricted by public policies, consumers pay higher prices and job opportunities and profits in exporting firms decrease.

As a result of growing international economic interdependence, economic conditions and policies in one nation increasingly affect economic conditions and policies in other nations.

Economic growth is a sustained rise in a nation's production of goods and services. It results from investments in human and physical capital, research and development, and technological change, and from improved institutional arrangements and incentives.

When a price fails to reflect all the benefits of a product, too little of the product is produced

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and consumed. When a price fails to reflect all the costs of a product, too much of it is produced and consumed. Government can use subsidies to help correct for insufficient output; it can use taxes to help correct for excessive output; or it can regulate output directly to correct for over- or under-production or consumption of a product.

Governments often redistribute income directly when individuals or interest groups are not satisfied with the income distribution resulting from markets; governments also redistribute income indirectly as side-effects of other government actions that affect prices or output levels for various goods and services.

A government policy to correct a market imperfection is not justified economically if its expected costs exceed its expected benefits.

OBJECTIVES

Students will:

- ◆ Identify six international institutions and the important roles those institutions play in the areas of international trade, finance, and economic development.
- ◆ Summarize the major benefits, criticisms, and misunderstandings that have been identified in recent debates about the World Trade Organization.

TIME REQUIRED

Two class periods

MATERIALS

- Visual 1: Trends in Global Trade, 1950-2001
- Visual 2: International Institutions, or Alphabet Soup
- Five or six varieties of “bite-sized” candy bars; one candy bar per student
- Activity 1: International Institutions, or Alphabet Soup, one copy per student
- Activity 2: International Institutions, Headline Bingo, one bingo card and 24 bingo markers (cut apart) for each student. There are eight different bingo cards, and each student gets one card, so for a class of up to 24 students make three copies of each card; for classes of 25-32 students make four copies of each card; etc. There are 72 markers on the master duplicating page, so three copies of this page provide enough markers for eight students.
- Activity 3: What’s All the Fuss About the WTO?, one copy per student
- Internet access (preferably in a computer lab) for Activity 3 and extension activities

PROCEDURES

1. Tell students they are going to participate in a short simulation to see if they can use their skills as traders to make themselves happier. Hand out one small candy bar per student using many different types of candy (mixed bags of “bite size” versions of popular candy bars work well). After the students have each received one candy bar, before they trade and before they eat the candy, have each student rate the satisfaction that candy bar gives her or him on a one-to-five scale, where one is low and five is high.
2. Ask students to write down their satisfaction score on a piece of paper and turn it in. You (or an aid or student helper) will calculate the average level of satisfaction while the students engage in a trading round. Tell the students they will have two or three minutes to trade with anyone else in the room *if* they choose to do so, but make it clear that no one is required to trade. Conduct the trading round.
3. After the trading round, once again ask students to rate their satisfaction on a 1-5 scale, based on the item they have now. Collect the ratings from students; calculate the average level of satisfaction and display or announce the average pre- and post-trading ratings to the class. Ask students why satisfaction increased after trading. (*People traded when both valued*

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the other's candy bar more than their own. After the trades people were generally more satisfied than before.) Note that while the candy bars are still the same as those originally handed out, now they are held by people who value them more highly. Voluntary trade created gains in satisfaction just by moving the items to people who valued them more highly. This increased satisfaction is an illustration of gains from trade.

4. Did everyone trade? Was everyone “better off” after the trading round? *(Some people were already more satisfied with the kind of candy they received than any other kind that was available; some may have wanted to trade for a candy bar that nobody else was willing to give up. On average, however, the group had greater satisfaction, and in most cases no one will have had a lower satisfaction level. It is possible that someone traded for a candy bar they had never tried before, only to discover that they didn't like it.)* Trade does not guarantee everyone will gain greater satisfaction; but people only trade when they expect to be better off, and the class as a whole should always show greater total and average satisfaction after the trading.

5. Display Visual 1. Ask students to discuss what is shown by the information on the visual, and why that is important. Be sure to point out that global trade has increased dramatically over the last 50 years and ask the following questions: What was the percentage increase in global trade between 1990 and 2000? *(Approximately 80%)*. In 1950 only 7% of total world production was exported; today 23% is exported. Why does the United States (or any other nation) engage in trade with other countries? Why don't we just ‘buy American’? *(Explain that just as in the candy bar trading activity, one key reason is that whenever two or more people trade – whether they live in the same nation or in different nations – they all expect to gain from the trade.)*

6. Explain to students that following the end of World War II, global trade increased as a result of several factors, including lower transportation and communications costs, rising income levels in many countries, and greater cost savings from increased specialization and economies of scale with large factories and assembly-line production methods. There were also several policy initiatives shortly before and after the end of the war designed to reduce trade barriers such as tariffs and quotas on imported products. All of this sharply increased trade activity (see Visual 1), which made the international organizations and institutions dealing with trade, finance, and development even more important.

7. Ask students to discuss the various reasons for, and roles of, economic institutions in a market as outlined in the introduction to this lesson. Display Visual 2. Briefly review each of these roles with students.

8. Distribute Activity 1. Allow time for students to read the brief descriptions of each international institution. Ask students to complete the left column in the chart for Activity 1. When students have finished, display Visual 2 again and fill in the left column as shown on the next page to compile and review student responses.

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Suggested answers for Activity 1:

WTO IMF OECD	Improve economic efficiency and maintain competitive markets.
World Bank UNDESA	Provide public goods (e.g., elementary education and inoculations against infectious diseases) and correct for other market failures (e.g., externalities such as pollution).
WTO World Court OECD	Clearly define and enforce property rights.
World Bank WTO UNDESA	Promote economic development in low-income nations.
World Bank IMF UNDESA	Provide public infrastructure (e.g., transportation systems and basic health and safety regulations).
IMF	Encourage sound macroeconomic stabilization policies (monetary and fiscal policies).
WTO World Court OECD	Reduce tariffs and other barriers to trade.

9. Distribute copies of the International Institutions – Headline Bingo game cards and markers, all taken from Activity 2. Give each student one bingo card (make sure to alternate the eight different forms of these cards as you pass them out) and 24 markers. Tell students that, for the first round, any five markers in a row wins.

10. Slowly read and repeat each headline in Activity 2, International Institutions: Headline Bingo. Instruct students to listen carefully as each headline is read and to place a bingo marker over the name of the organization they think is most likely to be associated with the action occurring in each headline. Remind students that, in order to get a bingo, they must have correctly placed five markers in a row. Offer small incentives to the winners; you may have some leftover candy bars from the trading activity.

11. Once “bingo” is called, have students read back the squares they had marked. Check these against the headlines read. Be certain the spaces the student has covered correspond correctly to the headlines read. If not, resume play until a correct bingo is called. Award prizes. Play additional rounds using several variations of the basic bingo format to check students’ comprehension. For example, require that winners’ markers must form a cross (middle vertical row, middle horizontal row) on their card or that only the top or bottom row may be completed for a win.

12. Review again the major institutional roles played by international organizations, stressing the importance of international trade using Visual 1. This time put special focus on the role played by the World Trade Organization and, if Internet access is available, visit the WTO website. Ask students to summarize the role the WTO plays in

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international trade. (*The WTO is the only international organization dealing with the global rules of trade between nations. Its main function is to ensure that trade flows as smoothly and freely as possible.*) Ask students the following questions: What might happen if the WTO did not exist? (*Countries might try to negotiate trade agreements individually, but the costs of those negotiations would probably be higher.*) Why is international trade easier and more efficient with an international institution like the WTO? (*Trade barriers such as tariffs or quotas are reduced, and without the WTO countries would be forced to settle disputes among themselves, leading to potential conflicts.*)

13. Ask students if they recall hearing about the WTO meetings in Seattle in 1999. Perhaps they recall seeing the protestors smashing windows of Starbucks and McDonald's restaurants and being arrested. Ask students if they recall what the protests were about. Distribute copies of Activity 3 and have

students read the article, "WTO in Seattle: Protestors Smash Landmarks; Delegates Debate Trade Agreements."

14. Briefly discuss the article, and call attention to both sides of the debate, in this case represented by Mike Moore, the WTO Director-General, and Tom Hayden, a political activist. Ask students to summarize the two views. (*Moore: people are better off under a system of free trade because voluntary trade is a "win-win" situation whether trade takes place between people who live in the same city or nation, or between people in different countries; Hayden: free trade - as promoted by WTO - exploits workers and the environment and promotes the agenda of big corporations over the poor.*)

15. The next portion of the lesson requires Internet access, preferably in a computer lab. In small groups, have students use the Internet resources provided in Activity 3 to answer the guiding questions and to complete the data retrieval chart provided.

Sample responses for Activity 3, questions 3 through 5

Issue/Claim	Protestors say...	WTO says... (sample responses drawn from WTO documents)
The WTO dictates policy.	"WTO inappropriately intervenes in domestic and regional affairs in order to enforce international trade policy, undermining the democratic process and contributing to predatory multi-national corporations' strangle-hold over declining nation-states." (from oneworld.com's analysis of trade issues.)	"The WTO does not tell governments how to conduct their trade policies; it is a "member-driven" organization: <ul style="list-style-type: none"> ▪ the rules of the WTO system are agreements resulting from negotiations among member governments, ▪ the rules are ratified by member nations' legislatures, ▪ in the WTO, virtually all decisions are made by consensus among all members."
The WTO ignores development in low-income	"If the GATT was heavily weighted in promoting the interests of the developed countries, the WTO is even more in danger of being an	"Sustainable development is a principal objective of the WTO <ul style="list-style-type: none"> ▪ Developing countries are allowed more time to apply numerous provisions of the WTO

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<p>nations.</p>	<p>instrument of domination by the strong over the weaker and smaller countries.”</p> <p>(Third World Network, quoted on http://www.oneworld.net/campaigns/wto/)</p>	<p>agreements. Least-developed countries receive special treatment, including exemption from many provisions.</p> <ul style="list-style-type: none"> ▪ The needs of development can also be used to justify actions that might not normally be allowed under the agreements, for example governments giving certain subsidies.”
<p>The WTO is anti-environment.</p>	<p>“Environmentalists express concern that years of work negotiating environmental treaties could be disrupted if WTO rules of trade are used to nullify those environmental enforcement measures under the assumptions that they violate free trade principles.” (from greennature.com)</p>	<p>“Many provisions take environmental concerns specifically into account.</p> <ul style="list-style-type: none"> ▪ Beyond the broad principles, specific agreements on specific subjects also take environmental concerns into account. ▪ Subsidies are permitted for environmental protection. Environmental objectives are recognized specifically in the WTO agreements dealing with product standards, food safety, intellectual property protection, etc.”
<p>The WTO destroys jobs.</p>	<p>“The AFL-CIO agrees that the WTO rules encourage exploitation of labor, the degradation of our environment, and do nothing to limit the growing power of multinational corporations and capital. The WTO has undermined the legitimate national regulations protecting the environment, human rights, and public health.” (AFL-CIO Executive Council Statement, 8/4/99, cited at www.disinformation.com.)</p>	<p>“The accusation is inaccurate and simplistic. Trade can be a powerful force for creating jobs and reducing poverty.</p> <ul style="list-style-type: none"> ▪ Freer-flowing and more stable trade boosts economic growth. It has the potential to create jobs, it can help to reduce poverty, and frequently it does both. ▪ The biggest beneficiary is the country that lowers its own trade barriers. The countries exporting to it also gain, but not as much. In many cases, workers in export sectors enjoy higher pay and greater job security. ▪ However, producers and their workers who were previously protected clearly face new competition when trade barriers are lowered. Some survive by becoming more competitive. Others don’t.”

16. Have students use the information they uncovered during the Internet activity to compose a fictional “letter to the editor” that summarizes each side’s arguments and concludes with a statement of the necessity of organizations such as the WTO that perform crucial roles in the global economy.

CLOSURE

Stress that, especially since 1945, trade and other economic activities have become increasingly international in scope. In order to

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facilitate this increased international activity, certain economic institutions have evolved. These institutions play important roles in developing economic policies that improve economic efficiency and maintain competitive markets, provide public goods and correct for other market failures, define and enforce property rights, promote economic development in low-income nations, encourage sound macroeconomic stabilization policies, and reduce tariffs and other barriers to trade. Although some international institutions and organizations – and the policies they have implemented – remain controversial, most economists believe that successful development for low-income nations hinges on the evolution of these key market institutions.

EVALUATION

1. Ask students to write a short essay about why economic institutions might be important to economic growth and development. For example, ask them to briefly consider what might happen in the United States if no institutions played some of the roles outlined above (e.g., well-defined property rights, lower tariffs, etc.). How might the students' lives be different if no institutions existed to fulfill these roles, in terms of what products they purchased or the prices for those products?

2. Now ask students to think about low-income, developing countries. Ask: What might be some benefits of strengthening these economic institutions in such countries? Ask students to reflect on why persistent poverty might be in some ways associated with a lack of these economic institutions.

EXTENSION ACTIVITIES

1. If the class has access to the Internet (preferably in a computer lab), take a few minutes to visit the webpages of the World Bank, the WTO, the IMF, the World Court, the OECD, and the UNDESA. Have students read the description of the organization (generally found in the 'About...' section of the webpage; e.g., 'About the IMF'). Ask students to describe how each organization's objectives contribute to institution building and/or economic development.

2. Revisit Activity 1. Have students add a third column to the data retrieval chart entitled "Comparable Institutions in the United States." Ask students to list at least one organization that fulfills the same institutional role in the United States, at the domestic (national) level rather than international issues and agreements. For example, the Antitrust Division of the Department of Justice is charged with maintaining competitive markets in the United States.

Suggested answers for Extension of Activity 1:

International Institution(s)	Institutional Role	Comparable Institution(s) in the United States
WTO IMF OECD	Improve economic efficiency and maintain competitive markets.	Securities and Exchange Commission Federal Trade Commission Antitrust Division of Dept. of Justice

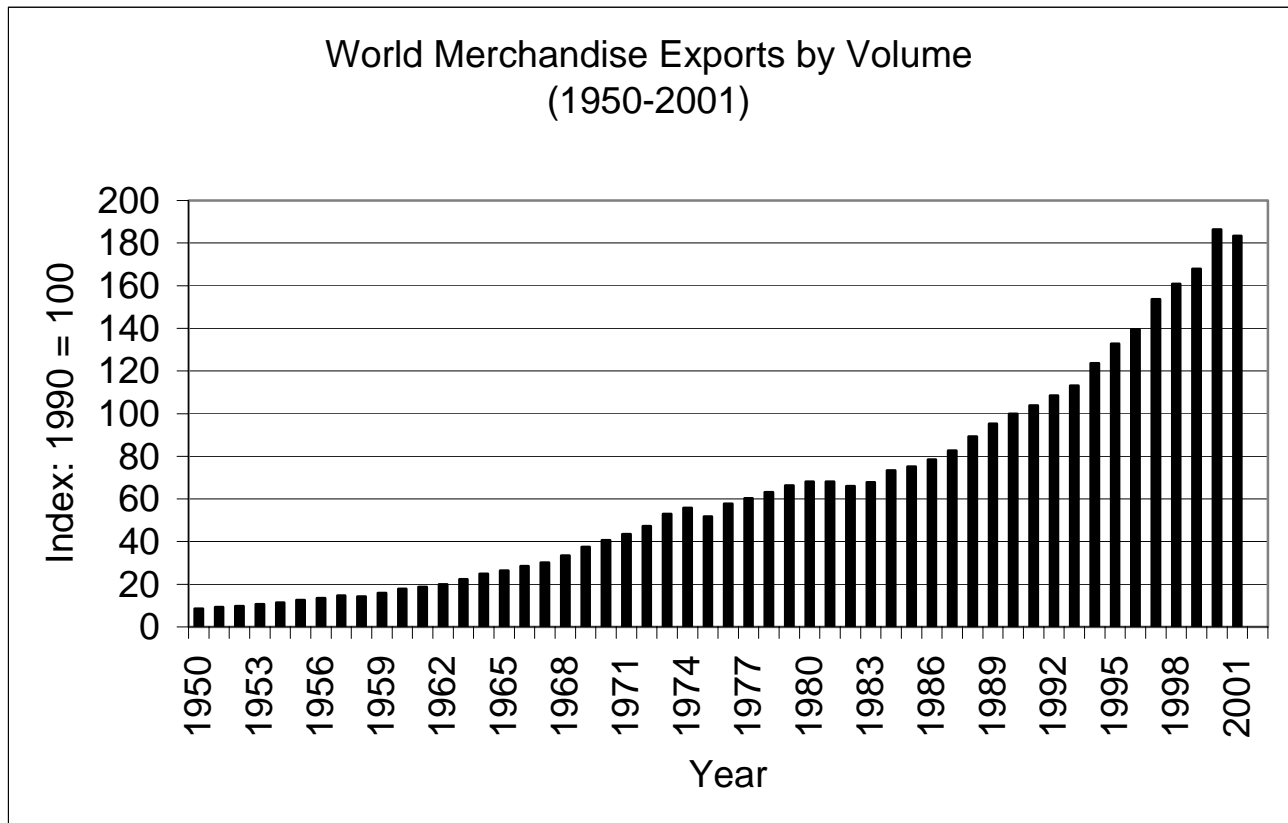
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World Bank UNDESA	Provide public goods (e.g., elementary education and inoculations against infectious diseases) and correct for other market failures (e.g., externalities such as pollution).	Federal, State, and Local Government Environmental Protection Agency
WTO World Court OECD	Clearly define and enforce property rights.	Civil and criminal court systems U.S. Patent and Trademark Office
World Bank WTO UNDESA	Promote economic development.	U.S. Small Business Administration U.S. Economic Development Administration U.S. Patent and Trademark Office
World Bank IMF UNDESA	Provide public infrastructure (e.g., transportation systems and basic health and safety regulation).	Centers for Disease Control Federal Interstate Highways Federal Aviation Administration Dept. of Transportation FDA OSHA
IMF	Macroeconomic stabilization (monetary and fiscal policies).	Federal Reserve System
WTO World Court OECD	Reduce tariffs and other barriers to trade	*U.S. Constitution Interstate Commerce Commission U.S. Department of Justice

* Barriers to interstate trade are prohibited by the U.S. Constitution.

Visual 1

Trends in Global Trade, 1950-2001



Source: World Trade Organization: *Selected Long Term Trends*. (accessed at http://www.wto.org/english/res_e/statistics_e/its2002_e/its02_longterm_e.htm)

Note: The index of world exports is based on the value of exports, first aggregated to obtain regional totals, then aggregated and adjusted to reflect world price levels.

Visual 2 International Institutions, or Alphabet Soup

International Institution(s)	Institutional Role
	Improve economic efficiency and maintain competitive markets.
	Provide public goods (e.g., elementary education and inoculation against contagious diseases) and correct for other market failures (e.g., externalities such as pollution).
	Clearly define and enforce property rights.
	Promote economic development in low-income nations.
	Provide public infrastructure (e.g., transportation systems and basic health and safety regulations).
	Encourage sound macroeconomic stabilization policies (monetary and fiscal policies).
	Reduce tariffs and other barriers to trade.

Activity 1

International Institutions, or Alphabet Soup

Directions

Dozens of organizations deal with different aspects of the global economy – including legal, political, and cultural issues. This activity describes six key international institutions that deal with economic issues: the **International Monetary Fund (IMF)**, the **World Bank** (or, more correctly, the International Bank for Reconstruction and Development), the **World Trade Organization (WTO)**, the **Organization for Economic Cooperation and Development (OECD)**, the **United Nations Department of Economic and Social Affairs (UNDESA)**, and the **International Court of Justice** (The World Court).

Read the brief descriptions of these six institutions below. Website addresses are provided for each of these organizations; if time permits and you have Internet access, visit those sites, too. Then complete the chart below by listing in the left column the abbreviation or short name of the organizations that fulfill each of the roles described in the right column. (Some of the six institutions will be listed more than once, and more than one organization may be listed for some of the roles described in the right column.)

Brief Descriptions

The International Monetary Fund (IMF) (<http://www.imf.org/>)

The IMF was established in 1946 and now has 183 member countries. The primary goals of the IMF are to: (1) promote international monetary cooperation, (2) promote currency exchange stability, (3) facilitate the expansion and balanced growth of international trade, and, (4) support policies that foster economic growth and development, and high levels of employment around the world.

The IMF tries to accomplish these goals by providing temporary financial assistance (basically loans) to countries experiencing short-term economic crises such as rapid decreases in the value in their currency. The hope is that the loans will allow countries to quickly restore conditions conducive to sustained economic growth. More specifically, the assistance can enable countries to rebuild levels of international trade, stabilize their currencies, and continue paying for imports without having to impose trade restrictions or capital controls. The IMF rarely lends for specific capital investment projects designed to promote a nation's economic growth, so it is not a development bank.

The International Bank for Reconstruction and Development (The World Bank)

(<http://www.worldbank.org/>)

Based in Washington D.C. and established in 1945, the World Bank (WB) was originally developed to help European nations rebuild following World War II. Today the WB is the world's largest source of development assistance for less-developed nations, providing nearly \$16 billion in loans each year. The projects funded by these loans target a wide range of issues, including:

- developing social institutions (e.g., the WB funded a Palestinian Authority project to staff its Ministry of Social and Labor Services)

Activity 1 (continued)

- institution-building (e.g., WB funded a project to develop capital markets by strengthening legislation, regulatory capacity, infrastructure, and insurance supervision in Romania.)
- environmental protection (e.g., WB funded a project in Tanzania to reclaim polluted water sources for drinking water)
- private business development (e.g., WB supported a project in Romania to restructure the national savings bank (CEC) in preparation for its privatization)
- macroeconomic stabilization (e.g., WB funded a project in Nepal to support renewed government efforts to improve the banking sector, promote macroeconomic stability, and encourage private-sector-led economic growth)
- poverty reduction (e.g., WB sponsored a project in Vietnam to support efforts to achieve higher growth and reduce poverty).

The World Bank provides financial support for global public goods that are critical for the well-being of poor people in all countries, and for necessary institutional reforms such as anticorruption measures. The World Bank is owned by its 182 member countries, and has 67 country offices around the world.

The World Trade Organization (WTO) (<http://www.wto.org/>)

The WTO was created in 1995, as a successor organization to the General Agreement on Tariffs and Trade (GATT). The goal of the WTO is to help both importing and exporting businesses conduct their business more efficiently, with fewer barriers to trade, and to improve the welfare of member countries.

The World Trade Organization (WTO) is the only global organization dealing with the rules of trade between nations, trying to reduce trade barriers such as tariffs and quotas, but also to define rules for “fair trade” that establish penalties for dumping (selling goods below production costs) or other proscribed practices. WTO agreements have been negotiated and signed by 144 of the world’s trading nations and ratified in their national legislative bodies. Essentially, these agreements are contracts, guaranteeing member countries important trade rights and requiring governments to keep laws and regulations that restrict trade within agreed limits.

On October 30, 1947, the General Agreement on Tariffs and Trade (GATT) was signed by 23 nations. The Agreement contained tariff reductions agreed to during the first multilateral trade negotiations and a set of rules designed to prevent these concessions from eroding. Between 1947 and 1995, seven additional agreements were negotiated, all but the last focusing on tariff and trade-barrier reduction. Economists have estimated that GATT reduced worldwide tariffs from 40% of the value of all exports in 1947 to only 4% in 1995.²

Organization for Economic Cooperation and Development (OECD): (<http://www.oecd.org>)

This organization has 30 member countries committed to market economies and a pluralistic

² B. McDonald, *The World Trading System: The Uruguay Round and Beyond*, New York, New York: St. Martin’s Press, 1998, p. 69.

Activity 1 (continued)

democracy. The OECD provides a regular forum for the governments of these nations to discuss and develop economic and social policies, and the OECD has developed formal agreements between members in such areas as banking regulations, encouraging free trade, cracking down on bribery, and on limiting government intervention in markets (e.g., ending subsidies for shipbuilding). The OECD's Secretariat in Paris forecasts economic performance and trends, and conducts research on a wide range of issues, including trade patterns, agriculture, technology, taxation, and the environment.

United Nations Department of Economic and Social Affairs (UNDESA):

(<http://www.un.org/esa/desa.htm>)

Established in 1945, the mission of the United Nations' Department of Economic and Social Affairs (UNDESA) is to provide administrative expertise to coordinate global efforts to solve problems that challenge humanity, including poverty. While the UNDESA rarely funds large development projects, it does provide research and advice for projects in developing countries that monitor the advancement and empowerment of women and focus on public sector development. The UNDESA often coordinates conferences on important political and social issues including sustainable development. UNDESA also compiles and disseminates analytical data and statistics and economic and social indicators used by policy makers throughout the world. The agency's work and major goals, programs, and research findings are summarized in an annual report, the World Economic and Social Survey.

The International Court of Justice (The World Court)

(<http://www.icj-cij.org/icjwww/icj002.htm>)

The International Court of Justice is the judicial branch of the United Nations. Located at The Hague (in The Netherlands), the Court has two major roles: 1) to settle in accordance with international law the legal disputes submitted to it by national governments, and to give advisory opinions on legal questions referred to it by duly authorized international agencies. The Court rules on economic issues including sovereignty of member states (e.g., border disputes), and property rights disputes between nations.

Use the brief descriptions above to complete the chart on the next page. Remember that more than one international institution may perform a particular role, and that the institutions may also perform more than one role.

Activity 1 (continued)

International Institution(s)	Institutional Role
	Improve economic efficiency and maintain competitive markets.
	Provide public goods (e.g., elementary education and inoculations against contagious diseases) and correct for other market failures (e.g., externalities such as pollution).
	Clearly define and enforce property rights.
	Promote economic development in low-income nations.
	Provide public infrastructure (e.g., transportation systems and basic health and safety regulations).
	Encourage sound macroeconomic stabilization policies (monetary and fiscal policies).
	Reduce tariffs and other barriers to trade.

Activity 2

International Institutions: Headline Bingo









































































Use these headlines with the International Institutions Headline Bingo Game Cards and markers. Once game cards and markers have been distributed to students, read the following headlines slowly until a bingo is called. (Be careful not to read the suggested answers printed in bold.) As the student who calls bingo reads back his or her answers, check to make certain they have covered the correct squares.

1. BRAZILIAN CURRENCY CRUZADO CRASHES AMIDST ELECTION RESULTS
(IMF)
2. POLAND ACCUSED OF UNFAIR TARIFFS ON LATVIAN LUMBER **(WTO or World Bank)**
3. NICARAGUA AND COLOMBIA IN COURT CASE DISPUTE FISHING RIGHTS IN CARRIBEAN **(World Court)**
4. JAPAN ACCUSED OF “DUMPING” CHEAP STEEL IN U.S. MARKET **(WTO)**
5. POLITICAL, ECONOMIC UNCERTAINTY REIGN FOLLOWING EARTHQUAKE IN TURKEY **(World Bank)**
6. CONFERENCE DEBATES ENDING SUBSIDIES FOR EUROPEAN AIRPLANE MANUFACTURERS **(OECD)**
7. XIANGFAN HIGHWAY PROJECT TO PROVIDE EFFECTIVE TRANSPORT INFRASTRUCTURE FOR CHINA **(World Bank)**
8. CZECH REPUBLIC CHARGED WITH FAILING TO HALT SOFTWARE PIRACY **(WTO)**
9. EL SALVADOR USES LOAN TO MODERNIZE JUDICIAL SYSTEM WITH TRAINING FOR JUDGES AND STAFF **(World Bank)**
10. 22 COUNTRIES IN AFRICA GET DEBT RELIEF SUPPORT TO PREVENT CURRENCY DEVALUATION **(IMF)**
11. DELAYS IN PRIVITIZATION OF PHONE COMPANY CAUSE ROMANIA TO SEEK POVERTY REDUCTION ASSISTANCE **(World Bank OR UNDESA)**
12. REPORT EXPECTED TO BE RELEASED TODAY ON SUSTAINABLE DEVELOPMENT AND TRENDS IN WORLD CONSUMPTION AND PRODUCTION **(UNDESA)**

Activity 2 (continued)

13. DELEGATES ARRIVE IN SAN SALVADOR FOR CONFERENCE TO DISCUSS ECONOMIC OPPORTUNITIES FOR WOMEN, POOR IN DEVELOPING COUNTRIES (**UNDESA**)
14. BULGARIA SEEKS SUPPORT TO STABILIZE ITS FINANCIAL SYSTEM (**IMF**)
15. MEXICO, U.S. REACH AGREEMENT DESIGNED TO CURB BORDER CORRUPTION (**OECD**)
16. NIGERIA'S TRADE DEFICIT RISES AND VALUE OF NIGERIAN CURRENCY NAIRA FALLS RAPIDLY (**IMF**)
17. BENIN BUILDS 79 SCHOOLS WITH DEVELOPMENT GRANT (**World Bank OR UNDESA**)
18. JAPAN ENCOURAGED TO PRESS AHEAD WITH REFORMS IN TRADE POLICY AND CORPORATE RESTRUCTURING (**WTO**)
19. U.S. TO MEET WITH CANADA OVER SOFTWOOD LUMBER IMPORT DUTIES (**WTO**)
20. NIGER AND BENIN DEBATE OWNERSHIP OF LÉTÉ ISLAND (**World Court**)
21. LIECHTENSTEIN SUES GERMANY OVER CONFISCATED PROPERTY (**World Court**)

Activity 2 (continued)

 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker
 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker
 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker
 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker
 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker
 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker
 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker
 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker
 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker	 Bingo Marker

Activity 2 (continued)

Card #2

UNDESA	OECD	IMF	WTO	World Court
WTO	WTO	World Court	IMF	OECD
OECD	IMF	FREE	OECD	WTO
IMF	World Bank	IMF	World Court	UNDESA
World Bank	WTO	UNDESA	WTO	IMF

Card #1

WTO	OECD	IMF	World Bank	IMF
UNDESA	WTO	World Court	WTO	OECD
OECD	World Bank	FREE	OECD	WTO
IMF	World Bank	IMF	World Court	UNDESA
World Bank	World Court	UNDESA	IMF	WTO

Activity 2 (continued)

Card #4

WTO	IMF	UNDESA	WTO	World Bank
WTO	OECD	IMF	World Bank	IMF
UNDESA	WTO	FREE	WTO	OECD
OECD	World Bank	World Court	OECD	WTO
IMF	World Bank	IMF	World Court	UNDESA

Card #3

UNDESA	WTO	World Court	WTO	OECD
OECD	World Bank	IMF	OECD	WTO
IMF	World Bank	FREE	World Court	UNDESA
World Bank	World Court	UNDESA	IMF	WTO
WTO	OECD	World Bank	UNDESA	IMF

Activity 2 (continued)

Card #6

WTO	IMF	UNDESA	WTO	World Bank
WTO	OECD	IMF	World Court	IMF
UNDESA	WTO	FREE	WTO	OECD
OECD	World Bank	World Court	OECD	WTO
UNDESA	IMF	IMF	World Court	UNDESA

Card #5

UNDESA	OECD	World Court	WTO	OECD
OECD	World Bank	IMF	OECD	WTO
IMF	World Bank	FREE	World Court	World Court
World Bank	World Court	UNDESA	IMF	WTO
WTO	OECD	World Bank	UNDESA	IMF

Activity 2 (continued)

Card #8

World Court	UNDESA	IMF	IMF	World Bank
IMF	WTO	World Court	World Bank	World Court
OECD	WTO	FREE	OECD	World Bank
World Bank	IMF	OECD	WTO	OECD
WTO	OECD	UNDESA	UNDESA	WTO

Card #7

IMF	World Bank	IMF	World Court	UNDESA
World Bank	World Court	UNDESA	IMF	WTO
OECD	World Bank	FREE	OECD	WTO
WTO	OECD	OECD	World Bank	IMF
UNDESA	WTO	World Court	WTO	OECD

Activity 3

What's All the Fuss About the WTO?

Article

WTO IN SEATTLE: PROTESTORS SMASH LANDMARKS; DELEGATES DEBATE TRADE AGREEMENTS³

SEATTLE, WA (Nov. 30-Dec. 2, 1999) – The demonstrations and police crackdowns were reminiscent of the violent protests that struck the United States during the Vietnam War. For those involved in the Seattle disturbances, however, it was all new – to these young people, the social unrest of 30 years ago is history, and not part of their personal past.

Although free trade may not be the subject of shouting at the family dinner-table as the Vietnam War was four decades ago, it has aroused genuine passions that led to an unusual alliance in Seattle. Anarchists, union laborers, animal rights activists, environmentalists and senior citizens all protested against globalization and international trade, and the World Trade Organization (WTO) meeting that took place in Seattle over a three-day period.

During the WTO conference, riot police fired tear gas and pepper spray in an attempt to clear the streets. Seattle's police chief was quoted as saying, "those who were arguing that they were going to shut the WTO down were in fact successful today."

The WTO "reflects an enormously narrow ideology," one protestor was quoted as saying. "People who favor trade, who would really like the world to become closely integrated, have been frustrated in their efforts to have that done in a way that is environmentally responsible and that will raise the standard of living around the world."

"Trade is the ally of working people, not their enemy," WTO Director-General Mike Moore was quoted as saying prior to the conference, which opened November 30, 1999. "As living standards improve, so too does education, health, the environment and labor standards, and when living standards rise, human rights rise, and people demand better environmental outcomes."

A WTO American liaison officer who lives in the Seattle area, one of many who couldn't make it inside for the conference because of the demonstrations, was quoted as stating, "I believe in free expression and I believe they have a right to protest. But not like this. We have a job to do. It seems tolerance only goes one way with them. The fact of the matter is, where there's greater prosperity, there's greater freedom. So I don't know what they're thinking."

Former 60s activist Tom Hayden was quoted as saying, "I haven't seen anything like it in a very long time. I saw Teamsters and Machinists who were concerned about losing jobs to sweat shops. I saw environmentalists. I saw women. I saw people in the street doing the most phenomenal acts and courageous acts, I might say, of civil disobedience who actually managed to stop this organization of 135 countries in its tracks. What were they so upset about?" What indeed, were all the protests over?

³ Sources for this article include on-line reports from CNN, ABC News and Online News Hour.

Activity 3 (continued)

Internet Hunt

You will use the on-line resources outlined in this activity to research the debate surrounding the 1999 World Trade Organization protests in Seattle and to develop a fictitious letter to the editor of your local newspaper (presenting your own view of the debate) that answers Tom Hayden’s question, “What were they so upset about?”

Resources:

University of Washington digital history of the Seattle protests	http://depts.washington.edu/wtohist/
U. of Washington general information site about the protests	http://content.lib.washington.edu/WTOweb/more-info.html
disinformation.com analysis of the WTO	http://www.disinfo.com/pages/dossier/id216/pg1/
oneworld.com’s views of the WTO	http://www.oneworld.net/campaigns/wto/
greennature.com analysis of global trade and the environment	http://greennature.com/article447.html
Tom Hayden <i>Washington Post</i> column about the Seattle protests	http://www.globalpolicy.org/globaliz/cultural/seattle.htm
WTO “10 Common Misunderstandings About the WTO”	http://www.wto.org/english/thewto_e/whatis_e/10mise/10m00_e.htm
WTO “10 Benefits to the WTO Trading System.”	http://www.wto.org/english/thewto_e/whatis_e/10benef/10b00_e.htm

Guiding Questions:

1. First visit the two University of Washington sites. What organizations were involved in the protests? What were these groups protesting?
2. Next visit the *disinformation.com*, *oneworld.com*, and *greennature.com* sites, and the *Washington Post* article by Tom Hayden. What are four key issues the various protest groups agree on? In other words, what do they say is so bad about the WTO?
3. Now visit the WTO sites. What is the WTO’s response to the protestors claims?
4. Use your research to summarize the Seattle protestors’ claims on the four issues in one column of the chart, and WTO reaction to these claims in another column.
5. When you have completed the chart, write a letter that you might send to the editor of your local newspaper if the WTO decided to hold its annual meetings in your community next year. In this letter: (1) summarize the events that took place in Seattle, (2) describe the WTO, (3) summarize the major charges made by the protestors, (4) summarize the WTO responses to those charges, and (5) conclude by describing why you believe an international institution/organization responsible for encouraging free trade and managing trade disputes (such as the WTO) is or is not essential in the modern global economy.