

# BFU: Free Trade

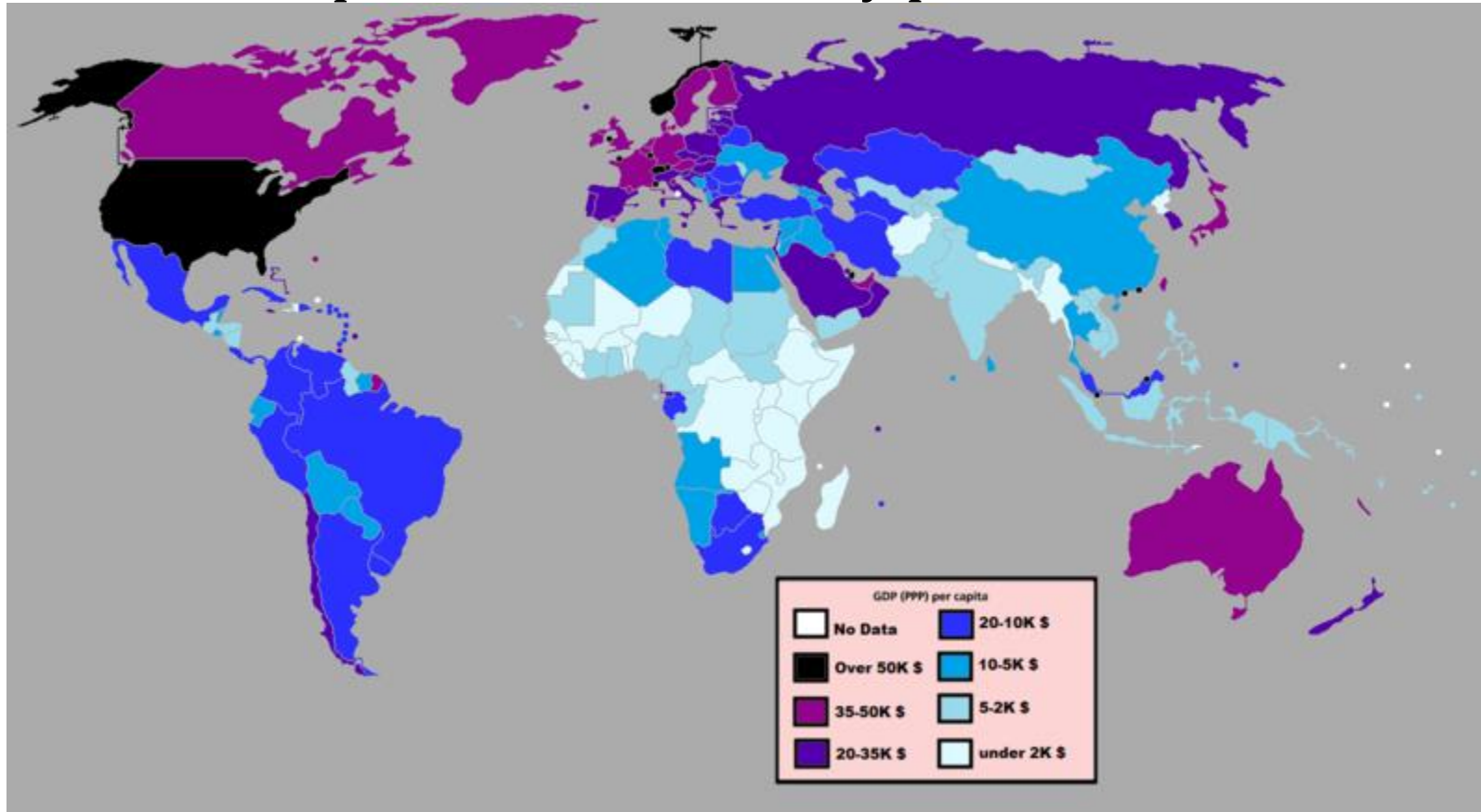


**Misconception:**

**Economics always helped everyone...**

Think about today.

Here is a map of the economically powerful countries:



The USA, Western Europe, and Japan dominate. Is it because they have the most factories? No!

Developed now includes new industries like computers, telecommunications, healthcare, services, biotechnology, and entertainment.

We divide the world into the Developed World and the Developing World.

The Developed Countries are Europe, USA, Japan, South Korea, Hong Kong, Israel, and some Gulf Arab States.

The faster Developing Countries are Brazil, India, China, Mexico, Peru, South Africa, and Southeast Asia.

The rest of the world is developing more slowly but still developing.

Countries like Ethiopia, for example, are developing with investments from the USA, China, Saudi Arabia, and France.

If there's something to sell, there will always be somebody to buy it. This is capitalism. Because all countries are so connected, we call it global capitalism. The process is called globalization.

Global companies want free trade.

Free trade is like a promise that governments make not to interfere in business. They promise to keep taxes low. They promise not to make regulations.

## Complete

1. What are some developed countries? The Developed Countries are Europe, USA, Japan, South Korea, Hong Kong, Israel, and some Gulf Arab States.
2. What are some developing countries? Developing Countries are Brazil, India, China, Mexico, Peru, South Africa, and Southeast Asia.
3. How do we divide the world now? The world is divided into developed nations and the developing nations.

Some examples of Free Trade Organizations include:

WTO: World Trade Organization	The world trade agreement
NAFTA: North American Free Trade Association	USA, Mexico, and Canada
EU: European Union	Europe



The world is so connected that there are many organizations that act like banks for the world. They include:

IMF: International Monetary Fund	They give loans to countries to grow their economies
World Bank	They also give loans to countries to grow their economies
United Nations	This is a world governing body but they also work with economies.

Free trade allows new technologies to cross borders without delays. Computers and the internet open up borders so that we know what's going on around the world without having to wait.

## Complete

1. What are some Free Trade organizations? Some of the free trade organizations are the World Trade Organization, North American Free Trade Association, and European Union.
2. What are some “World Banks” that promote free trade? Some of the world banks that promote free trade are the International Monetary Fund, the World Bank, and the United Nations.
3. The IMF, WTO, NAFTA, and World Bank all want what kind of trade? They want free trade, so nations will not have problems to trade goods.

4. What does Free Trade mean? **Allows new technologies to cross borders without delays.**

It's hard to even think about "Borders" because everyone has family in different places. Refugees are common all over the world. It's not just in the United States, where people cross the Mexican border to look for jobs.

It's also in Europe and Arabia, where Africans and Asians come as "migrant" workers and make a new life for themselves.

Some people have many nationalities and have trouble identifying with just one.

Corporations are also multi-national. They include people and products from different nations. Multinational corporations aren't *loyal* to one country. Apple is not an American company; it is a global company.

Honda is a "Japanese Car" but most of its factories are in the USA. Honda creates more jobs for Americans than many other "American" products. So, we can't even say Honda is "Japanese." It is multinational.

But there are problems with free trade. There are problems with globalization.

## Rewrite

1. Most developed countries nowadays are **diverse cultures**.
2. Multinational corporations belong to many countries.
3. Honda is Japanese and is mostly made in U.S.
4. Globalization is the process of the global economy coming together.

## Anecdote: Free Trade at Ford!

Imagine it is the 1950s. You work for Ford Motor Company. You live in Detroit. Your job is in a factory. You make steering wheels. You don't need an education; you just have to show up for work.

Your life is good. You can buy a house. You can afford a car. You have a nice family. You tell your son: "Boy, you should be just like me and work hard. Life will be good to you."

You retire to Florida. You sell your son that house that you earned with your factory wages.



Look at your house now:



Your son was working at that same factory. He lost his job. He doesn't have an education, so he is unemployed.

Look at your son now:



What happened?

In the 1980s, all of the car companies left Detroit. They couldn't afford to pay salaries to factory workers in the USA.

Why? It was cheaper to pay people in Mexico to do the same work. Ford couldn't compete and stay in the USA.

But it doesn't stop there. Let's follow your steering wheel job.

The new Ford factory opens in Chiapas, Mexico. A guy named Juan gets your old job, making steering wheels. He gets paid about \$2.50 a day for this job. (You were making \$35.00 an hour before you retired.) But Juan is happy. He made much less working in the fields, so he is doing well.

But there are some protests. People demand more money; they point out that *gringos* got \$35.00 an hour for the same job. The Mexican government takes the side of the people and demands that Ford pay higher salaries.

Ford responds: they just move the factory across the border to Guatemala. They pay the Guatemalans even less money. They say: “If you complain, we will leave. We will go to Honduras, where they *want* to work.” Juan decides to leave Chiapas and go North to the USA, where he will look for work there.

## Answer

1. Where were most of the Ford plants before Free Trade?

Detroit.

2. What happened next? Ford's company went to Chiapas, Mexico for the reason that the company couldn't afford to pay salaries to factory workers in the U.S. and the payment for Mexican workers was cheaper for doing the same job as American workers.

3. How did Free Trade hurt Ford? Mexican workers started complaining when they found out that the gringos were earning way more money than what they were earning. The difference of their salaries was considerably and Mexican just as the gringos were doing the exact same job.

These are the problems with free trade and globalization. They are not new problems. They are very old. So, we need to go back to the 1800s and look at how the Industrial Revolution created these problems. The central problem is called inequality.

Inequality can mean many things. We are talking about economic inequality. It divides people into classes, like the upper, the middle, and the lower classes. It divides people into owners and workers. People who aren't equal don't have the same access to education. Rich people can send their children to private schools; poor people have to take what they can

afford. Rich people don't have to worry about saving for college; poor people might choose to work instead of college.

Inequality affects healthcare. Rich people have better choices in healthcare, and they also often have healthier lifestyles. They suffer from less stress. Inequality can mean access to the internet. It can mean literacy, which is reading and comprehending. It can be financial literacy, which means understanding how economic systems function and how to best make money.

The more advanced we get; the more obvious of a problem inequality becomes.

## Complete

1. Inequality is... **division of people or nations into classes.**
2. Inequality divides people into.... **the upper, the middle, and the lower classes, which define a person or nation status.**



## Answer

1. What is inequality? Inequality is the division of people or nation into classes. For example, employee and employer, the upper, the middle, and the lower class which define a person or nation education or economic status.
2. What are some bad effects of inequality? Inequality can affect healthcare, economic, and education.
3. Do you think inequality gets better or worse with free trade? In my opinion inequality could get better with free trade because every nation and people use communication, and communication is very important to avoid lots of problems including inequality.

## Summary Complete

1. Globalization is... the process of the global economy coming together.
2. The world is divided between... developed and developing nations
3. Free trade means... Allows new technologies to cross borders without delays.
4. Some free trade organizations are... the World Trade Organization, North American Free Trade Association, and European Union.

5. It's difficult to think about borders because... everyone has family in different places. Refugees are common all over the world.

6. Inequality means... division of people or nation into classes. For example, employee and employer, the upper, the middle, and the lower class which define a person or nation education or economic status