

Tips for Success on Current Events Commentary #2, International Trade

Tip 1: Find an article related to trade.

In general, any article describing the economic relationship between two different countries will probably work. Nations often accuse each other of using tricks to gain an unfair advantage in trade. A good article might discuss a dispute between two countries over the exchange of a particular good or service. (Usually one country will complain that its trade partner is unfairly blocking imports with tariffs, quotas or other forms of protectionism or that the trade partner is unfairly encouraging exports in the form of a trade subsidy.)

Some key words that might tip you off that an article is trade-related:

- Tariff (a.k.a. “duty”)
- Subsidy or export subsidy
- Dumping (usually the result of a subsidy; countries often retaliate with “anti-dumping duties” or “countervailing duties”)
- Import quota
- Outsourcing
- World Trade Organization (WTO), NAFTA or other trade agreements
- “Free trade” v. “fair trade”
- Protectionism
- Trade dispute or trade war

Tip 2: Identify the benefits the countries described in the article could obtain from trade.

You could use terms such as “opportunity cost,” “consumer surplus” and “comparative advantage” (among others) to explain how countries could gain from specialization and trade. Link your discussion of these concepts to specific facts presented in the article.

Graphing opportunity: A production possibility frontier curve could illustrate a country’s opportunity cost of producing a certain good in terms of another good the nation produces. Check with your teacher to see if you’re on the right track here. This graph could help explain which of two countries has a comparative advantage in the production of a certain product. It could also show how a country might consume at levels beyond its production possibilities frontier.

Tip 3: Diagram the impact of a restraint to trade.

The most common type of restraint to trade would be a tariff, but several other kinds are possible, such as an import quota, an export subsidy or some other kind of protectionism. In your graphical analysis be sure to identify winners and losers in terms of consumer, producer and community surplus. Based on analysis of the graph alone, a restraint to trade will cause a net loss of community surplus to the country in question.

In the case of a trade dispute, it is likely that each of the two (or more) countries involved will be using a form of protectionism against the other. In such a case, you could draw graphs of both kinds of trade barrier.

Graphing opportunity: Diagrams of the trade blocs, such as free trade areas and customs unions, from Chapter 25 of your textbook can be helpful in explaining the context of a trade dispute. Make sure that your article makes reference to such a trade bloc, however.

Tip 4: Discuss the arguments for and against restraining trade.

Your graph of the tariff (or any other barrier to trade) and the analysis you apply to it should show that protectionist policies make the country worse off as a whole, and that the efficiency of free trade makes everyone better off, at least in theory. Of course, this ignores the possibility of exploitative relationships that prevent certain groups or countries from reaping trade's benefits. It also ignores problems like pollution created by the increased production and transporting goods across the world. Be sure to discuss how such factors from your article may cast doubt on the validity of the comparative advantage theory.

These non-graphical arguments against free trade and for protectionism have official names you can invoke. They include the infant industry argument, the national security argument, and the upholding of labor and environmental standards, among others. Arguments against protectionism include the inefficiency of resource allocation, the increased prices to consumers and the possibility of other countries retaliating with tariffs of their own. You can strengthen your evaluation by weighing some opposing arguments and giving your well-supported opinion as to whether protectionism is justified in the situation described in your article.