

Lesson 1

World Trade: It's For Nebraska



OVERVIEW: International trade is not a new phenomenon for the State of Nebraska. The economic well being of Nebraska relies on world markets in the selling of its food products, industrial machinery and crops. State, and local government leaders all agree that we need to sell more of our products abroad in greater varieties and quantities.

ECONOMIC CONCEPTS: The students will learn about:

1. markets
2. international trade
3. role of government in international trade

OBJECTIVES: The students will be able to:

1. outline the importance of international trade
2. relate the concepts of comparative and absolute advantage to the Nebraska economy
3. describe the proper role for Nebraska in the global economy
4. accompany the Governor of Nebraska and other government leaders on trade missions to foreign countries
5. assess the proper role of both the state and federal government in promoting international trade.

NEBRASKA STANDARDS:

8.3.5, 8.3.6, 12.4.17, 12.4.18, 12.4.23, and 12.4.24

MATERIALS:

1. China Trade Mission Student Handout
2. Australia Trade Mission Student Handout

PROCEDURE:

1. Explain to the students that Nebraska acts as an independent economic entity in the world marketplace by buying and selling goods

and services all over the world. Review the reasons why people, states, and nations trade in order to obtain the goods and services that they need and want. Certain states, regions and nations have a trading advantage. Nebraska is best at growing corn and raising livestock (land, climate), China at textiles (low labor costs), and Japan produces VCRs (technology advantage). Regions and nations will specialize in what they can produce most efficiently given their resources. Review the concepts of absolute and comparative advantage. Students should realize that absolute advantage occurs when one nation can produce a product more efficiently than another country. Comparative advantage occurs when one country can make two or more products more efficiently than another country. Nebraska has a comparative advantage in producing wheat because of its climate and location, while Japan is better suited to specialize in the production of VCRs because of lower costs for technology.

2. Have students individually review the articles on the Governor's recent trade missions. Put students in small groups and ask them to discuss their opinions on whether or not they think government officials should be making these visits. Have students answer these questions in their groups: Why is it important for the Governor to "market" Nebraska to other countries in the world? (Answers should relate to competition and importance of positioning Nebraska in the world market.) Is there anything special about the countries that the Governor visits? (The Governor is visiting countries in which the U.S. is a primary trading partner.) Students could also accompany the Governor on his trade mission to China via the internet at: <http://gov.nol.org/trademission/nov99>
3. To summarize, bring all students together to share their opinions on trading with other countries. Ask students for their own personal reactions as to what role Nebraska should play as a separate economic entity that competes against the other 49 states for export dollars. What role should the federal government play in helping states do business overseas?
4. Extension: Students could also interview local government leaders and include their opinions on the role of Nebraska in the world markets.



China Trade Mission

Nebraska Governor Mike Johanns:

On November 10th, I will embark on a trade mission to China and Hong Kong to explore trade opportunities for Nebraska agriculture and industry. As you may know, this is my second overseas trade mission as Governor. This past spring, I traveled to Taiwan and Japan to meet with government and industry representatives from both countries and was very pleased with the results at both stops. We found a very positive reception in both countries, and in my estimation, laid the groundwork for what I believe to be a very productive trade future for Nebraska's producers and manufacturers.

After some very extensive planning, I have every reason to believe that this trade mission to China and Hong Kong will be very successful as well. China, for obvious reasons, is a very important market for Nebraska products, and subsequently, a natural destination for this trade mission. With its nearly 1.3 billion people, China represents an emerging and dynamic market, which previously has been virtually closed to the U.S.. Despite the effects of the Asian economic downturn, China remains one of the fastest growing economies in the world, and is predicted to become the world's largest economic center by the year 2030. In addition, the World Trade Organization bilateral agreement signed on April 8th allows U.S. marketers greater access to the vast market potential in China than ever before.

Very simply, the opportunity exists for a tremendous volume of trade between China and the rest of the world, and I see every reason for Nebraska to be right in the middle of it. Thirty-three Nebraska firms already do business in China, and I believe this trip is just one more step toward garnering Nebraska an even bigger stake in China's trade future. Over the course of this mission, we will travel to Hong Kong, Shenzhen, Shanghai, Guiyang, and Beijing and will meet with several high level officials including Chinese Premier Zhu Rongji.

From discussions I have had with decision makers abroad and with overseas visitors to Nebraska, I know how highly respected our state's producers, manufacturers, and their products are around the world. In addition, our previous trips have taught us the value of face-to-face meetings in the international arena, and how developing trust and respect with trading partners in this part of the world goes a

long way toward ensuring mutual success. I am greatly looking forward to carrying these messages with me as we leave on this trip.

Mike Johanns
Governor

Source: <http://gov.nol.org/trademission/nov99>

Student Handout



Australia Trade Mission

GOVERNOR LEADS TRADE MISSION TO AUSTRALIA

Governor Mike Johanns, DED Director Al Wenstrand and Ag Director Merlyn Carlson will lead a delegation of Nebraskans on a trade mission to Australia this month. "This is a unique opportunity to explore a potential market for Nebraska products, to learn how Nebraska's rural development model is being applied elsewhere, and address hundreds of business leaders and potential trading partners from across the Pacific Rim," said Governor Johanns.

The trip will include meetings with provincial leaders in Sydney, New South Wales, and Brisbane, Queensland, and federal officials in Canberra, Australia's capital. Governor Johanns will visit rural Australia to review how the country has implemented rural development policy modeled after Nebraska's own rural development strategies. The governor also will host a reception for government officials and key business leaders at the U.S. Consulate in Sydney, and address an estimated 500 business, government, and education officials attending the Pan-Pacific Business Association's international conference on trade and policy issues affecting Asian and North American countries.

The U.S. is Australia's second largest trading partner after Japan, with \$19 billion in two-way trade in 1998 - \$13 billion in U.S. exports. Total Nebraska exports to Australia in 1999 were \$41 million - an increase of 18% from 1998.

GOVERNOR'S TRADE MISSION TO AUSTRALIA HUGE SUCCESS

Recognizing a unique opportunity to explore potential markets for Nebraska products, Governor Mike Johanns lead a delegation on a successful 10-day trade mission to Australia. DED Director Al Wenstrand, and Agriculture Director, Merlyn Carlson accompanied Johanns.

Because both Nebraska and Australia face similar economic challenges and trends, Johanns believes this mission will help forge an even greater trade relationship between the two.

"We have previously hosted a number of Australians visiting Nebraska...On this trip, our Nebraska delegation is learning about rural development initiatives as well as other aspects of the Australian economy...a mutually beneficial, reciprocal kind of interaction," Johanns said. Several Nebraska companies already have facilities in Australia and Johanns believes another ten to fifteen companies from the state could enter the market Down Under in the coming years.

The United States is Australia's second largest trading partner, after Japan. Total Nebraska exports to Australia in 1999 were \$41 million, an increase of 18% from 1998.

Source: <http://pio.neded.org/Newsletters/2000/May/Australia.htm>

