South Korea and the United States: Policy, Trade, and Comparative Advantage

Overview: Students will examine data to inform an understanding of the potential comparative advantages of South Korea and the United States. Students will use their conclusions about comparative advantages to simulate negotiations of economic policies and agreements between the two countries.

Ohio State Economics Content Statement: When regions and nations use comparative advantage to produce at the lowest cost and then trade with others, production, consumption and interdependence increase.

Learning Objective: I can explain how production, consumption and interdependence increase when regions and nations trade with each other as a result of using comparative advantage.

Time: Two 45 minute class periods

Materials Needed:
- Copies of the handout (included on page 3)
  - Can print economic sections for each country or allow students to access the pages on the interest
- Large sheets of butcher paper or 2 large dry erase boards

Procedure:

Steps on Day 1

1. Start with a “bell ringer” question on the board: Why do people trade?

2. Ask students to brainstorm responses and call on students to share their ideas. (Their responses could be related to trade between individuals, groups, or countries)

3. After students share their perspectives on trade, provide students with the definition of “Comparative Advantage”
   - Definition from Investopedia: the ability of any given economic actor to produce goods and services at a lower opportunity cost than other economic actors

4. Explain to students that they will begin to explore the potential comparative advantages of South Korea and the United States

5. Pass out the handout (on page 3). Students will work in small groups of 3-4 using the CIA World Factbook
   - Students will need access to the CIA World Factbook pages on the United States and South Korea – Specific concentration on Economic Indicators. You may print these pages for students or they can use the internet to access the webpages:

6. Students will examine the economic indicators for South Korea and the United States. They will choose important data points to use to fill in the chart in the handout.

7. Students will synthesize the information to draw three conclusions about the economies of South Korea and the United States and determine a comparative advantage of each economy
   - Students will use these data points and ideas for a debate on day two
   - Encourage students to think about the comparative advantages of each economy

8. While students are working, circle around the room to answer questions

9. Have students turn in their worksheets at the end of the class period
   - Can grade worksheet for formative or summative grade
Steps on Day 2
1. As students enter the classroom, divide them into two groups and distribute the worksheets from the previous day.

2. One student group will take on the role of the South Korean government and the other will represent United States interests.

3. Provide a large sheet of butcher paper or large dry erase board to each group. The groups will use these to brainstorm goals for economic policy and negotiation.

4. Explain to students that each group will act in the interest of their country (either South Korea or the United States). The goal of today’s deliberations is to create a sound economy policy that will benefit their country, keeping their comparative advantage in mind.

5. Instruct student groups to create a list of 3-5 goals for economic negotiations with the other country. Give students about 10 minutes to develop their objectives and write on the paper/board. Students should consider:
   - Which goods do you need? Which might you want to send to the other country?
   - Would tariffs or quotas be beneficial?
   - Would free trade be beneficial?
   - How would trade affect your country’s businesses and economy?

6. After each group develops their goals, start a trade discussion simulation with the teacher as a moderator:
   - Each country can select student representatives to introduce the 3-5 wants they wrote down.
   - Provide time for each side to consider the other country’s aims.
   - Facilitate a discussion of what each side agrees and disagrees about in relation to trade.
     - Allow for students to disagree and come to compromises.
   - Write the agreed terms of the trade discussion on the board.

7. After about 15 minutes of deliberation, debrief the exercise with the students. Ask them to analyze their negotiations:
   - What points were the easiest upon which to reach an agreement? Why?
   - What points were the hardest upon which to reach an agreement? Why?
   - What disagreements/disputes remain? Why?
   - How did the comparative advantage of each country play into their negotiations?
   - What might be some short- or long-term consequences of the agreed upon terms?
   - In what ways do you think this simulation would be similar or different to real life trade talks?

8. (Optional) Have students write responses to the questions above and collect as a summative assessment.
<table>
<thead>
<tr>
<th>Economic Indicator</th>
<th>South Korea</th>
<th>United States</th>
</tr>
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<tbody>
<tr>
<td><strong>1</strong> GDP (Purchasing Power Parity)</td>
<td>$2.027 trillion (World Rank: 15)</td>
<td>$19.36 trillion (World Rank: 3)</td>
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<tr>
<td><strong>2</strong> GDP – Composition, by sector of origin</td>
<td>Agriculture:</td>
<td>Agriculture:</td>
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<td></td>
<td>Industry:</td>
<td>Industry:</td>
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<td>Services:</td>
<td>Services:</td>
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<td><strong>3</strong> Exports – commodities (list 5)</td>
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<tr>
<td><strong>4</strong> Imports – commodities (list 5)</td>
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<td><strong>5</strong> Your choice:</td>
<td></td>
<td></td>
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<tr>
<td><strong>6</strong> Your choice:</td>
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</tbody>
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3 Observations/Impressions about the economy of South Korea:

A. 

B. 

C. 

3 Observations/Impressions about the economy of the United States:

A. 

B. 

C. 

South Korea’s Comparative Advantage:

United States’ Comparative Advantage: