

CREATE NEW TRADING SITUATIONS

You can change or influence the dynamics of the game – and the experience of it for the different groups – by introducing one or more of the new situations described below. All of the actions have parallels in the real world and will enrich and deepen the students' understanding of the nature of global trade.

Different actions will have a different impact on each group. Some will benefit; others will be presented with a challenge. If necessary, you can impose the new situations strategically to help ensure that all groups stay actively engaged in the game.

Action: Change Market Values

Change the value of some of the shapes. (For example, if you drop the value of circles from \$500 to \$200 the rich groups will find that their compasses are no longer as useful as they were.) Tell the banker of any changes.

Parallels in the real world:

Countries and companies often find that the demand for their products changes as a result of changing economic conditions, currency fluctuations, population growth, changes in technology, improved transportation infrastructure and transport services, and reductions in trade barriers. Prices fall when there is over-supply of a particular commodity.

The global coal and lumber markets, for example, are exposed to price fluctuations because of changing demand:

- The International Energy Agency reports that coal won the energy race in the first decade of the 21st century, having met almost half of the increase in global energy demand. China's emergence as a net coal importer in 2009 led to rising prices and new investments in exporting countries. The BP Energy Outlook 2030 predicts that China's rapid growth in coal consumption will end after 2020. However, China will still account for 67% of global coal growth through to 2030. It will remain the largest coal consumer, increasing its share of global consumption from 48% to 53%. India will account for 33% of global coal growth, and its share of global coal consumption is predicted to climb from today's 8% to 14% by 2030. Since both China and India face challenges with their domestic coal supply, their growing import requirements will drive further expansion and integration of the global coal trade in the Pacific Rim.
- The global forest sector is in the throes of structural changes that are transforming the industry. The BC industry is among the most affected by these changes due to its dependence on global markets as the major demand driver. In 2010 the UN Economic Commission for Europe identified four major factors that are reshaping the global forest industry:
 - The downturn in demand due to the global financial crisis
 - Globalization of the forest industry
 - Climate change policies
 - Increasing activity related to international control of the origins of wood to ensure sustainable and legal production

Action: Supply Extra Raw Materials

Have a secret supply of paper, give some to one of the groups and announce to the class that a new raw-resource supply has been discovered in this group. (If this is done late in the game, when everyone is running short of paper, it will quickly change relationships between the groups.)

You could also give one group some pieces of coloured paper. This could represent the discovery of a new low-grade or high-grade resource and the shapes from this paper could be valued lower or higher, accordingly.

Parallels in the real world:

When there is a discovery of new oil, development of a Liquefied Natural Gas industry, or an expansion of existing mineral or coals deposits, these could and should be used to support social and economic development and to create wealth. However, resource development has environmental and other impacts that could lead to conflict. Despite the vast revenues generated by such finds, poor people may not see any benefit. In Canada, the metallurgical and thermal coal – used in steel production and in the production of electricity – has become one of the country's most sought-after resources and one of the causes of conflict for those individuals concerned about the possible environmental impacts of air emissions.

Action: Use the Stickers

The B Groups have a sheet of stickers. They have not been told what purpose or significance the stickers have in the game. Give the stickers a value by secretly telling the richer A Groups that if they can get hold of and attach one sticker to each of their shapes, the shapes will be worth four times their original value. Tell the banker.

As the B Groups don't know the value of the stickers, they may sell them at a low price and allow the A Groups to make a huge profit. Or they might come to understand the stickers' value since they are in demand by the A Groups. Another possibility is that the B Groups will hold on to the stickers until the end of the game, in which case the potential of the resource is never realized.

Parallels in the real world:

A contemporary twist on the imbalance of power is the use of patents. Large companies, usually based in rich, industrialised countries, may use their research and technology capacity to patent resources that people in poorer countries have been using for generations. Such patents give the companies the sole right to manufacture and sell that particular resource for up to 20 years.

For example, US-based company RiceTec Inc. patented basmati rice, in what one Indian academic referred to as "a direct appropriation of traditional knowledge of Indian farmers". Such patents are causing Indian farmers and consumers to lose control of their most basic foods to transnational corporations.

Action: Give Access to Trade Credit

Encourage one or two groups by granting them access to trade credit for a short period of time. You could, for example, allow them free access to scissors or one of the geometry tools for 5 minutes.

Parallels in the real world:

Trade credit plays an important role in supporting development and can be used to help companies engage in international trade. The Business Development Bank of Canada (BDC) and Export Development Canada (EDC), both financial Crown corporations, will work closely with private sector lenders to improve access to financing for Canadian businesses.

Companies often need financing to support their international transactions: to pay for the up-front costs associated with the production of a large export order, to expand into new markets, or to respond to a buyer's request for financing. A range of financing options and programs are available, including:

- Export Express Credit – provides unsecured loans to help people grow their export businesses
- Export Guarantee Program – enables business owners to obtain loans from their financial institutions to provide them with the financing they need for export-related activities or foreign investments
- Supplier Financing – provides business owners with access to cash rather than having them wait for payment from their foreign buyers

Action: Introduce Strife and Unrest

The game leader can halt production by declaring a temporary general strike. Remove the scissors from a Grade A group for a few minutes so that production has to stop.

Parallels in the real world:

Civil and industrial disruptions caused by major strikes.

In addition to intervening directly in the game with one of these new situations, you may also choose to influence the course of the game by suggesting or encouraging one of the following arrangements or developments:

Development: Tariffs and Duties

Groups may elect to place restrictions or charges on trading with other groups, just as nations have tariff and quota arrangements that they have developed to protect their own interests.

Parallels in the real world:

Tariff reductions can be a useful way to enhance trade, but they have the potential to affect the interests of existing companies due to an increase in competition.

In other instances, an industrialised country may charge low tariffs on the raw materials they import and higher tariffs on processed products. Often, processing a product does increase its value. Imposing prohibitive tariffs on another country's processed goods restricts that country's supply.

Development: Trade Agreements

Trade agreements may develop during the game in the form of two or more groups agreeing to cooperate for their mutual benefit. Notice the degree of cooperation that takes place.

What type of improved market access do the groups ask for? What is the amount of the tariff reduction? Are the gains from trade evenly shared, or do some groups benefit more than others?

Parallels in the real world:

Almost every country in the world is part of at least one trade agreement. More than 140 countries are members of the World Trade Organization (WTO), but there are also about 100 regional trade agreements.

- Canada's best-known trade agreement is probably the North American Free Trade Agreement.
- Others agreements include ASEAN (Asia), EU (European Union), and Mercosur (South America).

The least-developed countries in the world have not be able to fully advance their trade interests at least in part because the development of trade agreements is a lengthy process that requires significant financial and human resources.

Development: Producer Cartels

The groups with the most paper might decide to join together to protect themselves from being individually exploited by the Group A students. If these groups withhold supplies of paper, they may be able to improve the terms of trade for themselves and conserve stocks for the future.

Parallels in the real world:

In a cartel, producers agree to set the level of output. When demand is strong output is increased, when demand is weak production is reduced and in this manner the cartel is influencing the price of the commodity.

The most well known agreement of this kind was when oil-exporting countries banded together to form the Organisation of Petroleum Exporting Countries (OPEC).

Export cartels and shipping conferences are examples of cartels entered into by countries. In many countries, depression cartels have been permitted in industries that are judged to require price and production stability and/or deemed to be requiring price and production stability and/or to permit streamlining of industry structure and capacity. In Japan for example, such arrangements have been permitted in the steel, aluminum smelting, shipbuilding and various chemical industries.

It is difficult for a group of countries or companies to sustain a cartel. Each member of the cartel would be able to make more profit by breaking the agreement (i.e. by producing a greater quantity or selling at a lower price than agreed) than it could make by keeping it. The incentive to cheat explains why cartels are difficult to sustain in the long run.