

Theme

B

East Asian Trading Ships

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PURPOSE

Each student will work with a partner as an owner of an overseas shipping company with one cargo ship in East Asia. Student objectives are:

- to know the location of East Asian countries and capitals
- to understand the importance of trade in this area of the world and the interdependence of the global market
- to understand the location of the important natural resources and the effect that these resources have on the economies of countries in East Asia
- to analyze import and export charts
- to use cost benefit analysis strategies to decide which countries to visit and where to conduct trade
- to determine the sale cost of an item by adding the percentage of profit to the “fixed” or manufacturing price of an item
- to fill out a balance sheet each day by adding costs and subtracting this from income
- to discuss the meaning of “supply and demand”

THEME STATEMENT

Technology, Production, Distribution & Consumption (TPDC): Decisions revolving around exchange and economic policies, production, distribution, consumption, and technology (along with well-being) are global in scope.

SUGGESTED TIME

Two hours and thirty minutes.

KEY VOCABULARY & CONCEPTS

- supply = the quantity of commodities or services available in the market, especially at a given price.
- demand = a desire for goods or services by those who wish to buy or use them.
- import = goods brought into a country; one country’s imports can be another country’s exports.
- export = goods sent to markets outside of a country.
- free trade = trade that occurs without much government control.
- Newly Industrialized Country (NIC) = a country that is in the stage between being a relatively poor, developing nation and a relatively rich, developed nation; a NIC is progressing from labor-intensive to high technology-intensive industries.
- goods/commodities = products or items of trade.

SUMMARY

Adaptable Levels
Grades 6 - adult

Related Themes
PPE, USGC

Values
Team work, industry, achievement

Skills
Decision making,
reading charts/maps

Integration
Social studies, math

MATERIALS NEEDED

- handouts with simulation overview and simulation procedures (Student Handouts #1-#2)
- list of commodity costs (with *average* profits by commodity group) (Student Handout #3)
- import/export chart (with profit percentages for imports) (Student Handout #4)
- map of East Asia with capital city locations (see Appendix II)
- blank strategy sheet for students to write proposed travel routes (Student Handout #5)
- beginning balance sheet (Day 0) (Student Handout #6)
- daily balance sheets (one per group for each day of the simulation) (Student Handout #7)
- calculators for each set of partners/group
- overhead projector for the teacher to show students how to fill out their balance sheets

BACKGROUND INFORMATION

The teacher should read about East Asian trade and carefully read simulation instructions.

INITIATION (Inquiry, Preview, Involvement)

Students should read background information on East Asian trade. Excellent background readings and video clips are provided by the Southern Center for International Studies (*World in Transition* series, in particular the program on East Asia). By looking for relevant web sites, students could also research economics and recent events in Southeast and East Asia, thereby learning to utilize web search engines to locate information.

DEVELOPMENT (Instruction, Data Collection, Organization)

1. Have students choose a partner and name their trading company. Make sure that each set of partners has all of the necessary handouts and additional supplies (see materials needed above).
2. Make transparencies of the Day 0 and Day 1 balance sheets so that you can walk students through the steps of the simulation.

EXTENSION/ENRICHMENT (Idea Articulation, Ownership, Experimentation)

- Teachers can make a large classroom map and lay it out on the floor. Make sure that students see the compass rose set up in the room. When students conduct trade in another country, they should physically move a model boat or some other object to that country and estimate the miles between the countries.
- You may want students to use the scale of miles to calculate the cost of fuel and/or days of travel in the simulation. In this case, it might pay to adjust some of the percentage profits on the imported items to create incentives for students to travel greater distances.
- The length of the simulation could be changed to accommodate classroom needs (ten days instead of fifteen days) or to be more realistic as weeks instead of days.

ASSESSMENT OF ACHIEVEMENT

Completion of this exercise is an ongoing assessment. At the end, students could also check each other to make sure they had completed their balance sheets correctly and arrived at an accurate total. Students should turn in a log or map that shows their trade routes. Students could be quizzed on countries and capitals, or asked about general patterns of East Asian trade. Students should give clear definitions of supply and demand and be able to explain how it affects markets. They should also be able to explain “import” and “export.” Which countries seemed more favorable for trade and why? Which countries were less favorable and why?

KEY QUESTIONS

- What strategies did you use to decide which countries you would visit in order to trade?
- Which import or export items seemed to be most in demand? Which ones seemed to be most in supply? (Generally, these are the items with lower profit margins.) Did this usually correspond with the items that were cheaper?

ALTERNATIVES

- To save paper, only make one class set of the charts and instructions. Try laminating the worksheets or clipping them into clasps of folders to protect your class set. You will still need blank balance sheets for each set of partners for each of the days in the simulation.
- Periodically announce random “events” (e.g., storm in certain body of water) and, therefore, any ship currently traveling in that body of water is delayed by one day. Alternatively, announce a labor strike by dock workers in a certain country and that anyone currently loading or unloading in that country is delayed by one day.

REFERENCES & RECOMMENDED RESOURCES

- Brown, Christopher L., Project Editor. *East Asia in Transition*. Atlanta: Southern Center for International Studies, 1996.
- Mukai, Gary. *U.S.-Japan Relations: The View from Both Sides of the Pacific. Part II*. Stanford: Stanford Program on International and Cross-Cultural Education (SPICE), 1994.
- <http://www.askasia.org>
- <http://www.indiana.edu/~japan>

STUDENT HANDOUT #1:

Simulation Overview for Students

This is a simulation designed to increase your knowledge of East Asian economics and geography. It should also allow you to practice good analytical and decision-making skills. As an owner and manager of an overseas shipping company with one cargo ship, you must become familiar with the imports and exports of East Asian countries. In each country, you will fill the ten cargo holds on your ship with items that you can BUY from the list of EXPORT GOODS. You will then look on the map and plan a route by sea to other capital cities. In the next city, you will SELL the items from your ship which that country is willing to IMPORT and then look for all new items to buy. You will need to look on the chart to find the fixed price for each item before you buy it. When you sell each item, you will be able to add a *percentage of the original price* to the original price, thereby making a profit. Each day, you will keep a balance sheet of your buying and selling so that you can keep track of your income. You should keep your trading strategies secret because the winner of this simulation is the company with the most profits at the end of the simulation period!

Materials needed:

- map of East Asia with the capital cities marked
- list of commodity costs (with overview of *average* profits by commodity group)
- import/export chart (with profit percentages for imports)
- strategy sheet with proposed routes
- beginning balance sheet (Day 0)
- daily balance sheets (one for each day of the simulation)

STUDENT HANDOUT #2:

Simulation Procedures

Be sure that you read these simulation rules and become familiar with them.

1. Work with a partner and name your shipping company.
2. Read information about East Asian trading. Read a general introduction to each country and a summary of the recent political transition in Hong Kong.
3. Your company presently owns a *ship with ten cargo holds*. You will start the simulation with a *\$2500 cash bank loan* to begin purchasing items.
4. Look at the map. Choose a capital city in which to begin operation and record this on your Strategy Sheet. Make a list of the cities that you will travel to next, recording each on your Strategy Sheet. You must visit *at least six different countries*; there is no maximum limit on the number of countries you may visit. You may return to any country which you have already visited.
5. Use your beginning balance sheet and your daily balance sheets (one for each day of the simulation) to record transactions. This first day, use the Beginning Balance Sheet (Day 0) to record how you are spending your \$2500 to purchase commodities which your particular country exports. Look on the list of commodity costs to calculate how much you are spending. *Have no more than four cargo holds of the same item. NOTE: You may never add cargo holds to your ship.* You do not have to fill the entire ship, and you do not have to spend all of the \$2500, although you cannot spend more than this \$2500 at the beginning.
6. Take your ship to another city and that will constitute one day in the simulation. You may only buy and/or sell in the capital cities, and every time that you do, this takes up one day of travel. When you go to the next city, you will write on a new Daily Balance Sheet. Everything that was on your ship in the previous city is still there, so rewrite these commodities on the income side (left side) of a new balance sheet. If that new city will import your item, you can look for the percentage profit on the import chart and add the profit to the fixed price to get the new sale price. Add everything for your day's income. If you do not sell an item, it needs to carry over to the purchase side (do not record a price) to show that that particular cargo hold is still full. Empty cargo holds may now be filled with commodities that you would like to purchase from the list of that country's exports. Record the purchase prices on the expenses column (right side) of the same balance sheet, and add this up on your balance sheet. Repeat this step, filling out a balance sheet for each day of travel and for day zero (the day that you spend your \$2500 to get started).
7. It is to your advantage to keep your ship as full as possible with items that will make the highest profit. Plan carefully which items to buy based on your travel route. Have your ship empty after the last day of trading; on the last day, you do not need to buy more items! The \$2500 that you began the game with is like a loan that will be subtracted out of your final balance at the end; the resulting balance will determine your company's profit at the end of the game. *You may NEVER acquire additional ships or cargo holds during the game.*
8. REMEMBER: In any given country, you can only *buy what the country is exporting or sell what the country is importing!* Good luck!

STUDENT HANDOUT #3:

List of Commodity Costs

The following is a list of *fixed buying prices* of commodities per cargo hold:

COMMODITY	COST (per cargo hold)
Fuels (including coal).....	\$100
Food (agricultural & fish products)	\$100
Textiles (fabric, clothing & footwear)	\$200
Steel.....	\$200
Raw materials (rubber, timber, etc.)	\$200
Consumer goods	\$300
Minerals & metals	\$300
Oil products & petroleum	\$300
Chemicals (including fertilizers)	\$400
Light Manufacturing	\$400
Heavy manufacturing (large equip./autos)	\$500
Electronics	\$500

Below is a list of *average profits* of commodities per cargo hold (please see import/export chart for exact profit percentages):

COMMODITY	AVERAGE PROFITS
Food, textiles, light manufacturing	10%
Oil, consumer goods, fuels, raw materials, minerals	20%
Heavy manufacturing, chemicals, steel, electronics	30%

STUDENT HANDOUT #4:

Imports/Exports Charts with Import Profit Percentages

COUNTRY	EXPORTS	IMPORTS	PROFITS (ON IMPORTS)
Brunei	<ul style="list-style-type: none"> • oil products • fuels • raw materials 	<ul style="list-style-type: none"> • heavy manufacturing • food • chemicals • textiles 	30% 10% 30% 10%
Cambodia	<ul style="list-style-type: none"> • food • raw materials • minerals • steel 	<ul style="list-style-type: none"> • consumer goods • oil products • heavy manufacturing • textiles 	20% 20% 30% 10%
China	<ul style="list-style-type: none"> • textiles • consumer goods • light manufacturing • fuels 	<ul style="list-style-type: none"> • steel • heavy manufacturing • oil • electronics 	30% 25% 25% 35%
Hong Kong	<ul style="list-style-type: none"> • textiles • light manufacturing • consumer goods • electronics 	<ul style="list-style-type: none"> • food • heavy manufacturing • oil products • raw materials 	15% 40% 25% 20%
Indonesia	<ul style="list-style-type: none"> • light manufacturing • fuels • food • raw materials • textiles 	<ul style="list-style-type: none"> • heavy manufacturing • consumer goods • electronics • minerals 	30% 20% 30% 25%
Japan	<ul style="list-style-type: none"> • heavy manufacturing • electronics • textiles • chemicals 	<ul style="list-style-type: none"> • light manufacturing • fuels • food • raw materials 	10% 20% 15% 20%
Laos	<ul style="list-style-type: none"> • food • minerals • textiles • raw materials 	<ul style="list-style-type: none"> • fuel • oil • consumer goods • light manufacturing 	20% 20% 20% 15%
Malaysia	<ul style="list-style-type: none"> • raw materials • electronics • oil • textiles • light manufacturing 	<ul style="list-style-type: none"> • heavy manufacturing • chemicals • food • minerals 	30% 30% 15% 20%

STUDENT HANDOUT #4 (CONT.):

COUNTRY	EXPORTS	IMPORTS	PROFITS (ON IMPORTS)
Myanmar	<ul style="list-style-type: none"> • food • consumer goods • textiles • minerals 	<ul style="list-style-type: none"> • heavy manufacturing • chemicals • light manufacturing • steel 	30% 30% 10% 25%
North Korea	<ul style="list-style-type: none"> • minerals • textiles • light manufacturing • chemicals 	<ul style="list-style-type: none"> • oil • fuel • heavy manufacturing • consumer goods • food 	20% 25% 25% 20% 15%
Philippines	<ul style="list-style-type: none"> • chemicals • electronics • consumer goods • food • minerals 	<ul style="list-style-type: none"> • raw materials • oil • heavy manufacturing • light manufacturing 	20% 20% 35% 10%
Singapore	<ul style="list-style-type: none"> • oil • electronics • consumer goods • light manufacturing 	<ul style="list-style-type: none"> • heavy manufacturing • food • chemicals • minerals • textiles 	30% 15% 30% 25% 15%
South Korea	<ul style="list-style-type: none"> • electronics • light manufacturing • steel • heavy manufacturing • textiles 	<ul style="list-style-type: none"> • food • oil • chemicals • minerals 	15% 20% 30% 20%
Taiwan	<ul style="list-style-type: none"> • minerals • electronics • textiles • food • consumer goods 	<ul style="list-style-type: none"> • heavy manufacturing • chemicals • steel • oil 	30% 25% 25% 20%
Thailand	<ul style="list-style-type: none"> • light manufacturing • heavy manufacturing • food • textiles • electronics 	<ul style="list-style-type: none"> • consumer goods • raw materials • chemicals • minerals 	20% 20% 35% 25%
Vietnam	<ul style="list-style-type: none"> • food • consumer goods • fuel • minerals • textiles 	<ul style="list-style-type: none"> • oil • steel • chemicals • raw materials 	20% 35% 30% 15%

STUDENT HANDOUT #5:

Strategy Sheet: Travel Itinerary

COMPANY NAME

EMPLOYEES' NAMES (your names)

DAY	CITY & COUNTRY
0	
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	
15	

STUDENT HANDOUT #6:

Beginning Balance Sheet

Company: _____

Employees: _____

REMINDER: Items that you are *buying* must be *exports* of the country where you now are.

Day: <u>0 (first day)</u>
City: _____
Country: _____

CARGO HOLD	ITEM (4 or less of same item)	PROFIT SELL PRICE
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

TODAY'S INCOME
(add sales column)

CARGO HOLD	ITEM (4 or less of same item)	FIXED BUY PRICE
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

TODAY'S EXPENSES
(add purchase column)

Beginning Balance: \$ <u>2500</u>
Today's Expenses: \$ _____
New Balance (money left): \$ _____

STUDENT HANDOUT #7:

Daily Balance Sheet

Company: _____

Employees: _____

Day: _____
City: _____
Country: _____

REMINDER: Items that you are *buying* must be *exports* of the country where you now are, and items that you are *selling* must be *imports* of that country.

CARGO HOLD	ITEM (4 or less of same item)	PROFIT SELL PRICE
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

CARGO HOLD	ITEM (4 or less of same item)	FIXED BUY PRICE
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

TODAY'S INCOME
(add sales column)

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TODAY'S EXPENSES
(add purchase column)

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Previous Day's Balance:	\$ _____
Today's Balance (income minus expenses):	\$ _____
New Balance (indicate profit [+] or loss [-]):	\$ _____

