

The Trading Game

Create new trading situations

1. Change market values

After a while, 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. Remember to tell the banker of any price changes.

Parallels in the real world:

countries often find their own technology outdated by scientific developments; and prices fall when there is over-supply of a particular commodity – the global coffee market, for example, suffers from severe price fluctuations because of over-production:

- In Uganda, the price of coffee fell from US\$0.63 per lb in 1999 to US\$0.25 per lb in 2001.
- Coffee accounts for more than two-thirds of Uganda's exports, so government revenue from its sale dropped by 36 per cent.

- Global trade rules and pressure from the IMF make it hard for the Ugandan government to increase the support or protection that it gives to its coffee farmers, so many of them are going out of business.

2. Supply extra raw materials

Feed some of your own secret supply of extra paper to one of the groups and announce to the world (ie all the groups) that a new raw-material deposit 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 add a few pieces of different-coloured paper; this could represent the discovery of a new low-grade/high-grade resource and the shapes from this paper should be valued accordingly.

Parallels in the real world: a new oil find or the discovery of mineral deposits. While these discoveries could and should be used to help development, in

very poor regions the opportunity to create immense wealth can lead to conflict or financial exploitation. Despite the vast revenues generated by such finds, poor people rarely see any benefit.

- In the Democratic Republic of Congo, the mineral coltan – used in mobile phones – has become one of the country's most sought-after minerals and one of the main causes of conflict.
- In Kazakhstan, oil revenue has done little to help the third of the population that lives on less than US\$1 a day; many still have no access to safe water.

3. Use the gummed paper

Two groups have a sheet of coloured, gummed paper. They are not told anything about it and may not even notice that they have it. Give it a value by secretly telling two other, richer A groups (by discreet written or whispered messages) that if they can get hold of and attach one square inch of the gummed paper to their products they will be worth four times their original value. Tell the banker. These groups will

begin to search for the gummed paper. As the holders don't know its potential value they may well sell it cheaply and the first group will make a profit. Or, they might hold on to their resource until the end of the game and never let it be used, in which case its potential is never realised.

Parallels in the real world: a resource whose potential value is not known to the country in which it's found. Large companies, usually based in rich, industrialised countries, are patenting resources that people in poor countries have been using for generations. These patents give the companies the sole right to manufacture and sell that particular resource for up to 20 years:

- US-based company RiceTec Inc patented basmati rice, in what one Indian academic refers 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.

4. Give aid

You could also encourage one or two groups by granting them aid (such as extra scissors for a short time) on certain conditions. You might demand that a third of the goods produced with the aid are given to the donor. Aid is unlikely to be given unless encouraged by the leader, as groups tend to be very reluctant to help others. Your observations and actions on aid and the terms of the deal negotiated can lead to discussion on the motives for giving aid in the real world.

Parallels in the real world:

aid plays an important role in supporting development and can be used to help countries benefit more from trade. However, aid is sometimes used to force poor countries to adopt certain policies:

- In return for loans, the IMF and World Bank require many countries to cut the support and protection that they give to poor farmers.
- This is despite the fact that many farmers in Europe and the US continue to receive help from their governments.

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- Aid and trade are often linked: in 2001, the UK government used £10 million in aid to help persuade the government of Ghana to allow foreign companies to run parts of the country's urban water supply.

5. Trade agreements

Trade agreements may develop during the game: two or more groups may agree to cooperate for their mutual benefit. Notice the degree of cooperation that takes place. Does it involve a full union, the sharing of technology or materials, or joint marketing? How does the relative wealth of each country affect the terms of any agreement? Do the richer countries get better terms?

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.

- The UK's best-known trade agreement is probably the European Union.

- Others include ASEAN (Asia), NAFTA (North America) and Mercosur (South America).
- In theory, all countries have an equal say at the WTO, but the reality is quite different: the least-developed countries – with a total population of around 81 million people – have not been able to defend the interests of their traders at the WTO because they cannot afford to have representatives at its headquarters in Geneva.

6. Tariffs and duties

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

Parallels in the real world:

tariffs can be a useful way to manage trade, but often damage poor people's interests. Industrialised countries tend to charge low tariffs on the raw materials they import from poor countries and higher tariffs on processed products.

But often processing a product can increase its value. Imposing prohibitive tariffs on developing-country processed goods restricts those countries to supplying only primary products – which yield mostly modest profits because of low world prices.

- Much of the world's coffee is grown by small-scale farmers.
- They are at one end of a long chain of companies that buy the unprocessed coffee beans, and roast, process and package the coffee before selling it to our shops.
- Of all those in the chain, the farmers have the least power, receive the lowest return for their labour and have the least information about the global coffee market.

7. Producer cartels and trade embargoes

The groups with the most paper might decide to join together to protect themselves from being individually exploited by Grade A countries. 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: the most famous agreement of this kind was when oil-exporting countries banded together to form the Organisation of Petroleum Exporting Countries (OPEC). However, this is a rare example of success. In reality it is very difficult for countries to operate a trade embargo or cartel, particularly if they are relatively poor or less powerful. For poorer countries there is always considerable temptation to break the agreement to gain short-term benefits, or because of pressure from a more powerful neighbour. In recent years, agreements covering both coffee and tin have collapsed.

8 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 industrial countries – for example, the UK's 1926 general strike.

Note: The developments outlined above are unlikely to happen unless you introduce them as leader. It is not necessary to try all eight within the game, but they are all situations which could develop in the real world and will provoke discussion at the end of the game. One advantage of the game is that it is very open-ended. All kinds of alliances will emerge and be broken; inevitably one of the players will ask whether they can cheat. Here we move into the morality of international trade: when is a bargain a bargain – and when is it exploitation?