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Enhancing Student Learning Using an International Trade Simulation Project

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INTRODUCTION

The U.S. is the largest agricultural trader among all countries and trade represents 20% of U.S. farmers' income on average, and more for specific commodities—over 70% for cotton and some tree nuts and about 50% for wheat, rice, and soybeans (USDA-FAS, 2018; World Atlas, 2017). Given the importance of agricultural trade to our economy and the reality that our students will enter a global workplace, this international trade simulation project provides students with a hands-on experience using practical tools to conduct international business. Students groups use role-playing to represent actual groups involved in trade transactions. With the signing of several new trade deals, international trade education becomes more and more important for preparing students ready for future job opportunities.

The main goal of this course and this project is to train students to master the important and practical tools for international agricultural trade business, including international negotiations and contracts (the Contracts for the International Sale of Goods--CISG), international trade terms (INCOTERMS2010), international transportation and shipping documents (Bill of Lading (B/L)), international payments (Bill of Exchange), and the letter of credit (L/C), as well as the operational procedures for international trade of agricultural goods.

EXPERIENTIAL LEARNING MODEL—TRADE SIMULATION

To help students understand the meaning and application of practical tools in international trade business, the instructor designed an experiential learning model. The basic idea is to divide students into four groups representing different parties involved in the international trade procedure: (1) importer, (2) exporter, (3) import service group (importer's bank, government agency, shipping company/insurance company) and (4) export service group (exporter's bank, government agency, shipping company/insurance company). Then each group receives a pre-designed information package containing selected public information and group specific information. The next step is the simulation of the trade procedure by student groups, starting from negotiation to the collection of payment, which completes the loop. A flow chart of this project is described on the right:

RESULTS AND DISCUSSIONS

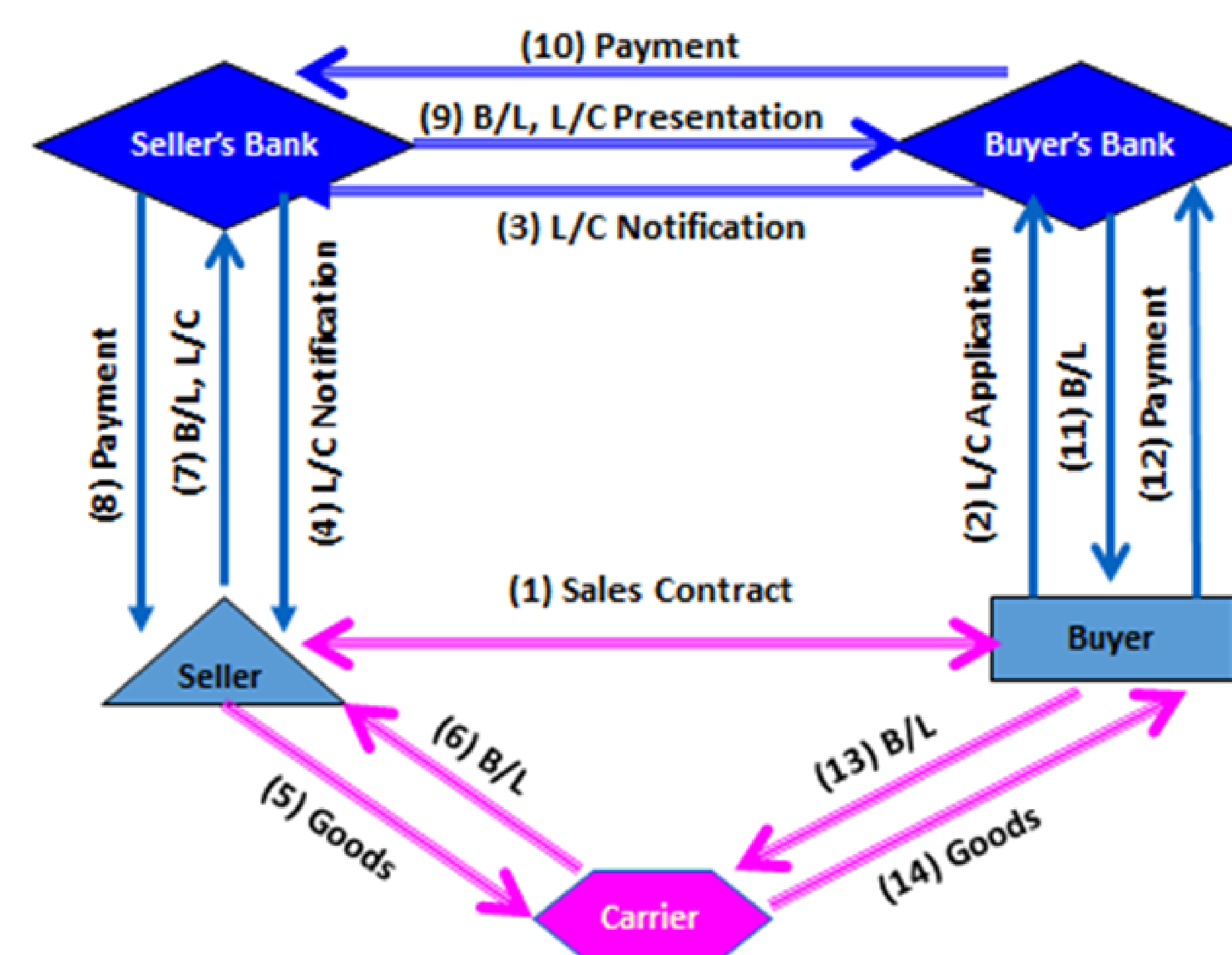
Based on students' feedback, most students like this project and state that it significantly enhances their learning of international business trade. As an example, one student commented "I found this project extremely helpful to real life scenarios. My family owns an agriculture business where we sell international commodities to South Korea and Japan. These different trade agreements and documents such as the bill of lading, commercial invoice and letter of credit are all used in our trade deals. The material we learned is also helpful in real life international business which is not always common in other classes."

NEXT STEP

The next step is to expand this model to a real international scenario: finding a collaborative overseas university, which offers a similar class and applying this model between students from two countries to add the real international flavor to the model.

THE FLOW CHART OF THE MODEL

The Simulation Model of International Trade Practice



- (1) Buyer and Seller sign the sales contract after negotiation
- (2) Buyer ask their bank to open a letter of credit (L/C)
- (3) Buyer's bank notifies Seller's bank of the L/C
- (4) Seller's bank notifies Seller of the L/C
- (5) Seller then prepares and ships the exported goods using the Carrier
- (6) Carrier issues the bill of lading (B/L) to the Seller
- (7) Seller prepares all documents, invoice, B/L and L/C and submits to their bank.
- (8) Seller's Bank makes full payment to the Seller
- (9) Seller's bank then forwards all documents to the Buyer's Bank--the issuing bank
- (10) Buyer's Bank examines the documents to determine whether they conform to the terms of the letter of credit; if so, Buyer's Bank reimburses Seller's Bank for payment
- (11) Buyer's Bank forwards all documents to the Buyer
- (12) Buyer makes payment to Buyer's Bank
- (13) Buyer presents bill of lading to the Carrier and
- (14) Carrier delivers exported goods to the Buyer

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