Ethics of international trade assignment

[Art & Culture]

The Ethics of International Trade Playstations and petroleum. Food and furniture. Clothing and cars. International trade makes these items ready and available to the vast majority of the world, and at affordable prices despite the need to import many of these things (or their components) from other countries. International trade lets Americans buy and enjoy products that we can't necessarily make or find for ourselves in the United States. It can stimulate the economy, create jobs, and generate new and improved products for the world market.

International trade can, however, have the opposite effect if left unregulated and unchecked, harming the economy, removing jobs, and creating poor products. Even if such trade is helping the economy, it can result in benefit at the cost of an ethical high ground. Other countries can have significantly less stringent laws regarding trade and work, resulting in significant violations in ethics that leave any economic gain tainted. In a perfect world, international trade would be equal between all countries and inherently beneficial to all involved. Unfortunately, that is not the case.

From the items being sold, to the types of labor, to work conditions and unfair subsidies, international trade is rife with ethical land mines, many of which have an adverse effect on the American and global economy. Not all trade involves such innocent items as iPods and perfume. The World Health Organization issued guidelines in 1991 to keep organ donors from participating in a highly exploitative black market organ trade. 192 countries endorsed it, including the United States, but at least one country, Iran, still has a legal system in place to trade human organs.

Questions have been raised even in America as to the benefits of a system for offering payment to donors of organs like kidneys or lungs, something that has potential to greatly increase the amount of organs “ donated” and saving many lives in the process. The other side of this issue argues that organ trade is just shy of actual human trafficking, and a legitimized organ trade would make coercion and exploitation unavoidable (Rohter). Taking this business out from “ under the table” may save some lives, but possibly at the cost of others. One of the largest under-the-table businesses in the world is drug trafficking.

The “ War on Drugs,” regulations, and the DEA have all tried to make dents in this business. Instead of reducing the amount of illegal drugs, it is simply shifting the consumer’s focus to newer drugs. According to an annual report by the International Narcotics Control Board (INCB) issued in 2007, the manufacture of Heroin and Cocaine is the lowest it’s been since 1987, when the INCB started these reports. Cannabis manufacture is at an all time high, but this is largely due to it’s fairly recently acceptance in some states for medical use.

Other medical drugs like Methadone, Oxycodone, Hydrocodone, Codeine and Morphine are all at an all time high in both manufacture and consumption. One would suggest it a simple result of population growth, but rise in the use and manufacture of these drugs far surpasses that explanation. Those drugs are all widely manufactured in the United States, as well as several other countries. However are these used to support a true need for drugs, or are we over-medicating the world? No matter what the product, someone needs to gather the raw materials, construct it, or package it. Who is it that performs these duties?

In America, regulations are in place to ensure these workers are willing and paid, and they are at a responsible age. In other countries, however, where we are buying many goods from, there may be less regulation. Children can be making shoes. Slaves can be mining the diamonds used for our engagement rings. At whose expense are we willing to gain a product? An estimated 158 million children aged 5-14 are engaged in child labor. That's one in six children in the world (UNICEF). Millions of these children work in hazardous jobs, in hazardous conditions, and they receive little or no pay for their efforts.

Why would anyone do this? Minimize costs, of course. Children don't need to be paid as much as adults (if at all) and they are easy to influence and coerce. To the less ethical businessmen and women of the world, child labor means a cheap and tireless workforce, resulting in higher profits. A profit at the expense of the world's youth. Gaining profit by reducing costs is a widely practiced business solution, and can be entirely useful and ethical when done in the right spirit. Reducing costs by raising worker hours or reducing worker safety is something completely different, however.

Lack of care can easily escalate into downright abuse of workers. Take the shrimp industry in Southeast Asia, an industry bringing in $13 billion annually. In a recent report by the Solidarity Center, an international nonprofit organization for workers rights, some shrimp processing facilities in Thailand and Bangladesh have been run like medieval prisons. One factory raid by Thai police in September 2006 found workers who said, " if they made a mistake on the shrimp peeling line, asked for sick leave, or tried to escape, they could expect to be beaten, sexually molested, or publicly tortured. The facility was described as " more like a fortress than a factory, with 16-foot-high barbed-wire capped walls, an armed guard force, and an extensive internal closed-circuit television system" (CNN. com). Clearly, this facility would be closed down and the owners arrested right? Wrong. Police fined the owner the equivalent of $2, 100 and police cited a few labor code violations, but since they were a first offense the owner was allowed to return his factory to work. Sickening, right? Even more sickening to Americans should be the fact that 80% of the shrimp Americans eat is imported and a third of that shrimp comes from Thailand (CNN. om). However cost-effective it is to import shrimp from Thailand, can it be worth the blood that stains it? Some unfair advantages can also be gained through perfectly legal methods in other countries. Subsidies are various taxes or other measures that may be used to promote exports for some favored industries. Used ethically, they can be a boon to international trade. Unethically, they can create terribly unfair advantages in world markets. An excellent example of this can be found in China. China generally excels in international trade because their costs are extraordinarily lower than much of the rest of the world.

Land and fuel costs are subsidized, and many companies may qualify for a subsidy when they export. Therefore, the companies have fewer losses to overcome, allowing them to lower the price of the product while still making the same amount of profit. Furthermore, it has been estimated that China's currency is undervalued anywhere from twenty to forty percent, making the cost of exporting lower (Barker). There have also been claims that the Chinese are guilty of “ Dumping. ” Dumping is the selling of goods for cheaper than local prices and/or manufacturing prices so other companies are unable to compete.

This allows larger companies to squash out smaller companies domestically, and it has the same effect on our own companies that produce the same products. It is no wonder why we encounter an incredible trade deficit with China (Barker). China being able to offer Americans cheaper goods than domestic companies has some positive sides. The lower cost of products has allowed the low income families to buy more for their money and, in turn, increasing their standard of living. With more people buying products retail profits are rising and more jobs are opening.

Some free traders have described this change as the American economy shifting over to a post-manufacturing economy or service economy (Barker). On the other hand, as more Americans purchased the cheaper goods made in China, domestic manufacturing companies were losing money. America did not want to stop importing more products since it was cheaper than domestic products. Retail stores have become very competitive even for just a few cents. Many manufacturing companies went out of business or relocated overseas to China because of this (Barker).

It is understandable for China to want to increase its own profits by generating subsidies and using dumping, but should a government have the right to create such tremendous imbalances that can skew the world economy and push the little guys out entirely? There is no doubt there are ethical questions to be asked in the arena of international trade. The ethics arena itself, however, is inherently subjective rather than objective. We can only ask these questions and debate the answers. That monumental task would result in an endless debate, unfortunately, between the sides of profit versus what is morally right.

There is little stopping a shrimping facility owner in Thailand from choosing profit over ethics, money over humanity. Nothing holds the Chinese government to stricter subsidy use to save small and domestic businesses. What if these unethical hikes in profit are resulting in concrete, damaging effects on the world economy that these countries can’t ignore, though? Looking at America’s top trading partners in Table A, the fact that we have negative trade deficit with almost every country we trade with becomes apparent.

However, China has the largest trade imbalance and is our number two supplier. According to the numbers in Table A, if we eliminated trade with China, we would drop the total trade imbalance by five and a half percent. That is assuming that we drop trade with China and do not make up the trade with any other country. It would be expected that the trade from China would be made up with one or more countries, resulting in little to no effect on America’s economy. Perhaps something can be done to limit China’s climbing profits at the expense of other.

Simple laws of supply versus demand apply: By limiting or eliminating trade with China unless they adhere to stricter guidelines, we can create a positive effect in the world economy. The number of jobs in our economy is often a good way to gauge the health of our economy. Unfortunately, the job market has suffered in a world marred by America’s significant trade deficit. In Figure A, you can see the volatility of manufacturing employment and the obvious decline in manufacturing jobs starting in 2000. There could be several reasons why manufacturing jobs were lost. The demand for manufactured goods could have gone down.

There could have been an increase in importing, or a decrease in exporting manufactured goods, or any combination. In recent years, the demand for manufactured products has only been increasing. In the late nineties, there was a growth in technology which would have created many manufacturing jobs. That means the problem is somewhere in our imports and exports. When measured impartially, a substantial number of manufacturing jobs were lost due to America’s trade deficit (Bevins). It’s fairly easy to predict where this road can lead us. As the trade deficit reaches a more negative value, the US dollar will become weaker.

The US dollar becoming weaker will take away purchasing power from the American people. Therefore, services would lose money due to the economy becoming weaker and weaker. The cycle would continue on and on before eventually stopping itself at a new lower standard of living. Can we allow the simple fact that our exports don’t match our imports to rule the American people in such a manner? While the trade deficit appears as a monster rearing its ugly head over our economy, many of these problems can just as easily be attributed to carelessness here at home. One cause, as mentioned before, is globalization.

Companies can move operations overseas, which helps them increase profits. Yet it also helps hold down wages for American workers. A second cause is there's pressure by Wall Street for companies to get their stock prices and their profits up, and that often causes them to push down wages (CBSNews). A third factor is that unions have become much weaker, and they don't have as much leverage on companies to increase those wages quickly. Another factor is health costs are soaring, and they're eating up part of the money that would normally go to wage increases.

The fact of the matter is that many companies and investors on Wall Street want CEOs to maximize profits and maximize share prices, and that often translates into laying off people, downsizing, trying to reduce wages, trying to reduce benefits (CBSNews). Unfortunately, too often the interests of Main Street and Wall Street are opposed, and the American people suffer for it. There have always been " haves" and " have-nots" in the United States, but over the past three decades, the gap between them has gotten a lot wider, statistics from congressional numbers crunchers show.

According to the non-partisan Congressional Budget Office, income for the bottom half of American households rose six percent since 1979 but, through 2005, the income of the top one percent skyrocketed by an alarming 228 percent (CBSNews). This enormous income gap results in a toxic economy, one that caters to the rich and puts the squeeze on the poor and the middle classes. The ethical questions that arise from this don't need much imagination. Should the poor make less while the rich make more? Where do we draw the line with this, and how do we redistribute this wealth while strengthening the economy?

Solving the ethical problems of international trade, as well as the financial problems they create, is no small task. This is where regulation comes in to play. The mission of the Federal Trade Commission (FTC) is to " prevent business practices that are anticompetitive, deceptive, or unfair to consumers; to enhance informed consumer choice and public understanding of the competitive process; and to accomplish these missions without unduly burdening legitimate business activity" (FTC. gov). Admirable, to say the least, but an arguably difficult mission. Especially when they are mainly working on the domestic level.

Customs also play a key role in international trade and its regulation. Every international trade transaction involves at least two Customs interventions, one at export and one at import. It is clear, therefore, that the manner in which Customs conduct their business has a substantial impact on the movement of products across international borders (ECE). At the heart of regulation is a desire to promote safety of citizens and strength of economy at the same time. We do this by keeping unwanted products out of the country, like illegal drugs and weapons.

At the same time, though, this can cramp the efficiency of international trade and it can greatly impede free trade. The Economic Commission for Europe produced a general report to governments suggesting guidelines for maintaining global trade efficiency in a world filled with regulation. The report contained recommendations on banking and insurance, customs handling, business information technology, transport, telecommunications and general business practices (ECE). Though the report was released in 1995, it remains relevant to our economy today.

Clearly there are efforts and systems in place that are attempting to regulate international trade and protect us and our economy from the problems created by questionable ethics and a staggering trade deficit. It also remains clear that these measures are not enough. The trade deficit grows, the economy is in the middle of one of the worst recessions in recent memory, and Americans are worried. It will fall to the governments and companies of the future to determine the course of action to improve things before they get worse. International trade has innumerable benefits.

We can minimize costs, produce goods that we would not be able to alone, increase living conditions, and stimulate new technologies. However the disadvantages can be devastating with issues such as selling organs and drugs, putting children to work, abusing the rights of workers, and taking advantage of government subsidies and dumping to monopolize the market. These things can taint and harm the legitimacy and benefits of international trade. Searching for a new path for international trade that will benefit all involved will be a mission of great weight and importance for our nation and for the rest of the world.

Figure A [pic](Bevins) Table A | Country | Exports | Imports | Total, All Trade | Rank | Percent of Total | | |(Year-to-Date) |(Year-to-Date) | | | Trade | | Total, All Countries | 461. 1 | 770. 9 | 1, 232. 0 |— | 100. 0% | | Total, Top 15 Countries | 332. 1 | 569. 3 | 901. 5 |— | 73. % | | Canada | 100. 1 | 128. 0 | 228. 1 | 1 | 18. 5% | | China | 24. 6 | 121. 0 | 145. 6 | 2 | 11. 8% | | Mexico | 55. 4 | 82. 9 | 138. 3 | 3 | 11. 2% | | Japan | 25. 9 | 59. 8 | 85. 8 | 4 | 7. % | | Germany | 19. 9 | 37. 9 | 57. 8 | 5 | 4. 7% | | United Kingdom | 22. 0 | 22. 4 | 44. 4 | 6 | 3. 6% | | Korea, South | 13. 9 | 20. 3 | 34. 2 | 7 | 2. 8% | | France |

11. 6 | 16. 4 | 28. 0 | 8 | 2. % | | Taiwan | 10. 1 | 15. 2 | 25. 3 | 9 | 2. 1% | | Netherlands | 14. 2 | 6. 5 | 20. 7 | 10 | 1. 7% | | Italy | 5. 8 | 13. 6 | 19. 4 | 11 | 1. 6% | | Brazil | 9. 2 | 10. 1 | 19. 3 | 12 | 1. % | | Singapore | 10. 7 | 7. 9 | 18. 6 | 13 | 1. 5% | | Malaysia | 4. 8 | 13. 4 | 18. 1 | 14 | 1. 5% | | Venezuela | 3. 9 | 14. 0 | 18. 0 | 15 | 1. 5% | (U. S. Census Bureau) Works Cited “ About the Federal Trade Commission. ” FTC. gov. 2 October 2008. . Barker, Ned. U. S. Trade with China: Expectations vs.

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