The federal trade commission

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Introduction

Liberalization and free trade constitute the essence of globalization.

The opening of economies to foreign goods and investments built more fluidity in international exports and imports. This means that one country can export its produced to other countries and other countries export and import products in return. This leads to ‘ free trade’ from the lowered restrictions on trade. The essence of free trade is to allow countries to gain access to goods that their respective economies do not produce while strengthening the domestic economy through the importation of the local products that it produces in excess.

Ultimately, this results to the social welfare effect of lowering prices of previously scarce goods and creating income through job creation in the local economies. (Hillman, 2008) The Free Trade Commission advocates free trade and liberalization but adheres to regulations. In the case of exports, the commission also supports export controls. The discussion considers the seemingly conflicting role of The Free Trade Commission as an advocate of the core processes of globalization and yet a supporter of export controls.

Globalization and the Federal Trade Commission

The Federal Trade Commission has three roles in advocating free trade as a core process of globalization. First is ensuring competition by regulating anti-competitive practices in the domestic market such as acquisitions and mergers that would stifle competition in an industry.

Many known companies in diverse industries have experienced this role even Microsoft. Second is implementing consumer protection by monitoring products and services as well as advertising activities of business firms to ensure that messages communicated to the market that influence demand are not deceptive or fraudulent. The rationale for this role is that fraudulent advertising could increase demand on false pretenses and business firms can take advantage of demand to influence price. These two roles are also interrelated since preventing anti-competitive activities, which could have enabled business firms to operate as a monopoly or oligopoly would adversely affect consumer prices. Third is thorough research of the impacts of economic policies particularly on free trade.

This encompasses the collection of data from diverse expert perspectives on the impact of a free trade agreement, a free trade policy, and related regulations by modeling impacts if implemented and if discarded. The research results support decision-making and implementation with the respective contingency plans. (Federal Trade Commission, 2007)

These regulatory roles that seemingly conflict with the idea of free trade received criticisms indicating the hypocrisy and unfairness of the United States in advocating free trade to the global economy but imposing regulations or restrictions protective of sectors of the economy. The Federal Trade Commission explains that the institution advocates free trade for America and the world.

However, free trade is complex leading to the inevitability of associated costs and trade-offs (Leary, 2002). The idea of free trade is that countries should be able to trade goods with which these have competitive advantage to accrue benefits. This means that in industries with competitive advantage, regulations differ with that in areas with weak competitive advantage, regulations may be necessary. In the case of the steel industry, where the United States does not have a competitive advantage, the trade-off is between retention of jobs by regulating the entry of steel from other countries and increased price for consumers due to limited supply and rising cost in the local steel industry. The associated cost could be loss of income for workers or rising costs for the consumers of steel. Other countries do the same.

Otherwise, the processes of globalization would not accrue the expected benefits for the world economies. In addition, the impact of globalization is not a ‘ zero-sum game’ (Leary, 2002). All benefit albeit to different extents.

The Federal Trade Commission and U. S.

Exports

The United States assesses its export policies regularly and The Federal Trade Commission plays a vital role in providing research data on the impact of export controls. As such, even if the commission does not actually develop policies on export controls, it plays a vital role in the policymaking process. Again, this seemingly creates inconsistencies in its roles.

Export policies again follow the economic rationale of achieving benefits from globalization through the preference of exporting goods in which the country has competitive advantage (Leary, 2002; Yuan, 2002). This means that goods produced in bulks receive preference because of the economies of scale advantage. Preference means that there are also goods discouraged for export or allowed through regulations such as export controls.

Export controls apply to particular products and processes. Post 9/11 export controls focused on information and technologies related to military capabilities and national security such as munitions and nuclear technology to other countries (Dunn, 2005). On one hand, developing countries look forward to technology sharing coming from developed countries such as the United States following the liberalization of trade. The United States adheres to this through joint ventures in developing countries that enable technology transfers to the domestic economies. On the other hand, there is a restriction in the types of technology shared by the United States, especially due to lessons from the attack on the World Trade Center. The country would not want to share technology used against the country in the future.

The information and technology that other countries expect to benefit from free trade has limits.

The commission reconciles these issues in its roles through two points. One is that its provision of diagnostics on the export control policies finds basis in the fact that export control operate depending on the country of destination for controlled products (Leary, 2002). This means that the agencies implementing export control can allow the export of particular information and technology depending on the intended destination. This rationale appears to contradict its advocacy of free trade. Nevertheless, benefiting from the core processes of globalization involves the compounding of supply and demand dynamics with social welfare and security matters affecting business and consumer benefits.

Imposing controls on certain exports is necessary to protect the economy. The fusion of information and technology with national security demands appropriate export controls to prevent economic disruptions (Leary, 2002). National security is also necessary to ensure healthy trading activities at the international level.

The other is that exporting is a privilege for business firms (Yuan, 2002), which implies the need for standards that facilitate this privilege. As a privilege that could facilitate mutual benefits from exporting countries, the commission conducts diagnostics and impact studies in support of sufficient and appropriate export policies. Supporting export controls for information and technology intended for export to certain countries posing threats to national security is a necessary measure in exchange for securing the economy against disruptions.

Export controls also support mutual economic benefit as a global practice. Securing world trade against economic disruptions from export-related threats enables exporting countries including the United States to benefit from globalization.

Conclusion

The Free Trade Commission has come a long way since its inception in the early 1900s. However, one thing has not changed, its institutional bias towards free trade expressed through its roles. Nevertheless, there is still need to change public perception of free trade, which forms part of its consumer education role. Free trade is not without regulations but trading with sufficient and appropriate regulations facilitating the mutual benefit from globalization.

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