

Free trade is a global public good

[Economics](#), [Trade](#)



In acquiring a greater understanding of the aforementioned terms, one would proceed to outline the cost and benefits of free trade and any barriers that are associated with trade which can prohibit the process of free trade. Once all the above information has been given, one can then analyze the information and make an informed decision on if free trade is a global public good. In defining trade, O'Brien and Williams stated that trade refers to the exchange of one commodity for another.

They further noted that whenever two or more individuals exchange goods and services they are engaging in the process of trade, which has been in existence since the beginning of time - through the barter system. It is important to note that trade is an essential social activity that satisfies humans' wants, needs and desires; in other words, due to the existence of trade persons have improved their standard of living incredibly (O'Brien and Williams, 2010).

It should be noted that there are three different forms of trade namely domestic, intra-regional and international trade. Domestic trade is also referred to as internal trade which looks at the archiving and selling of local goods within the national boundaries of a specific country. It is believed that domestic trade functions as a link between producers and consumers; and it is sub-divided into two categories of wholesale and retail, through the exchange of goods and services.

Trade is also done at the intra-regional level among member states of a regional bloc such as CAROM; this is mainly done to enhance regional cooperation through regional institutions while primarily focusing on the

economic exchange of goods and services. However, international trade is done on a much wider scale whereas the focus is on the exchange of goods, capital and services conducted across international borders.

Due to globalization, industrialization and trade liberalizing, countries are allowed to engage in trade at all levels rather than to satisfy person wants and needs for domestic, intra- regional and international goods and services. It is important to note the principle of trade remains the same at all levels and the only difference in the above three forms of trade is the cost and this is due to high level of taxes and trade barriers (Donkey, 2004). Some scholars argue for the movement of free trade since it would remove all forms of trade barriers it would allow the world to trade freely with each other without any restriction.

On the other hand, critics of free trade argue that free trade enhances exploitative conditions where some nations have an unfair advantage over others due to their wealth and manufacturing capabilities. This is why it is argued that in theory, the concept of free trade is an excellent idea but in practice it is a human devastation on small island states and developing nations, as these countries lack the economies of scale that developed nations would have due to their size and economic power (Donkey, 2004).

Free trade can be defined as the absence of government restrictions upon goods, capital, and the flow of labor between nations, which could possibly hinder the process of trade. It is believed that an advantage of engaging in free trade is that it allows for nations to concentrate their efforts on manufacturing specific products or services, where that nation can possibly

have a distinct comparative advantage (Irwin, 2009). It is expected that under a free trade agreement a number of barriers to trade would be removed such as taxes, tariffs, import quotas and subsidies etc.

If such is done, the implementation of a free trade agreement would allow foreign companies to trade their goods and service just as easy as a domestic company since they would be no restriction on trade. Additionally, it is believe that free trade will lower the prices of goods and set-vices being offer by promoting competition, innovation and specialization of products and services within a specific region (Irwin 2009).

However as noted earlier, theoretically speaking free trade sounds like a perfect model but practically speaking it is not as easy a model to replicate and this is due to the fact that ere trade has numerous disadvantages to some states that would be involve in the process of free trade. Therefore, to leaves one to question if free trade can be considered as a Global Public Good (JPG) but before one can answer the above mentioned question, it is crucial to find out what is a global public good.

According to the International Task Force on Global Public Goods; any goods or services that are essential for survival is a global public good and it should be made available for all without any charges (www. Nautilus. Org). Given the aforementioned definition, it Can be argued that the only global public good that is available in this world is " air', since all other things in the world has a cost attach to it. However, it should be noted that global public goods is a new concept which is still in the developmental stages by academics, researchers and policy analysts.

Typically speaking, a global public good is considered a global good when it has universal benefits, covering multiple groups of society and by extension the entire population. The World Bank defines global public goods as commodities, resources, services and systems of rules or policy regimes with substantial cross-border externalities that are important for development and poverty-reduction, and that can be produced in sufficient supply only through cooperation and collective action by developed and developing countries (www. Rollback. Org). In practical terms, the determination that the development community should work cooperatively to produce a desired quality and quantity of global public goods that involves consideration of how such action should be implemented and how collective financing can be employed to ensure that the respective public good is not underselling.

However, the United Nations (UN) declare that goods should meet two requirements, they must be "non-rival" (where both you and I can consume the good without affecting the utility either of us derive from its consumption) and they must be "non-excludable" (whereas no one can be prevented from enjoying it the good, once it has been produced) (Gaul, et al. 2003). The provision of public goods is a key element of the quality of life and environmental sustainability. The underplays of global goods may affect prospects for economic development and threaten global economic stability, peace and prosperity.

There are a number of mechanisms that are needed for the effective delivery of public goods and services in some developing countries that are central to poverty eradication strategy. However, the role of public goods in economic

development has been neglected in the mainstream literature and the current views of economic development need to be enriched and complemented by considerations of global public goods to achieve sustained high-quality economic growth, and to ensure that growth translates into effective poverty eradication strategies.

This is essential to achieve the Millennium Development Goals (United Nations Industrial Development Organization, 2008). Although the Millennium Development goals are not secretaries consider as public goods by nature, attaining them requires investments in international public goods. For instance finding a new vaccine against malaria or developing an accessible treatment for AIDS, preserving the peace or creating easier access to knowledge, promoting financial stability or establishing a more open and fair trading system could have a greater impact on poverty reduction that could aid in the international arena (Entailer and Trifler, 2002).

There are several categories of public goods that are identified in numerous literatures which are all closely related to five of the Millennium Development Goals: the environment, health, security, knowledge and governance. While it is believed that the environment, health and security are largely associated with benefits derived from reducing risk. Both knowledge and governance are primarily associated with enhancing capacity building.

It is important to note that providing international public goods takes more than financial resources but rather it takes the proper regulatory framework and institutional responses to ensure their supply. And that is where the greatest shortcomings remain. The world has made enormous

strides in communications and interdependence between countries, but we have not developed the policies or institutions needed to manage these processes (Et Veldt, Hewitt and Morrissey, 2006).

Free trade is regarded as a public good within the international political economy but the international community has a common interest in realizing the benefits of trade and the free movement of goods and services, which in turn requires co-operation. Due to the lack of cooperation among sovereign rational actors in an anarchical international society, the status of free trade as a public good appear somewhat difficult and even unlikely at times.

It is assume that this occur due to the absence of central authorities within the international arena (Jones, 2002). In an international political system of individually rational actors (states) and no central authority capable of enforcing cooperation or providing public goods unilaterally, international agreements and organizations such as the General Agreements on Tariffs and Trade (GAIT) and the World Trade Organization (WTF0), are believed to be important and can be considered as an alternative mechanism to cooperation.

The point is hat there is a need for an international regime which cooperates to achieve global public goods. One can argue that the benefits of free trade have differed on several accounts from traditional public goods and even if one tries to modify free trade to that of the classic trade theory it becomes even more problematic. Therefore, this leaves one with the question of if free trade is a public good and if so how can it be modify in such a way

whereas everyone can eventually benefit from its existence (Hickman and Kookiest, 1997).

The status of free trade as a public good serves as a point of departure specially for neo-liberal as it relates to regime theory on international cooperation concerning trade liberalizing. It can be argued that the existence of dilemmas of collective action leads to the retardation of the provision of public goods whereas international agreements and organization had failed to establish cooperation.

The reason why the provision of public goods is so problematic is that it entails certain dilemmas of collective action, such as the prisoner's dilemma (base on mistrust and manipulation to receive a specific benefit over others rather than cooperating) and the free rider lemma (enjoying the good without contributing to the provision of it) which are central in preventing rational actors from cooperating in the pursuit of global public goods.

It is therefore, evident that international trade requires states to cooperate in order to dismantle the barriers of trade (Et Veldt, Hewitt and Morrissey, 2006). While some scholars would try effortlessly to make the argument that free trade is a global public good, one should note that there are a number of different barriers to trade, (politically, socially, environmentally, economically, and technologically among other). With all those barriers against trade this leads one to ask a number of questions such as: Is trade is beneficial or harmful?

Should traders be free to move goods and services across national frontiers? And if trade is to be subject to all these restrictions, what kinds of barriers should be imposed and what are the given reasons for such barriers? It is therefore important to know that within the global contemporary economy, international trade touches many societies and communities through direct and indirect effects. It reaches into our homes, places of work and our recreational venues, depending on one's living arrangement and how deeply integrated one's society is within the global political economy.

This is why trade is of such importance to all because it impacts us all through the simple consumption of our food to the very clothes we wear on a daily basis; these are all evidence of the tremendous importance of trade across national frontiers (Jones, 2002). For one to further understand if global trade can be seen as a public good, one would need to analyze the cost and benefits to free trade in an international arena. The benefits of free trade have been espoused by the liberals, who believe that free trade benefits everyone whereas it increases efficiency and raises the level of productivity.

However in sharp contrast, radical and nationalist critics have argued that free trade undermines national economies, creates uneven development and damages the environment. It can be argued that the liberal trade theory appears to have created a high level of skepticism in the minds of persons, whereas the liberals are proposing that both sides to a transaction can make a profit. Now in the minds of the average person this appears as absurd, especially since the common view of transactions sees one side gaining while the other side makes a loss.

Contrary to popular believe, the liberals has made a case for free trade in which all persons involve can gain, based on the theory of comparative advantage. According to this theory, countries should specialize and produce goods and services for which they possess a comparative advantage (O'Brien and Williams, 2010: 150). The move toward freer international trade has its roots in David Orchard's classical theory of comparative advantage, which is driven by inherent differences in a countries' capacity - and hence the cost - to produce different products and arrives.

Richard definition of comparative advantage includes specialization of a product, returns of scale, product differentiation and technological differences. He believes comparative advantages in returnable industries are those with high startup costs, making small-scale entry difficult which can lead to more gains from trade and robust economic development (United Nations Industrial Development Organization, 2008). However, mercantilism's theories argued that the aim of a country was to increase its trade relative to that of its rivals hence increasing its wealth.

For mercantilism, trade was a zero-sum game with one country's gain equivalent to another country loss. Contrary to other contending views, Adam Smith argument of absolute advantage was the first to counter the protectionist philosophy of the mercantilism who regarded a positive balance of trade and accumulation of capital as the main goal of any trade policy. Smith pointed out the benefits of international trade and the division of labor in his major work 'The Wealth of Nations'.

Smith notes that by specializing in producing what you do best and importing other goods from trading partners, one would gain both individually and collectively. It should be noted that Orchard's singular achievement was to demonstrate that trade was a positive-sum game in which all parties would have benefited, even if one party had an absolute advantage in the production of all goods and services (Hickman and Kookiest, 1997). Under a liberal trading order, trade would be undertaken by countries according to their comparative advantage.

Due to this, countries would improve their economic growth, become more stable, powerful and efficient since they would be specializing in the production of foods and services in they were the most efficient producers and enabling their nonusers to buy foreign goods at the lowest prices. Based on the rules of comparative advantage, specialization would promote efficiency and increase growth, as seen in the underlying principles of the modern trade theory.

However, Orchard's assumption that differences in labor productivity were the sole determinants Of comparative advantage is too limiting since it focuses too much on capital, labor and land. One can also note that the theory or comparative advantage appears to be very prescriptive since it suggests that the welfare of an individual country and by extension the world ill be improved base on countries specializing according to their comparative advantage (O'Brien and Williams 2010).

From a liberal perspective, protectionism is inefficient since it reduces competition, and increases the monopoly power and thus the profits of the

industries which benefit from protection. On the other hand, free trade increases the degree of products available to consumers, although ultimately it will reduce the degree of product differentiation in each country. The gains from trade come partly from the greater degree of product variety and partly from the lower price per product.

The theory of free trade emphasizes the gains or benefits from trade from a nation. There are two main aspects to be gained from the engaging in trade which are specialization which leads to increased productivity and economic growth; and diffusion of knowledge, innovation and production techniques which is closely linked to international trade. Trade is seen as an engine of growth as it advances the technological progress of society making production more efficient, effective and affordable within the 21st century (O'Brien and Williams, 2010).

Despite the theoretical elegance, the theory of free trade is constantly being attacked by numerous critics. It can also be argued that free trade is meant to help eliminate unfair trade barriers to goods and services as well as raise the economy in developed and developing nations. There is a popular belief that free trade will create an unfair advantage to domestic suppliers and it would reduce the number of jobs created in a mercantilist society.

For instance, persons within agricultural base countries have argued that industrialization has hindered their attempts to industrialize since comparative advantage dictates that they continue to import industrial products whereas they might have a future comparative advantage in the production of a specific industrial product. In such a case, one can argue that

it is necessary to implement the necessary protections for local industries, until they become competitive and can reap the benefits of comparative advantage (Lamer 1994). Another argument against free trade is that it places the precedence of national security over trade.

In other words, it is argued that countries need to seek alternative methods of acquiring certain food apart from via trade in times of war and conflict. Simply put, it means that countries need to be self-sufficient in the production of certain strategic industries. It is also a widely accepted view that if free trade threatens the national security of a state, that it would be necessary for the government of the state to impose certain tariff and taxes on trade and even impose any necessary restriction if needed in order to protect the society (Entailer and Trifler, 2002).

The third argument against free trade is that it is harmful for the environment, whereas the increase in farming, pesticide, emissions of greenhouse gases and high energy usage as created a harmful impact towards the environment. The Global Development and Environmental Institute (EDGE), find the environmental impact as mixed whereas some countries have a higher level of environmental hazards than others.

Therefore, the EDGE suggested that the WTO imposes certain barriers and restriction on those countries which has a higher level of environmental pollutants in comparison to the countries which has fewer pollutants since free trade is contributing to the degradation of the environment (O'Brien and Williams, 2010). In conclusion it can be argued that free trade is not a public good as it creates a number of disadvantages for some nations especially

the developing countries. Such disadvantages include the loss of jobs, environmental hazards; inequalities in food securities and retardation in the development of industrialized products.

Given the rules of the UN in regards to global public goods, in order for something to be considered as a public good it has to be able to benefit all persons and any usage of the item of product should not affect anyone. Therefore one can argue that free trade is not a global public good as it do not benefit all takeovers and in order for free trade to benefit all there need to be some trade barriers implemented on some nations and that in itself is against the rule Of a global public good.