

# Specialisation and benefit of free trade economics essay



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Free trade is considered to be raising the global level of production as it allows specialization between nations, as claimed by the classical economic analysis. Specialization allows correct allocation of a country's resources, focusing on the industry it has a comparative advantage in. The benefits of specialization in combination with economy of scales, increase global borders of the PPF. The absolute quantity of goods and services in the highest under the condition of free trade and is supported by the increase of the PPF.

Free trade is also having some side effects for countries, therefore the population as well as the government has to react. In some developing countries, if big multinational companies are allowed to enter the market, they may have too much influence, as they are rich and have a lot of disposable money. As there is an increase in free trade, the power balance changes in favour of companies with regard to the government. Due to this fact corruption may also arise. Governments usually have to ban the ability to trade on their market, because the population usually holds acts of protest against it.

Another reason for the existence of the protectionism is that as the companies are over-seas based, the country has an outflow of funds as profits are sent back to the company's country of basement, instead of having money inflows. While creating protection for the local producers, favours the government, as companies have to pay an income tax as well, as a result, the country's budget will increase. Big companies try to influence the local government in their own interest and exploit the labour force.

Countries that are still growing and want to increase their power in a certain

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industry or sector will use protectionism, in order to allow the industry to grow at highest rates, therefore imposing taxes and quotes to protect the local manufacturer from foreign competitors. Protecting local industries will as well create new jobs for the local workers, and the other way round - free trade means that part of the working force will go to other countries in order to work there. Subsidising local industries and negating free trade, gives the subsidised companies international competitiveness, as they can sell their goods at prices lower than the production costs, as they are paid by the government.

Free trade also causes environmental damage, which later reflects as economic. Allowing free trade between countries means that some laws can be evaded, by the company producing in other country, and therefore cause damage to their environment. As an example, 1st world EU based companies, cannot produce as profitably in their country, but can easily move to another third world EU country like the Baltic countries, Romania, Bulgaria, etc. And pollute their air and waters, and afterward money from the country's budget will have to be spending in order to clean the environment.

Free trade allows companies the possibility of outsourcing the manufacture of the goods for sale in home market. The ecological and labour standards entered on these companies can be less in foreign production. A labour safety and surrounding lawyers assert that free trade in that creates conditions which allow the companies to bypass internal rules, making in other places. As free trade increases, balance of forces of shifts in favor of the companies and from the government. It is considered that it poses threat for democratic self-determination of antiglobalists and authoritative

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management the totalitarian states. He also asserted that free trade harms the developed countries, as it causes tasks from these countries to pass to other countries, and accelerates “ races on a survival”. And also reduction of the rich countries of gross national product, loss of workplaces, strengthening of competitive pressure will be undermine democracy, creating pressure upon a salary, more low, and measures of protection, as ecological standards and safety standards. “ Races on a survival” accuse of the international competition on attraction bargain-manufacture the goods which, with free trade, can be located anywhere

Delivering food produced on the other side of the world to a supermarket has an environmental impact because it requires the use of fossil fuel in delivery from overseas, as compared to local delivery. In a perfectly efficient market, the costs of the fossil fuel would include the externalities associated with their consumption. Thus the full impact of their transportation costs would be reflected in the market price of the good. In the real world, there are no perfectly efficient markets. Much of the true costs of transporting goods around the world and consuming fossil fuel must be paid in the future dealing with the health and environmental effects of pollution. It is also likely that economic disruptions will be caused by future shortages of fossil fuel energy and spikes in fuel prices since it is a finite resource that is being depleted.

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