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Liberalization in international trade

Liberalização no comércio internacional

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Abstract: One of the powerful arguments against free trade is that it is a zero-sum game. Due to differences in the cost of production, capital tends to concentrate in some countries and gains accrued as a result of this process in one region of the world are obtained at the expense of another region. That is, free trade might have some positive effects on the welfare of people in one place, but this is because it leads to a reduction in the welfare of people in another place. In this paper, I argue that on conceptual grounds the alleged causal link between liberalization of international trade and its negative impacts on the welfare of people is hardly tenable, even though the ongoing trade relations among nations display a zero-sum picture. Freedom of trade might be advocated on the basis of producers' equality of opportunity to enter the market and consumers' freedom of choice in buying goods and services in addition to considerations about efficient use of resources.

Key words: Free trade, globalization, multinational corporations, consumer, efficiency, equality of opportunity, freedom of choice.

Resumo: Um dos argumentos vigorosos contra o livre comércio afirma que ele é um jogo de soma zero. Por causa de diferenças no custo da produção, o capital tende a se concentrar em alguns países, e os ganhos acumulados como resultado desse processo numa região do mundo são obtidos às expensas de outra região. Isto é, o livre comércio poderia ter alguns efeitos positivos sobre o bem-estar das pessoas num lugar, mas isto ocorre porque leva a uma redução do bem-estar das pessoas em outro lugar. Neste artigo, sustento que, por razões conceituais, a suposta ligação causal entre a liberalização do comércio internacional e seus impactos negativos sobre o bem-estar das pessoas dificilmente é sustentável, embora as relações comerciais contínuas entre países exibam um quadro de soma zero. A liberdade de comércio poderia ser defendida com base na igualdade de oportunidades dos produtores para entrar no mercado e com base na liberdade de escolha dos consumidores na compra de bens e serviços, além de considerações sobre o uso eficiente dos recursos.

Palavras-chave: livre comércio, globalização, corporações multinacionais, consumidor, eficiência, igualdade de oportunidades, liberdade de escolha.

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Introduction

In the last twenty years, arguments against globalization have obtained increasing popularity among scholars from divergent disciplines. Social scientists and especially political philosophers often claim that international economic integration and freedom of trade have negative effects on welfare states. Increasing capital flow and the mobility of manufacturing industries might have positive effects on the welfare of the people in one country, they say, but the same processes have some negative impacts such as an increase in the number of the unemployed, economic instability and so on in another country (Goldsmith, 1995, p. 21; Daly, 1996, p. 232-233).

By contrast, proponents of globalization establish a positive association between international economic openness and the expansion of the welfare state (Cameron, 1978, p. 1243-1261; Rodrik, 1998, p. 997-1032). Some propound that liberalization of financial markets has brought significant developments in political freedoms and democracy. Increasing capital mobility advances democratic rights by hindering rent-seeking activities of the elites of developing countries (Maxfield, 1998, p. 1201-1219). Advocates of free trade also urge that the proposition that for some people to benefit from free exchange, others must lose is a mistake. In *A Future Perfect*, John Micklethwait and Adrian Wooldridge, for instance, maintain that to permit low-wage workers to compete with high-wage workers or to license firms to invest their capital abroad does not, in the long run, mean more jobs or higher life-standards to foreigners than to citizens at home. The rate of growth of payment depends on productivity; high wages naturally go to those who produce more in the same period of time, according to them (Micklethwait and Wooldridge, 2000, p. 109).

There is empirical evidence supporting the opposite approaches to globalization, though the evidence is far from conclusive (Brady *et al.*, 2005, p. 921-948; Rudra, 2005, p. 704-730). Not only is there an underdetermination of hypotheses about globalization by evidence, but also there are conceptual confusions in this plethora of ideas. To clarify some conceptual confusions about free trade and comparative cost advantage in production helps us understand the process of globalization better and evaluate the real theoretical merit of bold hypotheses about it. Thus, instead of adducing further empirical evidence in order to support decisively one of the hypotheses about the relationship between globalization and the welfare state or democracy, here, I try to indicate that the alleged causal link between free trade and its negative effects on the welfare of people is invalid on conceptual grounds, and that the idea that globalization[2] is essentially a zero-sum game is mistaken, i.e. specialization in the production of some goods and trade openness do not necessarily yield prosperity to some countries always at the cost of the well-being of others.

Trade openness does not necessarily cause reduction in the welfare of people in some regions of the world at the expense of the welfare of others because many firms in manufacturing industries seek, in most cases, new regions for making investments just to increase their profit rates by capturing some portion of new markets; that is, instead of moving their manufacturing activities at home, they establish new factories abroad in addition to their investments in the host-country. Also, contrary to the supposition of the critics of free trade, cheap labor is only one factor among

[2] Throughout the paper, I use the term "globalization" to refer to economic openness both in trade and financial markets as well as to international economic integration.

many ingredients of production. Capital might flow abroad for cheap labor, but it might also flow in for production in divergent sectors of the economy, in which technology, transportation costs, etc. are much more significant for an efficient production than cheap labor. Besides, free trade induces competition with locally produced goods, which, in turn, might increase the quality of the goods produced in the host-country or might cause a reduction in the prices of the goods sold in the local market by encouraging producers to find more efficient ways of production. In what follows, I first present several arguments advanced against free trade on the ground of adverse effects of globalization on the welfare of some people, and I argue that trading goods and services freely does not necessarily give rise always to the alleged negative effects on the well-being of some people. Then I attempt to bolster this view by some positive arguments for freedom of trade on the ground of the notions of freedom of choice and equality of opportunity.

Is trade openness a zero-sum game?

The idea of free trade primarily relies on the logic of comparative advantage, which is first formulated by a British economist, David Ricardo. According to Ricardo, different countries incur different costs of production of the same goods, depending on resources, technologies and other relevant ingredients of production they have. There are two forms of comparative advantage: absolute and relative. To see the difference between the two, consider the following example. Suppose that Portugal produces 1 gallon of wine and 1 yard of cloth in the following labor hours:

	Labor hours	
	1 gallon of wine	1 yard of cloth
Portugal	80	90
England	120	100

Portugal has an absolute advantage to produce both wine and cloth because the labor required for the production of each is less than that of England. Portugal has also relative comparative advantage in the production of wine. The comparative cost advantage of production in wine for the ratio of Portuguese to English is 80:120, which is less than the ratio of 90:100 in cloth. If Portugal specializes in accordance with her relative comparative cost advantage, "for every yard of cloth she ceases to produce, she can have 1 1/8 gallons of wine", because both employ 90 labor hours. If the exchange rate after trade between wine and cloth is 1, then Portugal can exchange 1 1/8 gallons of wine with 1 1/8 yards of cloth. Thus, instead of 1 yard of cloth produced by herself, she can have 1 1/8 yards of cloth by trade. Similarly, if England specializes in producing only cloth, she will have 120 free labor hours to produce 1 1/5 yards of cloth, which is equal to 1 1/5 gallons of wine by international exchange rate. Accordingly, if countries specialize in the production of the goods of which they have comparative advantage and trade these goods freely, everyone will be better off (Ricardo, 1911; Pearce, 1983).

Critics of free trade, however, point out that the idea that if each country specializes in those production activities in which she has the greatest comparative cost advantage, and goods are exchanged freely, each country would prosper is false. They underline high levels of unemployment in the developing world and argue that as a result of economic liberalization, transnational corporations move their manufacturing activities to places where labor is cheap. Thus, workers in the less developed countries (LDCs) find jobs to earn their living at the expense of the workers of the industrialized countries (ICs), who lose their jobs because of the mobility of manufacturing industries. James Goldsmith, for instance, maintains that increasing economic openness and the mobility of certain production activities have some positive effects in one country at the cost of the welfare of people in another. For him the view that as a result of specialization in the production of some goods and of trade openness prosperity of each nation increases is mistaken. "During the past few years," he notes,

> Four billion people have suddenly entered the world economy. They include the populations of China, India, Vietnam, Bangladesh, and the countries of the former Soviet Union, among others. […] Those nations have very high levels of unemployment, and those people who do find jobs offer their labor for a tiny fraction of the pay earned by workers in the developed world (Goldsmith, 1996, p. 172).

He draws attention to the fact that an employer in Vietnam, for instance, may employ forty-seven people at the cost of only one person in France, and that this encourages industrial establishments of the developed countries to move to such countries as Vietnam and China:

> To benefit from these new conditions, capital is transferred by transnational corporations to cheap-labour countries to finance modern factories and to equip them with state-of-the-art technology. These factories will produce goods to be sold in the markets of the developed nations, thus destroying jobs at home (Goldsmith, 1995, p. 21).

Goldsmith also criticizes advocates of free trade who contend that free trade provides an opportunity to consumers to buy imported goods less expensive than the goods produced at home by high-wage workers. He points out that the consumers of ICs are workers most of whom have lost their jobs and thus purchasing power due to the movement of the manufacturing industries to cheap labor countries. Besides, goods produced with cheap labor in the developing countries are not sold cheaply at home; instead transnational corporations increase their profit margins. He underscores the difference between old multinational and today's transnational companies:

> Multinationals built factories in Brazil or India in order to conquer the Brazilian or Indian markets, not in order to acquire cheap labour to replace jobs at home. They participated productively in the economies of the countries in which they invested and did so without damaging their own national economies. Transnationals, on the other hand, buy labour in low-wage countries and import their products for sale in the residual high-wage, high-income markets (Goldsmith, 1995, p. 61).

As the remedy of the ills he has diagnosed with regard to globalization and free trade, Goldsmith mainly suggests the protection of the locally produced goods from the imported goods of foreign countries by trade barriers (Goldsmith, 1995, p. 29-40).

Yet, many theorists and economists argue against strict protectionism, and they hold strict protectionism responsible for the Great Depression in the U.S. (Rhodes, 1993, p. 52). High tariffs to protect locally produced goods from competition might cause a decrease in the quality of the goods produced at home – due to lack of competition with foreign goods, producers might not bother to increase the quality of their products, which find buyers who somehow compellingly buy them anyway because of lack good alternatives.

In addition, expensive foreign goods with lower quality could hardly find consumers at home if the goods produced locally have higher quality and are sold more or less at the same price as that of low-quality foreign goods. So there seems to be no serious threat to local production activities by lifting trade barriers as long as local manufacturers produce goods having more or less the same quality or market price as that of foreign goods. It is thus unclear how freely trading goods among distinct countries inflicts harm on the interests of people at home. Goldsmith needs many more assumptions to establish even a very weak causal connection between free trade and its negative effects on the welfare of people in the host-country.

Leaving aside the question of whether protecting goods from competition with imported goods actually solves the problems Goldsmith attributes to free trade, his statements about unemployment rates in ICs after economic liberalization are overemphasized. Moreover, the major assumption of his argument that ICs do not protect the goods produced at home against foreign goods does not match with the numbers about the quotation rates of these countries on many goods. The European Union, for instance, applies a 73 per cent tariff on cane sugar from developing countries, 83 per cent on maize and 65 per cent on wheat (Madeley, 2000, p. 67-82).

Nevertheless, the critics of globalization note, if free trade, in its actual practice, bears primarily on exchange of the same goods rather than different goods or technologies and capital, then it becomes difficult to make a substantive case for it. In contrast to the implications of comparative advantage in trade, more than half of all international trade involves the simultaneous import and export of essentially the same commodities, according to Herman E. Daly: "For example, Americans import Danish sugar cookies, and Danes import American sugar cookies" (Daly, 1996, p. 231). Cheaper goods of one country, the critics argue, might have fatal effects on the economy of another country, which owes its health and even its existence to the production of the same goods as those imported freely. A country X, which mainly produces *y* at a relatively higher cost due to its undeveloped technology and infrastructure, could not compete with an imported *y*', which has a higher quality and lower cost. As a result of free exchange, the factories of X would likely be closed; many workers would lose their jobs, and the purchasing power of people as a whole would decrease because of a shrinking economy. In order to supply primary goods to her people by means of trade, X might borrow money from international banks, but this renders her economy an increasingly dependent one. To be able to pay her debts, she would ask for new loans, and thus the control of the economy would slowly pass into the hands of the directors of international banks and large corporations, who would seek after their money and force X to take any measures to pay her debts--whatever the consequences of these measures for the people of X. Economic instability would likely induce political instability,[3] which, in turn, might cause capital escape from X. Therefore, there would be no new investment and hence no new job opportunities in the long run.

Notice, however, that the harm imposed on X's people is not caused by free trade in itself; it is rather caused by the entering of *y*' in the market, which is both cheaper and better in quality than *y*. If *y*' were expensive or did not have better quality, trading *y*' freely would not probably destroy X's economy. Instead of blaming free trade in such catastrophic cases, officials should be invited to make deals with foreign investors to invest on infrastructure and technology of production in X. That is, the remedy of the ill diagnosed in such cases is not to build walls against any kind of trade activity; it is rather to encourage free trade for some capital goods

[3] John Gray is among those who straightforwardly defend this view: "The swift waxing and waning of industries and livelihoods, the sudden shifts of production and capital, the casino of currency speculation—these conditions trigger political counter-movements that challenge the very ground rules of global free market" (Gray, 1998, p. 7).

that make positive contributions to X's economy. The mobility of capital in some sectors of industry and specialization in the production of some goods might be profitable for the welfare of people in general. Efficient use of resources would increase productivity, which, in turn, might increase capital stock to make new investments and thus reduce unemployment.

Nonetheless, specialization in the production of some goods, the critics might state, has monopolistic implications. If resources of a country are a few in kind, which allows specialization in the production of one or two goods only, then the country will be dependent on other countries for a variety of goods she needs. Suppose that X is the only producer of *y*, which is not a luxurious commodity. Suppose further that the country Z is totally reliant upon X for obtaining *y*. Then, X can sell *y* to Z at whatever price she likes. If other countries lack the goods the country at issue produces, then she will be a monopolistic producer[4] for the countries totally reliant on this country for purchasing these goods. Unless countries specialized in the production of some goods are more or less equally dependent upon one another, there is nothing to prevent one country from taking advantage of the other. In that case, the idea of comparative advantage in free trade is nothing other than a mere theoretical speculation.

As natural resources are not evenly spread on the earth, some countries would be more advantageous than others in the case of specialization in the production of some goods. Although specialization of a country in the production of some goods might cause the formation of monopolies in the market[5] or encourage resource-wise rich countries to take advantage of impoverished countries with respect to resources, this does not yet demonstrate the falsity of the idea of free trade. Because trading goods freely among various countries is a different issue from the specialization in the production of certain goods. For the sake of efficiency, specialization might be advisable. But the notion of specialization in production should not be conflated with freedom of trade. A country can specialize in the production of some goods, and still there might be strong trade barriers to exporting these goods to other countries. Alternatively, two countries might negotiate on reciprocal reduction or even unilateral reduction of tariffs or quotation rates of certain goods in the production of which they are not specialized. In short, specialization in the production of some goods should be considered separately from free trade when evaluating pros and cons of each economic policy.

A case for freedom in trade

In the previous section, I tried to show that the criticisms brought against free trade on the basis of its alleged negative effects on the welfare of some people are untenable because the actual reason for those effects might be poor production conditions, undeveloped technology or low-quality but more expensive goods sold in the local markets. Also, some of those adverse effects on the welfare of people might be considered as a result of the formation of monopolies in international

[4] Richard A. Posner describes the monopolist as a "seller (or a group of sellers acting like a seller) who can exchange the price at which his product will sell in the market by changing the quantity that he sells. Concretely, by reducing his output he can raise his price above the cost of supplying the market, which is the price level that competition would bring about, the competitive price" (Posner, 2001, p. 9).

[5] In order to prevent the distortion of free markets by the establishment of monopolies, which directly jeopardize consumers' and small producers' interests, some capitalist countries enacted antitrust laws. The drafting of the Sherman Antitrust Act and its subsequent enforcement in the U.S. during 1889-1911 is a case in point (Sklar, 1988, p. 153). It is worth noting that an important feature of trade relations among nations is the absence of antitrust laws regulating the operations of international markets.

markets rather than free trade or specialization in the production of some goods in itself. Yet these arguments are not strong enough to definitely condemn criticisms raised against free trade; even if freedom in trade cannot be held accountable by itself as the primary cause of the negative effects attributed to it, one might say, it is an important factor that triggers, if not directly causes, those effects. Below I shall attempt to provide a sketch of some positive arguments for free trade in addition to the arguments given above to rebut several objections brought against freedom of trade. On the ground of the notions of consumers' right to invest their funds on the goods and services they actually want to buy and their freedom of choice, and producers' right to equal opportunity to enter a market and to realize their business goals freely, I intend to make a stronger case for freedom in trade.

One of the powerful arguments for free trade rests on the notion of consumer protection against unsafe products and the idea of freedom of choice. Through the operation of free markets, consumers do have a say and ability to affect the quality of the products sellers supply in the markets by their dollars. Unless sellers respond to consumer demands, they will suffer losses in the rate of profit they would otherwise have. "There are," writes Alan G. Armstrong, "considerable pressures on firms to produce safe products wherever possible. It must be realized that it is not in the long-term interests of many large multi-product firms to supply unsafe products" (Armstrong, 1981, p. 72). By virtue of the mechanism of free trade, consumers will have a variety of goods to prefer. If they desire, for instance, high quality goods to buy, manufacturers producing low quality goods run the risk of losing their customers to their competitors in the market. That is, free trade promotes producers to satisfy consumers' desires for safer, higher quality goods by allowing many business actors to take place in the market, where their having a share depends, to an important extent, on their sensitivity to respond to what consumers want.

One might object that the benefits of free trade such as having safer and higher quality goods obtain only if consumers have perfect information about the goods they choose. However, consumers often lack adequate information about the goods presented to them in stores because of the complex nature of many consumer products such as electronic devices. And typically manufacturers, who have full knowledge about their products, provide little information or deceive consumers by misrepresenting the features of the products. Furthermore, consumers' choices are mostly based on probability estimates about the quality of the products they choose and choices made under uncertainty would likely be irrational or inappropriate (Asch, 1988, p. 74-76). As such consumers' choice can scarcely be a rational ground to guide manufacturers correctly in determining the type of the products they supply to the market. Hence, it is hard to believe that on the basis of consumers' behaviors manufacturers would increase the quality of their products or supply them at cheaper prices to the market.

This argument is valid only if we assume that the free market mechanism guarantees high quality and safe products to consumers and that all consumers must have full knowledge about the products they buy. We need not accept any of these assumptions, however, in order to establish a positive association between free trade and an increase in the quality of consumer products by means of inducing competition in the market. Even if free trade and competition among manufacturers do not warrant high quality for consumer products in every case, there are cases where the free market mechanism secures high quality or cheaper goods. If the market functions normally, i.e. there is no catastrophic failure and consumers have a moderate level of information about the products they choose, their behavior might, at least in some cases, be a quite rational guide for manufacturers participating in the market freely by the products produced in accordance with consumers' preferences. However, whether consumers' choice affects manufacturers' production activities in a correct manner or not, the possibility of the misguidance of manufacturers does not invalidate the consumers' right to get what they expect in spending their money for some goods and services. In the absence of free trade and a variety of alternatives in the market, it seems hard for consumers to satisfy their desires for the goods and services they buy. In the case of an unfree market, consumers are, in a sense, forced to buy goods and services they might actually find to be defective or to buy them above their "normal" prices, i.e. they are forced to give "voluntarily" their fiscal properties to buy the products they would never buy under the circumstances of a free market. Consumers have a right to do whatever they want with their own property; yet in an unfree market, their right to use their property in a way they are actually willing to use is overriden indirectly through a mechanism of trading in an unfree market.

Not only the consumers' right to use their private property in accordance with their desires but also their right to choose the goods and services among various alternatives involves free trade, by means of which consumers would have various options for the same type of goods. It would be wrong for a few number of producers to decide on their own consumers' preferences; and without freedom of trade, consumers are going to be compelled to buy whatever producers think appropriate for them to consume. In a market where a limited number of producers sell a few kinds of goods with more or less the same quality, consumers are forced to choose one of the limited options presented to them. In a free market, on the other hand, consumers will have a lot to choose. If they desire high quality goods, they may buy them rather than low quality goods of the same kind. Alternatively, they may prefer cheaper goods to the more expensive ones, no matter how good the quality of the latter. But this freedom of choice on the part of consumers is plausible only if there are many producers who supply a variety of goods both with respect to the quality and type of goods. The number of producers in the market is, in turn, directly correlated with free trade, i.e. freedom of producers to enter into the market.

Free trade is advisable not only because it facilitates consumers to determine what goods they would buy and at what price; it is commendable also because producers should have an equal opportunity to enter a market. Equality of opportunity involves that no one be prevented from participation in a free market system in order to fulfill one's own business ends. Unreasonable and in some cases unlawful restraints of trade (as in the case of the formation of monopolies in the market) result in the restriction of competition by private parties by unfair methods of competition or by eliminating competitors. There are restrictions on the formation of monopolies in the market in many countries. One of the central missions of the restriction is to secure freedom of businesspeople to enter into the market on the basis of the idea that everyone should have equal opportunity to produce and sell the goods they produce in the market. Friedman's words echo the view that free trade induces competition among producers, and the fairness of competition and its benefit for society depend, to an important extent, on the applicability of the principle of equality of opportunity for businesspeople who want to participate in the market to realize their own particular goals. "The priority given to equality of opportunity in the hierarchy of values," he says,

> is manifested particularly in economic policy. [...] Everyone was free to go into any business, follow any occupation, buy any property, subject only to the agreement of other parties to the transaction. Each was to have the opportunity to reap the benefits if he succeeded, to suffer the costs if he failed. There were to be no arbitrary obstacles. Performance, not birth, religion, or nationality, was the touchstone (Friedman and Friedman, 1980, p. 123-124).

Equality, a significant social ideal, might be considered as a part of the idea of justice; it involves equal treatment to individuals if there is no morally relevant cogent reason to discriminate against them. It would be unfair to allow some businessmen to enter a market freely while preventing others to carry out their trading activities in the same market, everything else being equal. Justice in the sense of equal treatment involves equality of opportunity for businessmen to trade in the market. Futhermore, all individuals deserve respect equally simply because they are all persons. Differences in physical and/or mental capacities of individuals and in their ethnic origin do not morally matter because they are not traits individuals are free to choose; they have these characteristics at birth involuntarily. So these features cannot be taken as the ground of a decision in determining who **is** going to be allowed or not to be allowed to participate in a market to sell or buy a commodity. Entitlement of each person to equal respect involves equal opportunity for each to enter a market system to realize their business goals.

The idea of showing equal respect to persons just because they are persons has a common root with Kant's notion that human beings are ends in themselves. Kant emphasizes that humans are the only beings who are capable of deciding or doing anything freely as opposed to the other creatures of nature (Kant, 1964, p. 96). As freedom is an essential characteristic of human beings, they should be allowed to act and realize their aims, such as economic ends, freely. If a person's productive and transactional activities are arbitrarily constrained, his/her chance of free and voluntary participation in the market will be seriously diminished. Freedom is an important moral value for human beings and there should be maximum freedom in performing an activity, given that this does not jeopardize everyone's equal right to do the same thing freely.[6] The autonomy of individuals, their ability to choose and to take decisions for themselves as well as for others, requires giving equal opportunity to them to participate in trade activities of national as well as international markets. Freedom in trade equalizes the opportunity of businesspeople to access to the markets in which they want to carry out their transactional activities. Individuals have a right to realize their plans and projects for life, and doing business in the market might be an important part of many persons' way of earning their lives as well as realizing their projects for self-fulfillment. Freedom in trade prepares the ground for this at least for many individuals if not all.

It could be argued that free trade annihilates equal opportunity of businesspeople to enter the market rather than secures it, especially in the case of international trade. When we scrutinize trade relations among the less developed countries and industrialized countries closely, we see unilateral rather than reciprocal reduction of trade barriers. The latter generally force LDCs to reduce their trade barriers through their financial institutions (Quiggin, 2001, p. 70). That is, freedom works in one way in relations among ICs and LDCs. Thus the manufacturers of the latter do not have equal opportunity to enter the markets of ICs. Even if there were reciprocal reduction of trade barriers between ICs and LDCs, however, it is difficult to speak of equality of opportunity in international markets because ICs provide huge support to their producers and small producers of LDCs can barely compete with subsidized cheaper products of ICs. In other words, even if small producers enter a market freely, they can hardly survive under the present conditions of international trade.

It should, nevertheless, be maintained that the reason for the inapplicability of the principle of equal opportunity in international markets is not free trade; rather, it is one-way freedom of ICs' multinational corporations (MNCs) to enter into the markets of LDCs. Free trade might be advocated on the condition of reciprocity despite the current practice of international trade. Moreover, free trade should not

[6] Recall John Rawls's suggestion of the most extensive basic liberties for everyone as the first principle of justice; he convincingly argues for the priority of this principle to other principles of justice (Rawls, 1971, p. 302).

be identified with unfettered trade. Partners of a transaction might freely trade their goods within the framework of certain regulations they agreed upon. There might be restrictions on some foreign products to be sold in a local market; a country might take necessary steps to prevent catastrophic failures of the market for the goods having vital importance for her economy. But this does not indicate the falsity of the idea of free trade. Depending on the terms of agreement two countries might freely export or import many goods, if not all, and they could benefit from comparative advantage of one another by warranting equal opportunity for businesspeople to enter into one another's local markets.

Some concluding remarks

In the foregoing pages, I tried to show that the alleged causal link established between the current negative impacts of globalization on the welfare of people and freedom of trade cannot be tenable on conceptual grounds. Most negative effects of globalization appear in cases where there are no regulations on commercial activities of multinational corporations to make it fair. As John D. Bishop points out, "MNCs operate globally but there is no global government to fulfill the implied wealth distribution responsibility to prevent destitution. And destitution certainly exists in many countries in which MNCs operate" (Bishop, 2008, p. 205). It would be wrong to think of free trade as unfettered trade; freedom within certain constraints might facilitate maximum freedom of many individuals, whereas unfettered trade activities of a few actors in the market hinder the majority from doing trade freely. By requisite international laws and regulations, economic integration and trade openness would likely bring efficiency and many advantages for the majority of the people on the world rather than more profit for multinational corporations at the expense of the vital interests of some people both in the developed and the developing world. Exploiting differences between countries with respect to their production conditions and trading commodities freely would facilitate the equalization of life-standards of diverse countries. Instead of presenting freedom of trade as the main cause of some negative aspects of the welfare of people and following strictly protectionist policies, international antitrust laws must be enacted in a way that protects both consumers' freedom of choice to buy this or that good as they desire and producers' equal opportunity to enter the market. Lastly, the reduction of trade barriers among countries should be reciprocal or should be based on actually voluntary, informed and free agreements among them. In the absence of trade barriers, two countries can exploit comparative advantage of one another without necessarily inflicting harm on one another. Cheaper foreign goods may serve the best interests of the domestic consumers as well as encourage the local industry to improve the quality of its products, to find alternative cheaper ways of production, and so on.

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