

Moral Obligations and Trade

By

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The question of moral obligation and trade is a multi-faceted one. Let me concentrate on a few salient points of central importance in today's debates concerning the reality of a global economy.

1. Most important, **Free Trade is a moral cause**. Why? Because, as Democrats here and Social Democrats and Liberals abroad fully appreciate now, our social agendas cannot be advanced without economic prosperity. Postwar experience worldwide, and not just classroom economics, have demonstrated persuasively that Freer Trade has been among the policies that have promoted rapid growth and economic prosperity. This has both reduced poverty enormously and also enabled governments to advance public health, education et.al. Where countries such as India, Egypt, Ghana, much of South America turned to inward looking trade policies, the result generally was low growth and often adverse impact on the wellbeing of the poor as well.
2. Ironically, the objections to Free Trade come today from fearful workers and other groups, among them some environmentalists, in the developed countries whereas the policymakers in the poor countries, which had embraced almost the same fears and objections to Free Trade at the beginning of the postwar period, have abandoned them. I call this the **Ironic Reversal**. Our leaders in the OECD countries now have to wage battles against similar, counterproductive fears and objections, to avoid the mistakes that the poor countries made to the great disadvantage of their citizens, including the poorer segments of their societies.
3. **The fear that Trade with Poor countries is producing Paupers in our midst** (an outcome, **if true**, should certainly arouse our **moral sentiments** in any decent society) **is unjustified**. Much research argues that the adverse effect of trade on the fall in real wages in the US is **negligible**. My own research argues that, in fact, it has even been **beneficial** and that trade has actually helped to moderate the decline in real wages that would have followed from technical change. Unfortunately, the Clinton administration has failed to take this issue head on, confronting labour leaders such as John Sweeney of AFL-CIO with economists on this issue.
The defining moment in the NAFTA win for Mr. Clinton was when Mr. Gore destroyed Ross Perot on television in the famous debate. In **the absence of such a defining debate between Mr. Gore and Mr.Sweeney**, for obvious political reasons, it is not surprising that Mr.Clinton lost the fast-track battle (though, as always, other factors, including those specific to Mr.Clinton, played a role as well).
4. **Economic Insecurity** (which we can again regard as a moral concern) as a result of trade quite generally (as distinct from trade only with poor countries) is, however, a real problem in the Global Economy. Trade creates opportunities; but it also brings risks from increased flux (whether in reality or simply in terms of perceptions). We need therefore imaginative **institutional change** (which is not the same as more budget expenditures, since simply "throwing money" at problems is something we have learned not to do if we mean to get results) to assist those who cannot cope with the consequences of Freer Trade.

I have long pointed therefore to the need for measures such as **Trade Adjustment Assistance** (e.g. in my 1988 MIT Press book on **Protectionism**, 7th printing), a theme that Robert Reich etc. have endorsed. Portability of benefits, as labour turnover is expected to increase, including delinking of health care from employment (an unfortunate legacy from the Second World War), are among the kinds of adaptive policies that need to be increasingly identified and embraced.

5. Moral objections to Free Trade arise more frequently from the fact that other **countries have different, often lower, environmental and labour standards** than we do in specific industries. **One objection** is that it is “unfair trade” when others face lower burdens. But this is unpersuasive. Different countries have legitimate diversity in what industry-specific measures they will deploy, and in what sequence, even if they were to share (as they need not, since they can have different priorities between different social agendas as well) the same commitment to labour or environmental standards. Congressman Gephardt is simply wrong in asking for equal burdens (as we bear) for the same industry in other countries. But then, we worry also that a “race to the bottom” will occur when others have lower standards and our corporations will move to locations with lower standards. This is empirically untrue. [Besides, we ourselves have lower standards than others in matters such as unionization (our terribly low rates of unionization reflecting, not just a culture of “independence”, but also definite handicapping of the ability to strike in various ways).]
6. The **Second Objection** comes, **not from our self-interest, but** because we seek to push for better standards **for altruistic reasons**. But then, **linking these altruistic agendas to trade treaties will generally undermine both freeing of trade and the advancement of the moral agendas**, generally speaking. The best way to think about this is to recall our forefathers’ wisdom: that **you cannot kill two birds with one stone** (except by fluke).
By seeking to create new “obstacles” to free trade, in shape of social and moral preconditions in trade negotiations and trade institutions, you undermine the freeing of trade: just recall how the linkage issue divided Republicans from Democrats and helped kill Mr. Clinton’s fast-track request; and also remind yourselves that the poor countries remain deeply opposed to putting such agendas into trade treaties even if we were to get our own act together on such linkage. **So, we miss one bird: the freeing of trade.**
And **we also miss the second bird:** by mixing up trade, which inevitably reflects competitiveness/protectionist” concerns, with our moral agenda, **we also undermine our moral agenda by giving other countries the definite impression that we are using moral arguments to advance what is in effect a protectionist agenda. This impression is not irrational:** just look at what we seek to include in a Social Clause at the WTO and we see that the items included are those where the poor countries, certainly not us, are fully expected to be defendants! As a citizen extensively active in Human Rights and social-agenda movements that reflect developing country concerns, I am quite aware of these problems which are totally missed in Washington and even by some of our own NGOs.

The answer then is to delink the trade agenda from the moral and social agendas that reflect altruism.

Our task as Democrats should then be to develop a Second Stone to proactively advance these other moral and social agendas, which we Democrats should take seriously. There are, in fact, several ways to do this.

The Clinton administration's failure has been to take this task with less than necessary determination and ingenuity. Instead, it has characteristically succumbed to the demands for linkage, undermining both freeing of trade and the advancement of our moral concerns in imaginative and more effective ways.