

Economic Arguments against Free Trade

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Abstract

One of the principle arguments against free trade is that, when trade introduces lower cost universal competitors, it makes local producers bankrupt. While this contention isn't in fact wrong, it is foolhardy. At the point when taking a gander at the unhindered commerce issue all the more extensively, then again, it turns out to be clear that there are two other critical contemplations. Another common argument against free trade is that it is unsafe to rely on upon conceivably antagonistic nations for vital goods and services. A few defenders of trade limitations contend that the danger of duties, shares, and so forth can be utilized as a negotiating advantage as a part of global negotiations. As a general rule, this is regularly an unsafe and useless system, to a great extent in light of the fact that undermining to make a move that is not in a country's best advantage is frequently seen as a non-tenable risk.

There are two main arguments against the free trade. As described in the question too, one is that free trade is increase the competition in the market and thus pose a potential threat for local industries. Another reason for the arguments against the free trade is that it is dangerous for local infant industries. As newly established industry seeks for government

support, free trade does not allow newly opened business or industry to reach its economies of scale and thus poses a threat for infant industries as well (Melitz, 2005). Both, the protestors of free trade and the supporters of free trade, have their own arguments and have logics behind them. Both give enough reasoning for their arguments. However in my opinion the free

trade should be allowed and the arguments against free trade do not carry enough weight. There are certain solid reasons to believe that free trade is beneficial for a country's economy. These reasons are enough arguments in the favor of free trade.

First the free trade enforces the theory of comparative advantage. Free trade allows companies to offer a specialized product or service in which it have a comparative advantage. Companies that have specialized knowledge in a certain product or service can avail the opportunity of free trade by offering its product or service in any geographical area of the world. The local companies, however, can also offer their specialized product or services to its customers. Free trade will force local industries as well to specialize in certain product or service, thus offering customers with better products or services (Peng, 2011).

Second benefit of free trade is that free trade offers opportunities for trade relations among countries. This help countries to take advantage of knowledge and expertise of other countries' industries to benefit its local customers. Free trade brings foreign investment in the country and help the economy of the country to grow. China has allowed free trade and a number of international brands have their production units now in China. Now China's economy is one of the most developed economies in the world and ranked as the second largest economy of the world. Although China had concerns about its local industry but it provided many benefits solely to its local companies and thus supported its local industries as well as allowed international companies to conduct their businesses in China as well (Mankiw & Taylor, 2011).

Benefits to consumers is another great advantage of free trade. Due to free trade competition in the market increases

and thus products are available in the market at less price. Companies need to attract more and more customers while increasing competition in the market. So they can offer less prices to their customers. With free trade more companies enter in the market and thus offer a wider range of products to its customers. Because of NAFTA there has been a free trade among countries USA, Canada, and Mexico. With the help of NAFTA the consumers in these countries can enjoy a wide variety of products from other two countries (U.S. Chamber of Commerce International Affairs, 2012). A pure woolen coat made of US could be costly but the same kind of coat that is made in Mexico can be bought at much lower price. So consumers get true benefit of free trade (Chadee, Roxas&Rogmans, 2015).

Free trade brings foreign direct investment in the country. It also helps the country to equalize its trade deficit. When a country allows international brands to start

their local manufacturing and then export those products, this helps in increasing exports for the country. With the increasing exports, the country will always have a trade surplus. Again the China is a good example for this. The trade surplus of China in 2014 was \$382.6 billion and this was an about 47% increase from 2013. The exports for China in 2014 was \$2.34 trillion and imports were \$1.96 trillion (Wang, 2015). This is a perfect example that how a country can benefit from its free trade policy.

Although the opposition of free trade has its own arguments but the benefits of free trade are far more than its costs. To some extent it is agreeable that local industry may face threats and severe competition because of free trade but it also provides opportunities for local industries to learn from the knowledge and practices of new international industry entrants. The free trade allows local consumers to have more economical value of their money so free

trade should be allowed among the countries to benefit the economy and the consumers.

Washington: U.S. Chamber of Commerce.

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