

Preface

Although this book has been acclaimed worldwide in leading newspapers and magazines, and been translated into many languages, the occasion of a French translation is cause for celebration, doubtless with French champagne. And this is so for more than one reason.

Perhaps the most compelling, from an intellectual standpoint, is the fact that, as happened with Newton and Leibnitz over calculus, France shares with Britain the honour of having developed, in the writings of Abbe de Condillac, a case for free trade that is as striking as, and more austere than, that made by Adam Smith: a coincidence that I recall at the outset of this book.

But the other reason is that, over the years, the case for free trade has reputedly fallen into oblivion, even been discarded as false, in France while it has gained dominance nearly everywhere else, to the point where a common joke among economists is that there is only one distinguished French economist, Patrick Messerlin, and one eminent French bureaucrat, Pascal Lamy, who support free trade with conviction and enthusiasm while the rest of French intellectuals remain skeptical, even hostile.

Given the spectacular achievements of French intellectuals, this is truly a puzzle. Perhaps the explanation lies in the possibility that the French intellectuals are simply unaware of the sophisticated case for free trade and are content to reject it on the basis of simpleminded caricatures learnt from newspapers or renditions by the ill-informed or the ill-trained. If so, they remind one of the witticism that, while familiarity breeds contempt, contempt does not breed familiarity.

My hope then is that, when they read this book of mine, they will find the nuanced and correct case for free trade, especially as it stands after the path-breaking developments in the postwar theory of commercial policy, to which I have had the privilege of making many contributions. No intellectual who has not read the case for free trade as set out in this book, especially in Chapter 1, can hope to engage in a debate on free trade with the seriousness and the competence that the matter requires. I therefore urge that they read the book; it is short, based on three Lectures delivered in Stockholm some years ago.

When the principles set forth in Chapter 1 are understood, it will also become clear that the quintessentially French objection to the removal of agricultural subsidies, based on a reminder of the “multi-functionality” of agriculture, is false because it is perfectly possible to preserve greenery and the countryside while “de-linking” farm support from further production and from increased trade. As we say in most cultures, you (generally) need two stones to kill two birds. If environment or “greenness” is an objective, and so is the increase in gains from trade, then clearly we need a subsidy to maintain green production just to the extent required for greenness while free trade is maintained without subsidies linked to further production or trade so that free trade maximizes the beneficial exploitation of trade opportunities. This principle is now understood and underlies current EU policy as expounded by the former EU Commissioners Lamy and Fischler; it is set forth in Chapter 1.

Since the opposition to free trade often arises these days also because it is assumed by fearful workers that it leads to immiseration of the proletariat, and to the competitive reduction of labour standards, Chapter 2 addresses these concerns and finds them unsupported by empirical evidence and analytical argumentation. The matter has been revived in American debates since the growth of outsourcing, i.e. the ability to trade in services by Internet so that the provider and the user of services need not be proximate geographically as with haircuts. But as I have argued extensively in a recent co-authored article in the American Economic Association's flagship magazine, the Journal of Economic Perspectives, the rich countries stand to gain from such outsourcing as they export high-value services (such as on-line Professorial instruction) in this fashion and generally import low-value services (such as call-answer services) instead¹; and the aggregate value of the former exports strongly dominates the aggregate value of the latter imports. The net result is not merely to increase rich-country prosperity but also to increase many high-value jobs and reduce a few low-value jobs. If unskilled workers can be assisted to train and retrain, there is no reason to fear the immiseration of the workers.

What this book does not do, however, is to consider the civil-society objections to free trade, and indeed to all economic globalization. These objections relate to what might be called the feared social implications of economic globalization. Thus, these critics believe that economic globalization such as more international trade is harmful to social agendas such as reduction of poverty in the poor countries, elimination of child labour there, the promotion of gender equality, the maintenance of workers' wages and

¹ See Jagdish Bhagwati, Arvind Panagariya and T.N.Srinivasan, "The Muddles over Outsourcing", Journal of Economic Perspectives, Winter 2004.

of labour standards in the rich countries, the state of the environment in both poor and rich countries, and so forth. The critics of economic globalization fear that economic globalization sets us behind on these social dimensions: their argument can be summarized in the favourite slogan of the German Chancellor Gerhard Schroeder and former President Bill Clinton: that Globalization lacks a Human Face. I have argued however in my latest book, In Defense of Globalization (Oxford 2004), which addresses these issues and awaits a French translation, that even on these social agendas, economic globalization advances them on balance; therefore Globalization has a Human Face.

In short, between Free Trade Today and In Defense of Globalization, the French intellectuals will find a complete defense of free trade. Only when they have read and understood it can they properly reject it with argumentation rather than preconceived notions. I hope they put in the time to understand this case; and that I would then have an opportunity to engage those who still reject the case for free trade, in the debate that the topic deserves.

Let me add one further observation. Economic Globalization has several aspects: trade multinationals (or direct foreign investment), short-term capital flows (of the kind that devastated East Asia recently), international migration, and intellectual property rights (which bear on the issue of medicines for the poor). The economic and political dimensions of these different aspects of economic globalization have commonalities; but the differences are even more striking. To emphasize this, the publishers of this French edition reprint a celebrated paper of mine from Foreign Affairs where I noted the asymmetry between free trade and free capital flows. This article made me world famous, even more so than my many scientific contributions to the theory of commercial policy.

Why? Because many anti-globalization intellectuals (including the eminent historian Eric Hobsbawm) assumed that if I was for free trade, I had to be for free capital flows, for free direct foreign investment, for free immigration, for free love, for free everything! That would be an absurdly superficial coherence, a plague of inferior minds. So, read the Appendix and cure yourself of these misconceptions.

In any event, read and enjoy the intellectual feast that I hope this, and my Globalization book promise you. If you convert to free trade, I will be delighted. If you do not, maybe I will try my last throw of dice on you, giving you an incontrovertible proof of the gains from trade. Consider the Garden of Eden. If only Adam and Eve had been in trade instead of autarky, they would have exchanged the apple for a kiwi: and the entire history of the human race would have been more benign.