

The logo for the Institut für Makroökonomie und Konjunkturforschung (IMK) features the letters 'IMK' in a bold, black, sans-serif font. Above the letters is a horizontal orange bar, and below them is a horizontal red bar.

Institut für Makroökonomie
und Konjunkturforschung

Das IMK ist ein Institut
der Hans-Böckler-Stiftung

Free Trade Agreements

A progressive Alternative

Prof. Dr. Gustav A. Horn

Universität Duisburg-Essen

Larry Summers on Global Integration



The core of the revolt against global integration, though, is not ignorance. It is a sense - unfortunately not wholly unwarranted - that it is a project being carried out by elites for elites, with little consideration for the interests of ordinary people.

(Larry Summers Washington Post 10.4.2016)

New Thinking Requested



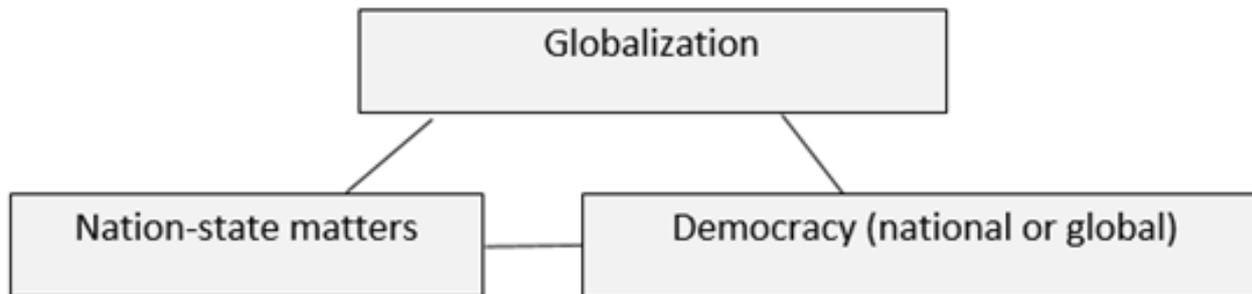
The promotion of global integration can become a bottom-up rather than a top-down project. The emphasis can shift from promoting integration to managing its consequences.

CRISIS OF GLOBALISATION

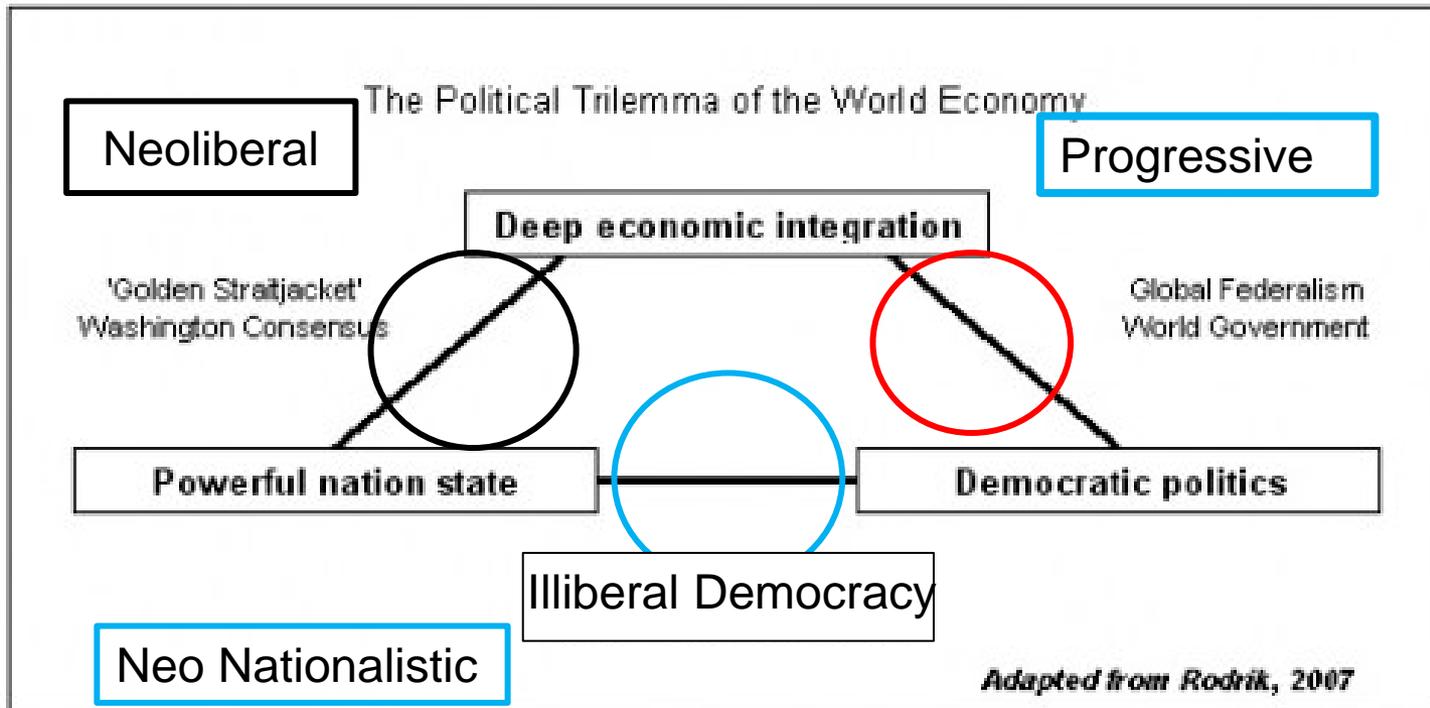


Rodricks Trilemma: Theory

Rodrik trilemma (only two, never all three)



Rodricks Trilemma: Political



Does free Trade Pay?

1. Ricardo (1817): Yes for all, because of comparative advantages. Vive la difference.
2. Stolper/Samuelson(1941): Yes but not for all. However, the winners may compensate the losers. Tax policy necessary.
3. Samuelson (2004): Not necessarily due to technological progress. Workers in some sectors may have lower real wages that cannot be compensated by gains of others.

Preliminary Conclusions

1. Free trade has a high potential to increase welfare.
2. Compensations schemes seem adviseable.
3. But: Free Trade is even under well behaving theoretical conditions no guarantee for welfare gains.

Models and Reality

1. Unfair Labor Market Conditions.
2. Unsustainable Production Conditions.
3. Regulations do not reflect universal tastes.
4. Models assume National Sovereignty.

Trade Creates Conflicts

1. Neoliberal Agenda: No restrictions on trade. (TTIP)
2. Neo- Nationalistic Agenda: National products and labor first. (Trump)
3. Progressive Agenda: Democracy first.(CETA ?)

A progressive historical challenge

1. Expand Democracy into a transnational environment.
2. Not unrestricted trade but democratic decisions are dominant.
3. No discrimination of foreign supplies.
4. No discrimination of third parties.

Basic requirements for a progressive trade agreement

1. Trading partners must observe ILO Standards to get free access.
2. Ecological standards of the importing country have to be observed.
3. Product and consumer protection regulation standards of the importing country have to be observed as long as their only purpose is not to discriminate foreign suppliers.

Conclusion

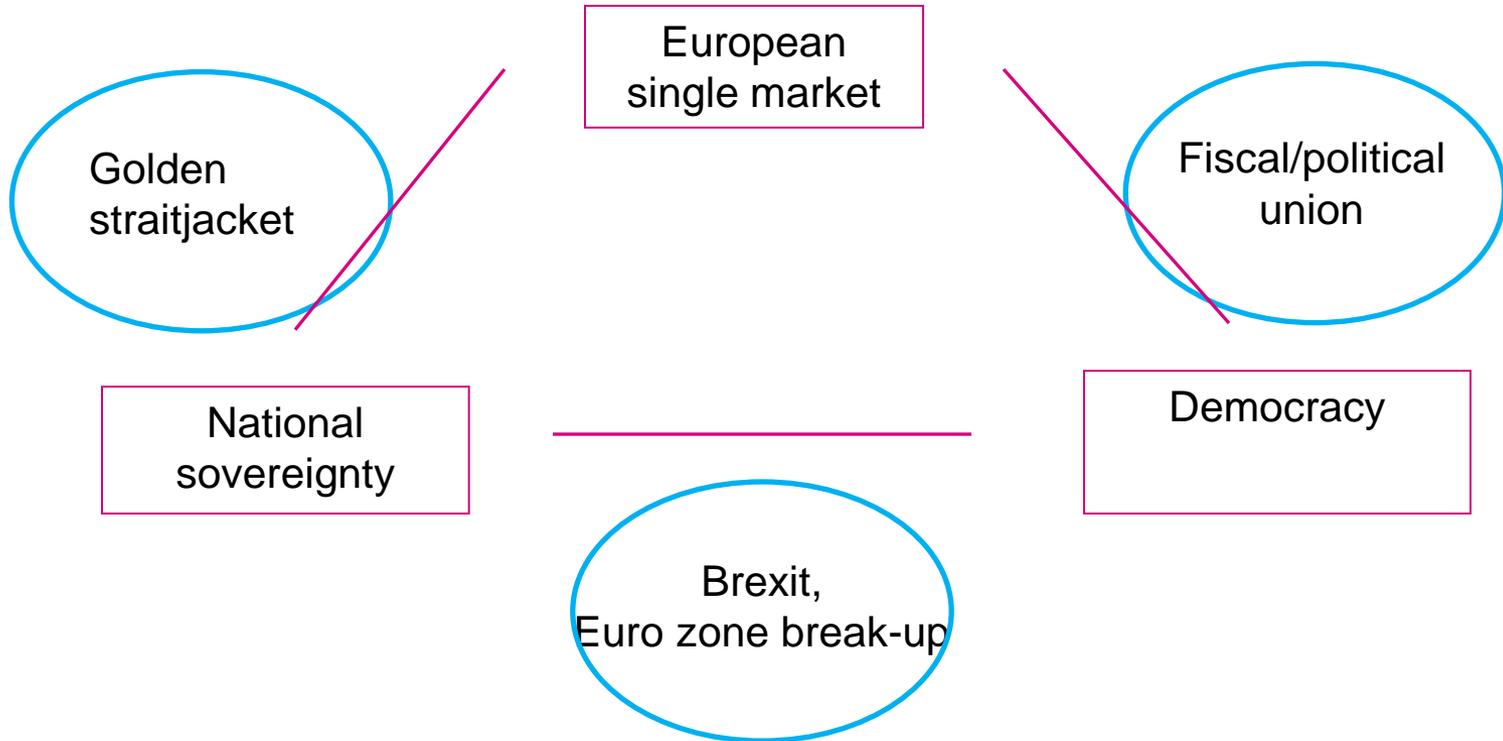
1. A Progressive Agenda should be in favour of a deepening global integration.
2. But it should be submitted to democratic decisions
3. It should observe general standards for labor, product regulation and consumer protection as well as ecological standards.

Thank you
for your attention

www.imk-boeckler.de

Follow us on Twitter: <http://twitter.com/IMKFlash>
and GustavAHorn
IMK on Facebook: www.facebook.com/institut.mk

Europe's trilemma



You can pick two of the corners, any two, but only two