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Free Trade: The Way of the Future

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FREE TRADE: THE WAY OF THE FUTURE

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I. INTRODUCTION: FREE TRADE BENEFITS ALL CONSUMERS

The notion of free trade among nations has been around since 1776 when Adam Smith published The Wealth of Nations. Adam Smith was a strong advocate of free trade. He claimed that each country should produce what it is most efficient at and export that product to the rest of the world. This he felt would allow for the lowest possible price and the highest return, which would benefit both the consumer and the business owners. Smith also argued that individuals respond to their own self-interest to the incentives with which they are confronted, and the outcome may well enhance the social good. These themes are the backbone of free trade and to achieve, them all countries must do away with all barriers to trade, including tariff and non-tariff barriers. It is my hope that Adam Smith, the father of capitalism and free trade, would agree with and support the following argument for free trade.

Free trade is beneficial to all consumers of the world. Free trade is the lack of protectionism, and it is this protectionism that hurts consumers in the form of higher prices. Protectionism is any device a country uses to protect their own domestic industries against imports. These devices include tariffs, quotas, taxes etc..., which artificially increase the price of imported products in the hopes that consumers will buy more domestic goods. Another argument for protectionism is that it saves jobs for a country's workers. These ideas may sound good in theory, however, they are more harmful than helpful, especially to the consumer. A clear example is the protection of the U.S. textile industry from international competition. Protecting this domestic industry is done at the expense of the consumer. "Every protected job in textiles costs consumers upward of $50,000 above what the worker earns" (Dornbusch 14 Nov. 1994, 22). Not only is protectionism very expensive, it is not even a major employment device. The Institute for International Economics places employment losses from radical trade liberalization at 150,000 jobs, not even one months worth of net U.S. job creation at the current pace. Robert Lawrence, an economist at Harvard, believes the real driving forces behind the loss of jobs in the U.S. are the rapid technological advances in an evolving economy, not freer trade. Extinguishing any of these protections greatly increases value to the consumer.

The harmful effects of protectionism reach to all corners of the world. In France the protection of agricultural products through import restrictions and government subsidies greatly increases the price of food. In Florida the price of frozen orange juice was increased because the frozen orange juice companies had little international competition due to import restraints. However, when Brazil was given permission to enter the frozen orange juice market the prices dropped considerably. This decrease in protectionism or increase in free trade was very beneficial to the consumers. In Japan, a very protected society, consumer prices are quite high. Everything from food to electronic goods have extremely inflated prices. These inflated prices lower the standard of living for the average Japanese citizen. A prominent Japanese business man in favor of freer trade states:

> "If we were to see true price competition in some of the highly protected sectors,the retailers of many kinds of Japanese goods would be forced, by market mechanisms, to find ways to bring their prices down. In the process we would likely see increased consumer demand, a rise in imports, and the invigoration of the whole economy" (Morita 1993, 99).

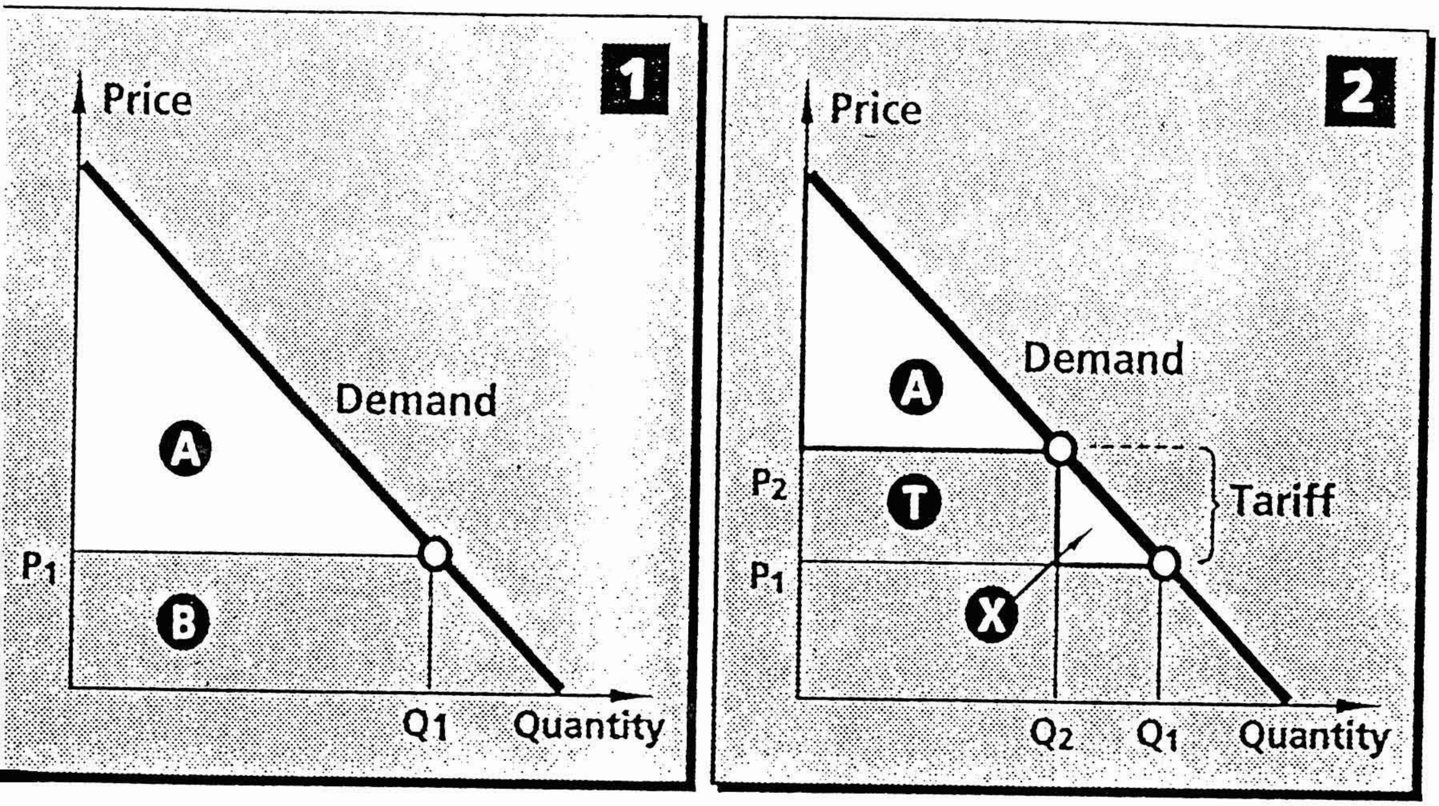
In summary, free trade stimulates competition, which puts downward pressure on prices, ultimately benefiting the consumer.

PAUL ROMER'S " DEADWEIGHT LOSS" ARGUMENT FOR FREE TRADE

II. PAUL ROMER'S "DEADWEIGHT LOSS" ARGUMENT FOR FREE TRADE

It is easy to say free trade is extremely beneficial, but it is often times difficult to quantify its benefits. The gains tend to look small on paper and staunch free trade economists may ask themselves if their beliefs are accurate. Paul Romer, of the University of California at Berkeley, explains this contradiction. To follow Mr. Romer's argument look closely at the two diagrams on the next page. Start with figure 1. It shows a simple demand line for some hypothetical good. The diagram shows a point of equilibrium at a price of P1 and a quantity of Q1. What is important in this graph is the area under the demand line. The area marked B is simply price multiplied by quantity- the producer's revenue or, in other words, the market's valuation of the goods sold. But this is not the same as the value of Q1 to society. The demand line says that even at some very high price, a few people would have bought the good. For these people, the fact that they have to pay only P1 is a windfall gain: they enjoy a surplus equal to the difference between P1 and the price they would have been willing to pay. The area marked A adds up to all those gains. Economists call it the consumer or social surplus. It is the net gain to society from the sale of Q1 of the good.

Now suppose the good is an import, and the government places a tariff on it.


1
Price
Demand
A
B
P1
Q1
Quantity
2
Price
Demand
A
T
X
Tariff
P2
P1
Q2
Q1
Quantity

This is shown in figure 2. The price rises from P1 to P2 and the quantity demanded falls from Q1 to Q2. More importantly the social surplus, A, shrinks. One reason for this shrinkage is the tariff collected by the government. So some of the original surplus, once enjoyed by the consumers, is now captured by the government for use (they hope) on their behalf. In that sense the area T is not lost to the economy. But the other part of the surplus- the triangle marked X- has simply disappeared. Economists call X a "deadweight loss".

According to Mr. Romer the problem with this method of calculating the loss is that it assumes that the set of goods is both fixed and complete. On this assumption figures 1 and 2 make sense. Small changes in price and quantities are what matter, and the X-triangle captures all of the loss from the import barriers. But once you relax that assumption, the calculation is overturned.

Suppose that introducing a new good to a market entails a fixed cost. Then some substantial amount of revenue will be required for the good to be sold at all. By reducing demand a little, a tariff may cause the good never to appear. If a tariff, or other barrier, prevents a new good from ever appearing, the loss is not the X-triangle in figure 2, but the entire social surplus, A in figure 1. To illustrate his point Mr. Romer compares the cost of protection in a world with a fixed list of capital inputs and in a world with a changeable list of capital inputs. In the first case, a tariff of 10% reduces national income by 1%. But in the second case the same tariff reduces national income by 20% (Romer 1994, 65).

This argument proves to economists that free trade is extremely important and that they have been correct to support it, even without black and white proof.

Today's world is definitely moving towards freer trade. With the completion of GATT's Uruguay Round many trade barriers will be decreased or eliminated. This trend is also evident in the formation of free trade blocs in all corners of the globe. Some of the most notable include The North American Free Trade Agreement (NAFTA), The European Community (EC) and select areas of the Pacific Rim. Also many lesser developed countries are trying to get on the free trade band-wagon by joining these blocs. Most important to our area, South Florida, are the developing countries of Latin America.

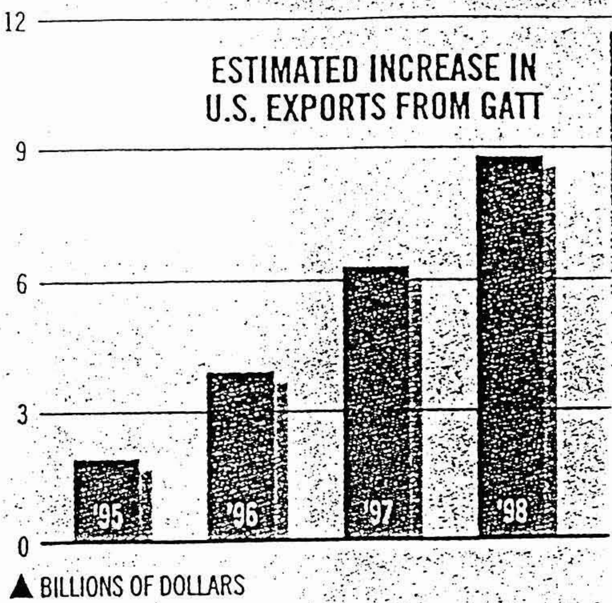
Anthony Lake, the national security advisor stated: " The combination of efforts to open markets in Asia; the GATT vote; and the Hemispheric Summit, focused on Latin American countries, will quite literally shape the economic future of America in the next century" (Sanger 1994, 8[a]).

III. THE GENERAL AGREEMENT ON TARIFFS AND TRADE: GATT

A. GATT ROUNDS

The General Agreement on Tariffs and Trade, GATT, was begun in 1947 and has become the most expansive international agreement on world trade. GATT has completed eight rounds, or multilateral trade negotiation sessions. The first began in 1947 in Geneva, Switzerland. Since that round meeting, tariffs decreased from an average of 47% to an average of 5% with the completion of the latest negotiations, the Uruguay Round (Magnusson 1994, 20).(see chart next page) GATT's primary goal is to promote free trade among its members. GATT is made up of international trade specialists and administrative staff. They meet at least once a year and make decisions to decrease trade barriers based on the consensus of the group. The two main principles of GATT are transparency and non-discrimination. In practicing transparency all contracting parties should be made aware of trade measures with other contracting parties. Because a tariff is a highly visible barrier, this is the preferred measure. Non-discrimination states that if a country that participates in GATT grants a trade advantage to one country it must grant it to all contracting parties. Today GATT works to reduce restrictions on the flow of goods and services among GATT nations.

AFTER GATT, EXPORTS WILL JUMP



...AND PRICES WILL FALL

1995 savings from reduced tariffs

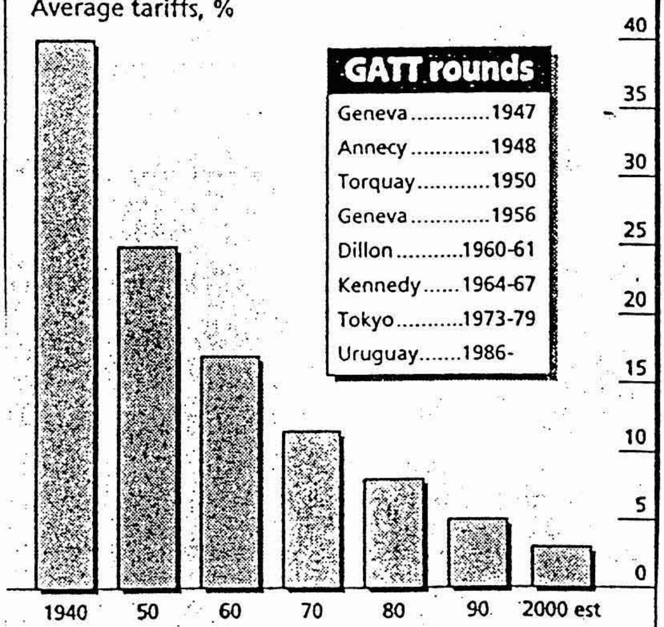
	MILLIONS
MACHINERY AND APPLIANCES	$2,056
ELECTRICAL EQUIPMENT	2,375
IRON/STEEL	534
GAMES, SPORTS EQUIPMENT	566
FURNITURE AND BEDDING	222
ALL ITEMS	$9,253

DATA: OFFICE OF THE U.S. TRADE REPRESENTATIVE, *THE URUGUAY ROUND: AN ASSESSMENT*

The kindest cuts

GATT rounds and the industrial countries

Average tariffs, %



Sources: Centre for International Economics; GATT

C.B.R. TENNIS LADDER RULES

1. Boys Singles
2. Girls Singles
3. Mixed Doubles

1. Current U.S.T.A. rules will be in effect.
2. Players will play two out of three sets, no add scoring and a twelve point tie braker.
3. Warm-ups are limited to 5 minutes.
4. Challenger will provide ballsand or other equiptment.
5. All games must be played on campus. C.B.R. Tennis team has pressidence to courts.
6. No coaching allowed during play.
7. Players referee thier own matches, and servers keep the score.
8. Any C.B.R. student or staff may participate in the Tennis ladder.
9. Ladder seating is determined upon registration.
10. One team can only challenge 3 seeds above thier position.
11. The winner of the game is responsible for reporting the score.
12. If the challenger wins, they automaticlly switch position , which is done by the commisioner after he has recieved the scores.
13. Current ladder ranking will be posted outside student services.
14. Players must except challenges levied by qualified players. If the challenge is not excepted they must give an alternative date and time within the next 2 days, that is convienent for both.
15. Any problems or questions should be directed to Intramural head.

******* There will be NO drinking of alcoholic beverages during intermurals

THE GENERAL AGREEMENT ON TARIFFS AND TRADE: GATT

B. GATT'S ACCOMPLISHMENTS

In April of 1994 the Uruguay Round was completed and agreed to by over one-hundred countries, accounting for four-fifths of world trade (General Agreement on Tariffs and Trade 1994, 258). The Uruguay Round had ambitious goals to further free trade. Many of the goals were accomplished and the U.S. reaped several benefits. One was market access. This allow for more open, equitable and reciprocal market access for U.S. goods and service exports. In a number of areas tariffs were reduced to zero. A second area of success was in agriculture. GATT established specific commitments to reduce foreign export subsidies and internal supports on agricultural commodities. A third accomplishment was in textiles and clothing. It was the first time trade in textiles and apparel has been integrated into the GATT. It requires apparel exporting countries to lower specific tariff and non-tariff barriers, providing new market opportunities for U.S. exporters. In the long run this will benefit consumers because they will pay much lower prices for clothing.

Non-tariff barriers were largely reduced in GATTs most recent round. Issues that were addressed include safeguards, anti-dumping, subsidies, countervailing measures, trade related investment measures, import licensing procedures, customs valuation, preshipment inspection, rules of origin, technical barriers to trade and sanitary and phyosanitary measures. These will help the U.S. protect the health and safety of our citizens and our environment. Intellectual property rights and trade in services were also a part of the agreement for the first time ever. Countries have agreed to the payment of royalties and to strengthen the security of patents, trademarks and copyrights. The Uruguay round also tackled dispute settlements. They will now provide more effective and expeditious dispute resolution mechanisms, and procedures which enable better enforcement of U.S. rights.

Finally the Uruguay Round created the World Trade Organization (WTO). It was established to facilitate the implementation of the trade agreements reached during the Round. WTO will administer the agreement, oversee dispute settlements, and regularly review countries trade policies and practices. Mikey Kantor, the U.S. trade representative, said the new GATT measures adopted during the Uruguay Round will expand the U.S. economy by one-trillion dollars over the next decade and create as many as two million new jobs.

GATT is an alley of both the U.S. and all consumers. The U.S. is one of the most open markets in the world and they need a strong partner to open up other countries throughout the world if free trade is to work. GATT is that partner. Not only will the U.S. gain from GATT, but all countries involved will benefit; even less developed countries. The last round was even named after a developing country, the Uruguay Round.

C. GATT'S EFFECT ON CONSUMERS OF DEVELOPING COUNTRIES

Many argue that trade liberalization is a rich countries game and that developing countries will loose. This however is not true. The GATT agreement covers many areas that will help developing countries. Minerals is an export commodity covered under GATT, and they make up two-thirds of Africa's exports. These minerals that Africa will export to developed countries will be totally free of tariff duties, which translates to more income for Africa and other developing countries that export minerals. Also the abolishing of rich countries import quotas on textiles help many developing countries. Other benefits are the new rules for shipment and customs; more transparency in trade; and a better way of settling disputes. All of these things make for a more predictable trading system. These new rules are binding and impartial, which help the developing countries that tend to get taken advantage of by rich countries when there are no set rules. Finally industries in developing countries will be exposed to competition. This will cause resources to shift to more efficient uses which boosts productivity and hence living standards.

Low income consumers will benefit because the price of farm goods and childrens toys will tumble. These products account for a sizable part of the budgets of low income families. It is almost like a tax cut stacked in favor of the poor. Another example of consumers benefiting can be seen in Canada. Decreasing protection to Canada's dairy and poultry industries will benefit U.S. companies to the tune of one-billion dollars a year. U.S. companies such as Tyson Foods, Inc. are held to just 7.5% of the Canadian market, and this lack of competition has kept Canadian prices so high that KFC must charge $14 (U.S.) for a bucket of chicken that costs $9 in the U.S. Again it is the Canadian consumer that is hurt by these protections!

Jobs will be increased, not decreased, due to freer trade. And the jobs created will be high-paying export jobs. Some economists estimate that freer trade could add as much as $1,700 to a typical families income over the next decade. Jobs in the service sector will also continue to increase. Bringing the service sector within the fold of the multilateral system is extremely helpful, especially to the U.S. Cross-border trade in services accounts for one-trillion dollars a year, roughly 20% of global trade (Lenzer 1994, 47). This increases opportunities and jobs in the legal, accounting and financial services, among others.

The volume of world trade in goods will also increase as a result of the reduction of tariffs. The increase is estimated to range from 9% to 24% once reductions are fully implemented. According to Peter Sutherland, the Director General of GATT, this increase in traded goods will also increase employment opportunities.

D. GATT'S BIG WINNERS

Some big winners in the business world include industries such as computers, software, parts for autos and planes, U.S. manufactures of telecommunications equipment and semiconductors. An example is Caterpillar Inc. and other manufacturers of capital goods. They won the elimination of tariffs on construction equipment and engines. "CAT customers will no longer be forced to pay a needless premium for American Products" say Caterpillar CEO Donald V. Fites. He estimates tariffs cost Caterpillar customers $100 million annually. He predicts GATT will stimulate $25 million in new sales annually and produce 800 U.S. Caterpillar jobs, plus 1,600 jobs at its U.S. suppliers.

By the year 2005 when most GATT members will have carried out their trade liberalizing promises, world GDP will be boosted by more than $500 billion a year (The $510 Billion Question 1994, 82). The European Unions gain is estimated at $164 billion a year; the U.S. at $122 billion a year; developing countries at $116 a year and Japan at $27 billion a year. These figures do not include liberalization of trade in services, so it is likely that they are greatly understated!

E. ISSUES TO BE ADDRESSED BY THE WORLD TRADE ORGANIZATION: WTO

These accomplishments are monumentous, but free traders can not drop the ball now. GATT talks must continue because any hiatus leaves an open door for protectionism. There are some important issues the World Trade Organization must address in the next round, if the world is to continue to move closer to a free trade economy. The first will be to break down barriers on foreign and direct investment. The ultimate goal should be to keep the investment spigot open which will benefit everyone. "Direct investment builds the economic infrastructure, stimulates growth of domestic business and creates jobs" (Richman 1994, 68). Today international investment is very lopsided. For example most developing countries only want direct investment from foreign companies if it does not hurt uncompetitive local industries. In the long run this hurts all parties involved. By allowing companies to remain inefficient leads to higher prices for the consumer. Almost half of all U.S. direct investment in developing countries has been made to satisfy many trade limiting rules, however foreign companies can invest in the U.S. with few limitations. This hurts our balance of payments. These investment restrictions are also a big part of the lopsided trade imbalance between the U.S. and Japan. In 1992 U.S. direct investment in Japan totaled $26.2 billion, 5.4% of the U.S. overseas assets, while Japan's holdings were $96.7 billion or 21.3% of overseas holdings (Richman 1994, 68). These few examples show the importance of the issue of reciprocity at the next GATT round.

A second issue will be that of incompatible national technology policies. The new GATT agreement will restrict R&D subsidies. It will allow no more than half the cost for applied research, and 75% for basic research. This issue will fall mainly on the shoulders of the U.S., the EC and Japan.

Anti-dumping laws will be a third issue for discussion. With GATT doing such a good job at reducing tariffs and other barriers domestic markets are becoming more vulnerable to foreign competitors flooding the home market. Today, however, the anti-trust laws are hurting the consumer by forcing them to pay higher prices to sustain a "level playing field." Bringing anti-trust laws under GATT is a controversial issue, but the U.S. now has the biggest stake in reform. There are currently about forty countries imposing anti-dumping laws on imports.

A fourth issue on the agenda will be that of the environment. Free trade advocates see free trade as the means to increasing human wealth whereas the environmentalists see free trade as a means to destroying the global ecosystem. One idea on integrating free trade and the environment was put forth by economist Daniel C. Esty who once worked for the EPA and is now at the institute for international economics. He thinks a separate body should be created to evaluate environmental risks and then reduce them. The group would measure the cost of the damage to the environment and reflect the cost in the product prices. One area of agreement that is common to both free traders and environmentalists is proposed by Patrick Low, a world bank economist. He claims that "the worlds worst environmental problem is poverty" (Richman 1994, 70). By suppressing free trade poor nations are deprived of the wealth they need to invest in a cleaner environment. He uses Eastern European countries and the former Soviet Union as examples of how markets closed to competition rape the earth and her resources. Finally it is important to mention that there is really no alternative to making world trade greener. If environmentalists are not included in GATTs trade talks they will continue to work on their own, outside the forum, which could be potentially worse for the future of free trade.

With each step closer to free trade the richer the world becomes as a whole. GATT is especially important for the U.S. The U.S. is a relatively open market compared with many of the countries we do business with. If GATT were to stop pushing for decreased barriers to trade the U.S. would have to do it on its own. This would create many bilateral agreements instead of opening up the world markets to all. Even though GATT is not an "international law," it is an all encompassing set of rules and regulations that greatly influence the international economic markets. So far GATT has cut tariffs on over 8000 categories of manufactured goods and it has estimated tariffs will fall by more than one-third, the largest decrease in tariffs in world history (Kantor 1994, 270). With The Uruguay Round completed we must continue to push for fewer trade barriers and hope GATTs current round will be as successful as the last.

The explosive increase in international trade over the last thirty years makes an agreement like GATT necessary. Many countries are joining together in free trade areas. As these areas grow and begin doing more business with other free trade areas GATTs guidelines will be helpful. Two particular areas that the U.S. is looking to GATT for assistance is the European Community and Japan. These are vital areas for U.S. trade, and GATTs ability to decrease tariffs and other trade restrictions is paramount. If GATT continues to push for free trade, U.S. companies will have a powerful partner when entering foreign countries. Finally, the bottom line is the consumers. How will we be effected? By decreasing barriers to trade, prices will decrease, enabling us to get more for our money!

FREE TRADE BLOCS: PRESENT AND FUTURE

IV. FREE TRADE BLOCS: PRESENT AND FUTURE

A. NORTH AMERICAN FREE TRADE AGREEMENT: NAFTA

Today the North America Free Trade Agreement (NAFTA) is a regional trade pact between the U.S., Mexico and Canada. It started as bilateral trade agreements between the U.S. and Canada in 1987, and the Mexican-U.S. framework agreement. NAFTA's goal is to eliminate all tariffs and trade barriers between these three countries within the next 15 years. NAFTA is the biggest consumer market in the world and produces an annual output of six trillion dollars.

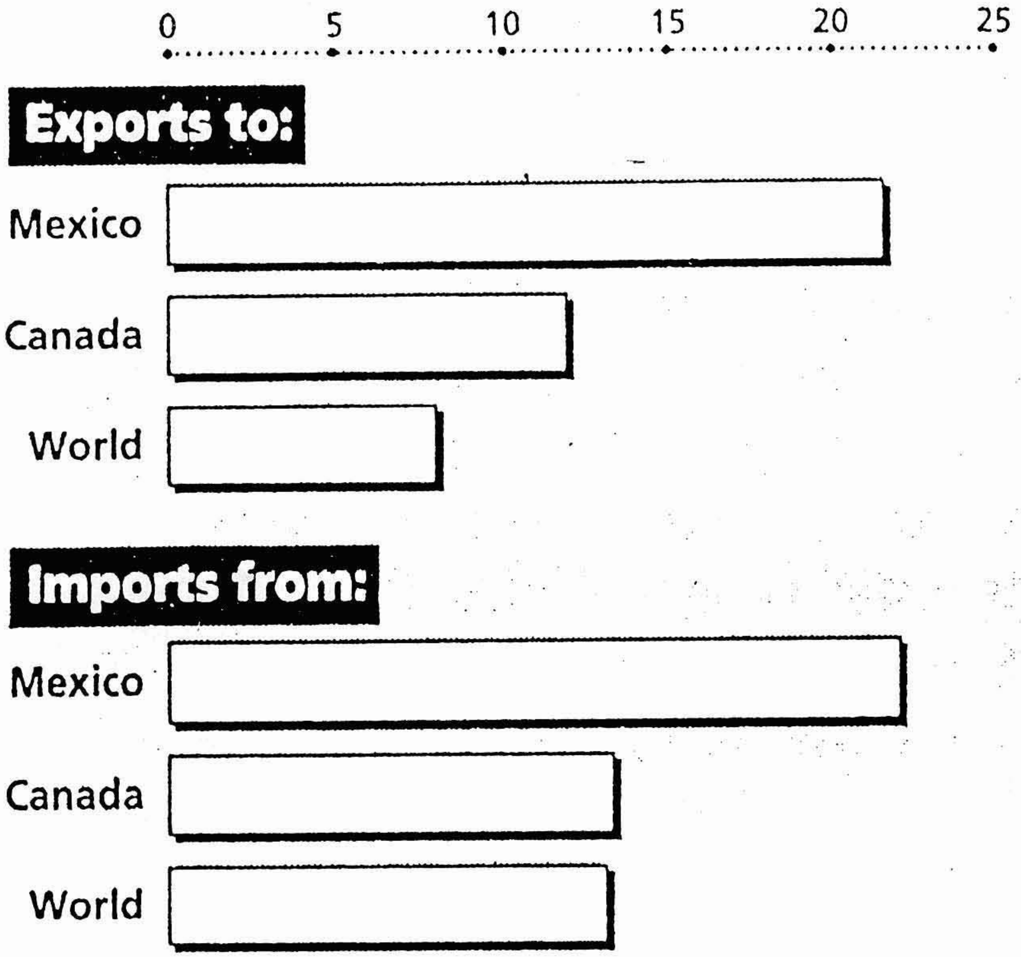
Many benefits have come to consumers, businesses and the countries in NAFTA's first year. U.S. exports to Mexico have increased about 20%. The biggest winners from these exports include food and beverage manufacturers, consumer goods manufacturers and agricultural business. Overall U.S. exports to Mexico are growing three times faster than U.S. exports to the rest of the world, and Mexico just passed Japan as the second largest consumer of U.S. products. Also U.S. trade with Canada is up more than 10%, double the gain with Europe and Asia (Harbrecht 1994, 48). (see chart on next page)

The U.S. auto industry has also benefited from NAFTA. Now that they can export freely to Mexico, Fords exports have increased from 1,200 in 1993, to about

Love thy neighbour

America's trade, Jan-Sep 1994

% increase on a year earlier



Source: Datastream

30,000 in 1994 (Harbrecht 1994, 49). Many opponents of NAFTA had feared a great loss of jobs due to Mexico's lower labor costs. However, this did not occur because productivity in Mexico proved to be much lower. In fact the number of manufacturing jobs in the U.S. grew faster in May 1994 than it had in the previous five years and production increased for the fifth consecutive month. According to Victor Barreiro, president of Ford's Mexico operations, more U.S. and Mexican auto jobs have been created.

The state of New Jersey has also gained with the passage of NAFTA. Since NAFTA came into effect in January 1994, 5,740 jobs have been created, and only 360 lost. New Jersey has many high-tech jobs that require highly skilled and highly paid workers as well as large investments in capital equipment. Allied signal, a New Jersey company that sells automotive and aerospace parts, expects to double its exports to Mexico by 1997. In the first year of NAFTA Allied had an increase in spark plug sales form 15.6 million to 23 million dollars. (Buksbaum 1994,13:9).

NAFTA is helping Mexico too. It is expected to double both the growth rate of Mexico's overall economy and the growth rate of its wages; boosting the wage growth rate from 1.2% per year to 2.4% per year between 1994 and 1998. This not only will greatly help Mexico, but also the U.S. Mexican workers, already enthusiastic customers of U.S. products, should soon be buying even more from

U.S. exporters.

Higher wages in Mexico will not only enable Mexican workers to buy more American goods, they will also reduce the pace of undocumented migration of Mexican workers to the U.S. The current mass migration from Mexico pushes down the wages of unskilled U.S. workers and also increases the burdens on U.S. health care and education systems. What this means is that there will not be as many U.S. jobs flowing south and the U.S. will have a new consumer market. Economic prosperity is essential to ensure Mexico's significance as a trade partner.

Another unsung benefit is the cultural and educational dimensions of NAFTA. NAFTA does not contain any provisions in the agreement about education or culture, but economic ties will inevitably have cultural and educational implications. Focusing on commercial relations is not enough and mutual understanding is an important part of any constructive relationship. While NAFTA is not trying to be a European Union, it is still important to realize that language and culture are very important aspects of doing business. The educational institutions, particularly universities should be aware of this and begin educating their students in these areas. More emphasis should be put on the culture and history of the North American countries as well as the languages, especially Spanish and French. Hopefully the NAFTA agreement will give the needed push in these areas.

In NAFTA's first year the largest fears have not been realized. These include job loss, exports to Mexico and the environment. NAFTA has created more jobs than it destroyed. The job loss that has occurred has been in low-wage, labor intensive businesses, that have only survived due to protection. These losses have been off-set by the job increases in high-skilled, high-wage industries. Winners include telecommunications, computers, autos and auto parts, trucks, construction equipment and financial services. The net gain is estimated at 200,000 U.S. jobs over the three to four years (Dowd 1993, 108). High shipping and inventory costs will also make it more efficient for many U.S. industries to serve their home market from American plants. This further decreases the fear of jobs flowing south due to cheaper labor.

A pleasant surprise of NAFTA was the large increase in U.S. exports to Mexico. U.S. and Canadian companies have an edge over foreign competitors. To qualify for the duty free treatment in Mexico, most products must be made in either the U.S. or Canada. This will lock in the current situation where 70% of Mexican imports come from the U.S. This will greatly increase business for U.S. companies and jobs for the American people.

NAFTA, believe it or not, is good for the environment. NAFTA will help generate the resources needed to pay for tougher enforcement along the U.S.-

Mexico boarder. Both countries have already committed up to $8 billion for clean-up.

NAFTA gives both large and small companies a competitive advantage in pursuing opportunities in Mexico before foreign companies gain greater access. Almost half of the tariffs on U.S. exports were eliminated when NAFTA was signed, and many of the remaining ones will be phased out over the next ten years(Ratmiroff 1994, 32). To take advantage of this competitive lead, companies must act fast to make products that satisfy NAFTA criteria. This may mean companies having to switch from Asian and European suppliers to North American suppliers. It is not only the short term reward of investing in Mexico that the U.S. and Canadian business people should consider, but also the longer term. In the long-term, firms that set up operations in Mexico will find themselves well positioned to operate with a potential Latin American free trade bloc.

Over one year after NAFTA went into effect trade is up, no massive layoffs due to NAFTA have occurred and most importantly prices are down for consumers. With these feathers in NAFTA's cap, perhaps it is time to continue to expand. One obvious opportunity staring North America in the face are the free trade areas in Latin America. Not only are they close in proximetry, but some are even more prepared for international trade than Mexico.

B. LATIN AMERICAN FREE TRADE AREAS

Two economists, Hufbavier and Schott, from the institute for International Economics put out a study using seven criteria to gage a countries readiness for free trade and open investment. Their measures included: price stability, budget discipline, market orientated policies, external debt, political stability, currency stability and reliance on trade taxes. A "5" meant a country was ready for trade and a "0" meant not ready.

COUNTRY	**READINESS FOR TRADE**
U.S.	4.7
CANADA	4.6
CHILE	4.4
MEXICO	3.9
VENEZUELA	3.9
COLUMBIA	3.7
ARGENTINA	2.6
BRAZIL	2.3
PERU	2.1

These numbers show that many of the Latin American countries are at least as ready as Mexico to become part of NAFTA. These two economists strongly recommend expanding NAFTA throughout Latin America, which they feel would save time in negotiating separate, bilateral agreements.

In December of 1994 the Summit of the Americas was held in Miami Florida. Its purpose: to look at the feasibility of expanding NAFTA to other Latin American countries. Many countries at the Summit called for the creation of a "free trade area of the Americas" by 2005. This expansion would be good for the NAFTA countries as a whole, but it would be especially beneficial to Miami.

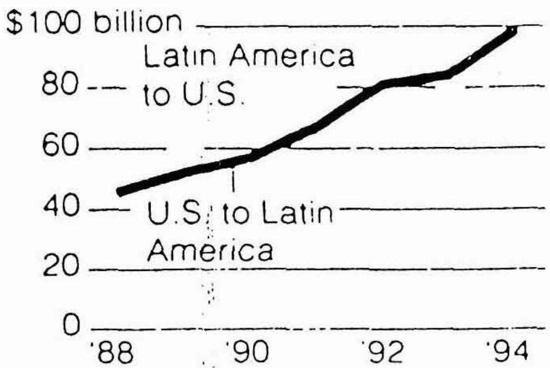
Florida's top five trading partners are Japan, Argentina, Venezuela, Columbia and Brazil. Japan imported $163 million worth of goods from Florida while the later four countries imported $2.8 billion worth of goods (Poppe Nov.1994, 27). Free trade between the U.S. and other Latin American nations could spell a bonanza for Florida. Florida accounts for a large share of the nations total trade with South America. Miami has a distinct advantage if the Latin American countries open up. There is more brain power and more history of dealing with Latin American countries in Miami than anywhere else in the U.S.

Opening trade with Latin America would make Florida the geographic center of an incredibly large market. Latin America's population is expected to grow very

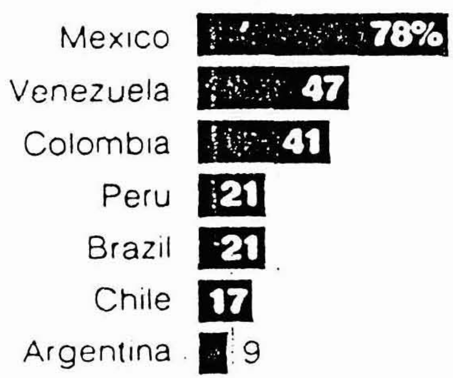
Trade in the Americas: Adding It Up

All the countries in the Americas, except Cuba, will attend the Conference of Americas today

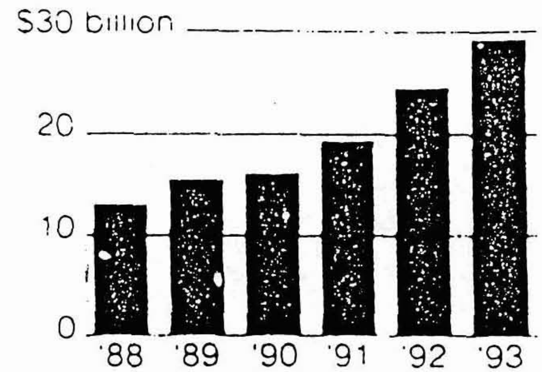
Trade between Latin America and the United States



Exports to the United States as a percentage of all exports



Trade within Latin America.



rapidly over the next twenty-five years. The economies of Latin America are also becoming more like our own as trade barriers shrink and state owned enterprises privatize. More and more companies throughout Florida, not just Miami, are depending on international business for 10-25% of their revenues. The benefits would even be larger if tariffs were decreased. In recent years the export of "Florida-origin" products- goods grown or manufactured in the state- grew at an annual rate of 12.5% from 1987 through 1992 to 18.7 billion. Finally international trade accounts for 576,000 jobs in Florida.

No other city in the U.S. has Miami's trade infrastructure. Brickell Avenue, in Miami, is lined with foreign banks important to trade financing. Also more than 450 freight forwarders do business at Miami international airport, and Coral Gables is home to 140 multinational companies, including Apple Computer, H.J. Heinz Company, British Broadcasting Corporation among others. This author strongly feels the Summit of the Americas marks the coming of age of Florida as an international trade center.

Latin American countries are not waiting to be admitted to NAFTA to start freeing up trade. They are beginning with free trade pacts at home. Latin American businesses are making giant strides toward transforming their continent into a single seamless market by the end of this decade. Today there are already four free trade areas in Latin America. The most recent is G-3 or Group of Three. It includes Mexico, Already a part of NAFTA, Venezuela and Columbia. Combined this group makes up a market of 140 million people.

A second free trade area is the Andean Group which has about 100 million people. This group includes Bolivia, Peru, Ecuador, Columbia and Venezuela. A large percentage of the trade is between Columbia and Venezuela, but the show is on the road and barriers are decreasing rapidly. A third free trade area that exists in Latin America is the Central American Common Market. This group includes Guatemala, El Salvador, Costa Rica, Nicaragua, Honduras, and since October of 1994 Panama. Today trade in these countries is working well and travel has become passport free between some of the countries.

The final large free trade area in Latin America is Mercosur, a 200 million consumer market. It includes Argentina, Uruguay, Paraguay and Brazil. Its aim is a customs union and free movement of labor and capital. The trade within this region is up 2.5 times since 1990. Mercosur represents two-thirds of Latin America's GDP and is a strong symbol toward wider free trade. As of January 1, 1995, 90% of trade will be duty free within these countries.

Just as Latin American countries are not waiting for hemispheric free trade neither are U.S. companies. The free market reforms and economic revival in Latin


UNITED STATES
ATLANTIC OCEAN
MEXICO
HONDURAS
GUATEMALA
NICARAGUA
EL SALVADOR
COSTA RICA
VENEZUELA
COLOMBIA
ECUADOR
BRAZIL
PERU
PACIFIC OCEAN
BOLIVIA
PARAGUAY
URUGUAY
ARGENTINA
Trade areas
NAFTA
Central American Common Market
Andean Group
Mercosur
G-3

America have U.S. companies flocking there. Some examples include Hewlett-Packards joint venture in Brazil to make PC's, and Ford Motor Company is offering newer models to stay competitive in the growing auto market. Proctor & Gamble is also investing heavily in the region. They now make pampers in Argentina that are shipped to Brazil, and Shampoo in Columbia that is sold in Venezuela. Artzt, Proctor & Gambles CEO, expects regional sales to double in the next five years to $4 billion. " We regard Latin America right alongside of Asia in growth potential" (Harbrecht 1994, 78).

Some other countries that are not waiting around include Coca-Cola who is investing $800 million to protect its market in Brazil, and PepsiCo is spending $300 million to enter the market. These companies realize that Latin America is the fastest growing U.S. export market. By the year 2000, the commerce department estimates the region will surpass Europe as a customer for U.S. wares. By 2010 it will surpass Europe and Japan combined.

The reason a hemispheric trade accord is so vital to the U.S. is because if we do not take the lead Japan and Europe are going to end up being their partners. This will create jobs in Japan and Europe instead of the U.S. and Canada. The U.S., Canada and the 32 other nations represented at the Summit recognize this fact. At the close of the Summit the leaders of these countries agreed to create a free trade area by 2005, and offered Chile admittance into NAFTA. Hopefully these efforts at trade liberalization in Latin America will put pressure on the European Union and Asian countries to open their markets too.

Economic integration is happening whether or not the U.S. and its NAFTA partners open their doors. Intra-regional trade has more than tripled over the past decade from $1 billion to $26 billion in 1994 (Smith and others Dec.1994, 52). It may occur in the future that Latin American countries will join NAFTA as groups, but the longer it is delayed the less influence the U.S. will have in the process.

In summary it is important to realize that lasting prosperity in Latin America will require greater access to Western European markets and the U.S. Including Latin America in NAFTA would also be in America's own interest, because it would open new markets for American exports, hence creating higher paying jobs for Americans. A willingness by the U.S. , Canada and Mexico to abbreviate NAFTA to AFTA (American Free Trade Agreement) would send a powerful message of support to Latin America's free trade marketeers; support North American businesses may need reciprocated in the years ahead.

NAFTA and the Summit of the Americas are two giant strides in moving the world towards freer trade. Each Free trade area that is formed brings an economic benefit to the consumers in that free trade area. As they come to realize these benefits consumers will put pressure on governments to continue to open markets. Today the world is divided into free-trade areas, determined mostly by geography. Like North and South America, other areas of the globe are also trying to decrease trade barriers in the hopes of more prosperity. One area that is not only increasing free trade but also integrating public policies is Europe.

C. THE EUROPEAN UNION: EU

Integrating European countries is an idea that has been around for centuries. Its original purpose was to help maintain peace and rebuild Europe's economy after the devastation of World War II. Over the past forty years great progress has been made toward not only freer trade, but political and cultural integration as well. On April 18th 1951 the European Coal and Steel Community (ECSC) was formed. Its purpose was to pool European coal and steel industries for economic benefits. It allow the countries that signed the treaty, France, Belgium, Germany, Italy, Luxembourg, and the Netherlands to trade coal and steel among themselves with no barriers to trade, such as tariffs. It was the first step in providing a structure for the political unification of Europe through economic integration-free trade. The ECSC was so successful that coal and steel trade between these six countries increased by 129% in the first five years (Davidson 1994, 4).

On March 25th 1957 Europe became even more integrated with the creation of the European Economic Community (EEC) and the European Atomic Energy Community (Euratom). The EEC integrated the Military and political fields of the six countries in the ECSC. It was also the beginning of talks to merge separated national markets into a large single market that would ensure the movement of goods, people, capital and services. The Euratom community was developed to further the use of nuclear energy for peaceful purposes. On April 8th 1965, All three of these European communities merged. The ECSC, the EEC and Euratom all became a single European Community with greater strength as a world entity.

The community continued to grow and on January 1, 1973, Denmark, Ireland, and the United Kingdom joined the community, raising the number to nine. A further step closer to European integration occurred on March 13, 1979, when the European Monetary System (EMS) became operative. This created a zone of considerable monetary stability in a world of floating exchange rates. The participating countries fixed fluxuations between currencies. The community currency, the ecu, has acquired a role in international payments and in borrowing and lending operations on international capital markets. These advancements allowed for freer trade with less obstacles.

On January 1, 1981, Greece joins the community and On January 1, 1986, Spain and Portugal join raising the number of countries to twelve. On June 29th 1985 the "White Papers" were endorsed. These papers mapped out the plan to complete the single European market by 1992. This allow countries and businesses to prepare for integration, especially economic, in the years ahead. Another country that joined the European Union was the former German Democratic Republic, they joined as part of unified Germany on October 3, 1990. On December 16, 1991

Poland, Hungry, the Czech Republic and Slovakia signed the first Europe agreements on trade, political and economic cooperation. These are agreements that help the poorer countries of Europe get up to speed in the hopes of someday joining the Community.

On February 7, 1992, the twelve countries of the European Community singed the Treaty on a European Union (EU) in Maastricht, the Netherlands. The "Maastricht" Treaty took effect on November 1, 1993, after ratification by all twelve member states. The biggest overhaul to date, it created a European Union committed to full economic and monetary union involving the introduction of a common currency by the end of the decade, and the gradual development of a common foreign and security policy. This Treaty was a big win for the people Europe. Border checks were removed allowing for free movement of goods and people, which allow Union citizens to travel, reside, study and work where ever they wish in the European Union. Also the free movement of capital makes it possible to invest money anywhere in the Union. Payments still must be made in the currency of a particular country, but even that will be changing in the future.

The Maastricht Treaty set a time table for a three stage transition to a full European monetary unit and a single currency by 1999. This will enable firms to reduce their transaction costs of dealing in different community currencies when selling goods and services in different national EU markets. They will also be able to hold some of their holdings as a hedge against fluxuating currencies of other countries.

January 1, 1994 saw another giant leap towards free trade with the formation of the European Economic area (EEA). The EEG combined the European Community and the European Free Trade Association (EFTA) into a single market of nineteen countries. This bond created the worlds largest free-trade zone, spreading form the Artic to the Mediterranean, embracing 380 million consumers, and boasting a combined annual GDP of $6.6 trillion (European Economic Area: E Pluribus 1994, 49). This agreement will oblige the EU and EFTA to share the EU's single market legislation for the removal of all physical, technical and fiscal barriers to trade. In particular EFTA will adopt: EU competition rules in matters of anti-trust, mergers, public procurement and state aids; EU rules in company law, consumer protection, environment, research and development, education and social policy; EU rules on mutual recognition of professional qualifications, underpinning the principle of freedom of movement of people. In return for unrestricted access to the EU's 347 million consumers, EFTA countries will contribute to the EU's structural funds. Again the EEG is the worlds largest free trading bloc and it accounted for 27% of world exports and 30% of imports (Davidson 1994, 22). EU and EFTA countries will act separately in cases of anti-dumping and participation in international negotiations, such as the GATT.

Another major initiative came to fruition on January 1, 1994 with the establishment of the European Monetary Institute. The purpose of this institution is to strengthen the coordination of member states' monetary policies, promote the use of the ecu and prepare the ground for the creation of a European Central Bank. It will be used during the transitional stage in which a determined effort will be made to achieve full economic convergence. The introduction of a single currency by the end of the century is the ultimate goal and the most ambitious one yet!

Having said this, however, the chances of a joint European currency are better than ever. Preparations for introducing the ecu outlined in the Maastricht Treaty are preceding full speed ahead. New ecu notes are being designed in Frankfurt and EU ministers of finance are directing mints to create new coins and bills and set up plans for exchanging them for existing currency. A group of technicians has also been set up to deal with problems of banks, stores, insurance companies and vending machine owners. The recalculation of loans and investments, the reevaluation of commercial paper, the reprogramming of software in cash machines also must be dealt with before the ecu is introduced. In the beginning the ecu will be used along side national currencies. After a transition period the change over will be absolute. With the way things are preceding a currency union could come as early as 1997 if a majority of EU countries vote in favor of it. A preliminary poll will be conducted in 1996. If at that time the majority of EU states do not meet the stipulations the implementation date will be 1999. At this later date a majority vote is no longer needed. By then, every nation that has fulfilled the treaty conditions must begin using the currency. "There is no doubt," says commission's deputy director of economics and finance, "that some EU countries will have a common currency by January 1, 1999 at the latest" (Der Spiegel 1994, 36).

The most recent growth of the European Union was on January 1, 1995 when Austria, Finland and Sweden came on board as full members of the EU. This increased the membership in the Union form twelve to fifteen. Norway was also offered admittance but declined. They would not agree to all the requirements of EU membership, especially having to give up farm subsidies and opening their waters to other fishermen. Perhaps an even greater fear was that of open markets and free competition. They were not sure they would be able to compete. Most economists say Norways decision will be detrimental to the country.

With the edition of Austria, Finland and Sweden the EU's total population will rise 6.2% from 348 million to 370 million (The European Union now 15 1994, 76/94). This consumer market is 40% larger than that of the U.S. and three times as large as Japan. With the entry of these three countries only Iceland, Switzerland, Norway and Liechtenstein are left in EFTA, the EU largest trading partner. It seems foreseeable in the near future that these two areas will join to become one.

The EU is the world's biggest trader. The twelve members before January 1995 accounted for 15% of world exports compared with 12% for the U.S. and 9% for Japan (Commission of the European Communities 1993, 7). The EU is also the biggest importer of agricultural products, while its exports consist mostly of quality manufactured goods and processed foodstuffs.

Not only has trade in goods expanded with increased free trade but so has trade in services. The EU stands to gain considerably from efforts to liberalize world trade in services. The EU's dependence on open world trading in goods and services has made the community and enthusiastic supporter of the General Agreement on Tariffs and Trade (GATT). The Unions contribution to GATT has been substantial. It has been a key player in the successive rounds of negotiations, to liberalize more world trade. It was a prime participant in the Uruguay Round which brought agriculture and trade in services within the scope of GATT negotiations for the first time.

Where trade leads, investment follows. As freer trade has increased world wide so have the amounts of cross border foreign direct investments. The U.S.

alone has invested $232 billion (Commission of the European Communities 1993, 8).

Europe becoming an integrated economic union has clearly strengthened its economy. The GDP has increased 7%, 8.5 million jobs have been created, production rose by 20% and most importantly consumer prices have decreased by an average of 6% (Davidson 1994, 13). Businesses have adapted to the single market by merging, acquiring interests and developing joint ventures with businesses in other member states. Many more European firms now think and act "European."

The European Union has also been beneficial to foreign companies. At first foreigners feared the EU emerging as "Fortress Europe," but foreign firms found that if they positioned themselves well they could take full advantage of Europes single market. Ways to do this included direct investment and joint ventures. For foreign companies they can now deal with one frontier instead of twelve. Standards, testing and certification procedures are either uniform of equivalent and economies of scale are possible. The European Union is an open market and would hurt themselves as well as foreigners if they were to lean towards protectionism.

Because of the EU's tremendous success many other European countries have submitted applications for membership. These include Switzerland, Malta, Turkey and Cyprus. The EU is considering these countries and also assisting them through aid programs. The EU is also helping with economic reconstruction of the states of Central and Eastern Europe and the former Soviet Union. The best way to help these countries is by open up markets to them. Provisions for this is made in the Europe Agreements concluded by the Union with Poland, Hungary, the Czech Republic, Slovakia, Bulgaria and Romania. These Europe agreements go beyond economic matters in that they serve to secure and promote political and cultural dialogue. In the long-term, perhaps these countries too will be part of the EU.

The EU still faces many challenges in the years ahead, but it must press on toward freer trade if it is to remain a global competitor. The cost of a non-European Union; that is to say the cost of continued protectionism in Europe is estimated at ecu 200 billion, approximately, USD 252 billion. A single market on the other hand, would add five percentage points to economic growth rates and create at least five million new jobs (Fontain 1992, 12).

The EU is moving forward and to date has already overcome some of its obstacles. One is the liberalization of public procurement, which involves making the rules on world and supplies contracts more transparent, stepping up checks and extending the rules to important new areas such as transport, energy and telecommunications; the harmonization of taxation; the liberalization of capital markets and financial services; standardization on certification and testing, recognition of the equivalence of national standards, and some harmonization of safety and environmental standards; the abolition of technical barriers and physical barriers to the free movement of individuals; and the creation of an environment which encourages business cooperation by harmonizing company law and approximating legislation on intellectual and industrial property.

Even with everything the European Union has accomplished they must still press forward. The EU will face many challenges in the 21st Century. One of the more significant challenges will be dealing with the new democracies emerging form the ruins of the communist bloc. These countries will expect help from Western Europe and may want admittance to the Union. Many other countries will also apply to join, perhaps as many as ten, raising the total number to twenty-five in the 21st century. If Europes free trade area continues to grow it will become more and more powerful in the global economy. There is definite possibilities of expansion, but little thought of a decrease in the number of states in the Union. This seems to say that being a part of a free trade bloc is a good thing. The benefits countries gain by becoming a part of the EU far outweigh the defects. Not only should European Countries be watching the Union closely, but foreign countries should be watching as well. As the EU grows it will have more and more of an effect on other countries, particularly the U.S. and Japan, two of its biggest trading partners. The success of free trade in Europe sets a precedent, one that much of the rest of the world may try to follow.

D. THE PACIFIC RIM

The Asia-Pacific region is an area of the world that is just beginning to look at free trade. On November 15, 1994 eighteen nations of the Asia-Pacific Economic Co-operation (APEC) committed themselves to creating a free-trade area by the year 2020. Even though the goals are distant, they are not meaningless. Just getting all eighteen nations to agree on a common goal was significant. The countries are expected to have an initial blueprint for putting the free trade declaration into effect at next years meeting, to be held in Osaka, Japan. When comparing this target date to that of GATT, started 45 years ago, and the EU, started 40 years ago, the Asia Pacific plan is on the fast-track and will try to accomplish its free trade goals in 25 short years.

Free trade in this region is very important because it encompasses more than 40% of world trade and accounts for more than half of global economic output (Pacific Rim Ministers... 1994, 10 [1]). It is the fastest growing economic region in the world, and the first steps have been taken towards creating the largest free trade zone in the world by 2020. Not long ago, the thought of South Korea or Indonesia, let alone China, having anything to do with even a "vision" of free trade would have been fantastic. Now not only do they have a vision, they have a plan!

The plan made on November 15, in Bogor, Indonesia stated that APEC countries; Australia, Brunei, Canada, Indonesia, Japan, Malaysia, New Zealand, Philippines, Singapore, South Korea, Thailand, U.S., China, Hong Kong, Taiwan, Mexico, Papua New Guinea and Chile, would start bringing down their barriers in 2000. By 2010 the developed countries (America, Australia, New Zealand and Japan) should have lifted all their restrictions on Intra-APEC trade and investment; by 2015 the four newly industrialized economies (Hong Kong, Singapore, South Korea and Taiwan) should have dome the same; and that by 2020 all APEC members should have scrapped all barriers.

The potential gains, according to the World Bank, are large. If all east Asian countries cut their tariffs by 50% form current levels, world GDP would rise by around 0.4%. About 90% of the gains would go the countries in the APEC region. China would see its national income rise by 3.9%. The GDP of the six ASEAN economies (Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand) would climb by an aggregate 5%. The four newly industrialized countries could expect average increase of about 1.4% a piece (APEC: The Opening of Asia 1994, 24). If on the other hand, East Asian countries were to liberalize trade among themselves only, the gains would be about halved. This is because they would tend to import goods from each other that might be bought more cheaply elsewhere.

The Asian region is moving toward economic integration even without APEC.

The nations economies are becoming too big to grow just by exporting to the U.S. and Europe. Now, they must sell to one another. The six ASEAN nations recently accelerated plans to lower tariffs among themselves. By 2003, they plan to establish a common market reducing tariffs on most manufactured and agricultural goods to less than 5% (Engardio and Barnathan 1994, 53). This will help these nations as the entire region moves towards freer trade. It is very similar to what the Latin American countries are doing.

President Clinton, one of the attendees, at the Asia-Pacific Summit defined the success of the meeting in terms of what was in it for America. He predicts that relaxing trade barriers would open new markets, make American goods and services more competitive, encourage sales abroad and create jobs at home (Pollack 1994, 6[a]). The Asia-Pacific is the key to the success of these goals because it is the fastest growing region in the world, with a rapidly expanding middle class who are potential American customers. Already one-third of U.S. exports go to the Asia-Pacific region and two million jobs are tied to this region.

There is little doubt that the region is marching away from protectionism. For example Malaysia reduced or abolished duties on 2,600 items, Thailand dropped its ban on imported cars, and Indonesia and the Philippines have opened their telecom and energy sectors to foreigners. It is almost impossible to imagine this trend being reversed. At the Asia-Pacific Summit a clear signal was given in favor of free trade. The consumers of this region should look to the future enthusiastically and do whatever they can to expedite freer trade; after all they will reap the benefits.

CONCLUSION

V. CONCLSUION

It is evident that the entire world is moving closer to becomming one big market. Over the past forty years giant strides have been made in all corners of the globe to reduce barriers to trade. The reason there has been continual momentum towards free trade is because of the beneficial outcome, especially to the consumer.

In our small corner of the world, Florida, the most obvious benefits are seen in the argricultural arena. This is one of Florida's largest industries, and decreased barriers to trade have boosted international demand. The grapefruit industry alone is expected to grow into a $3 billion industry by the year 2000 (McNair 1995, 9A[1]). The major international buyers include Japan, France, Canada, Holland, Belgium and the U.K. As barriers decrease in these countries grapefruit becomes more affordable and demand increases because more consumers are able to purchase grapefruit. The prices of orange juice have also decreased. In Japan alone the elimination of import quotas on orange juice caused the price to fall from 300 yen per liter to 170-200 yen per liter. The average price of organe juice worldwide has fallen 7% (do Rosario 1993, 59[1]). Looking to the future, analysts expect 1995 to bring a larger citrus crop, marking the start of substantial growth over the next ten years. While the consumer will benefit from lower prices, the challenge for the industry will be to open and expand new markets.

Another country benefiting from increased free trade is the Czech Republic. The government has allow markets and people to decentralize decisions and progress has come about suprisingly fast. India is another country that is beginning to break out of extreme poverty and stagnation as they allow their people to use their ingenuity and ambition to get ahead. This idea started as an experiment of India's finance minister, Monmohan Singh, and has been so successful that the experiment will be expanded to more industries. There are very few roles in which the government does a more effective job than the market. Perhaps government is needed in matters of national security, but the more they stay out of business the better. This is true, as we have seen, in all areas of the world. Especially for the poorest people in the poorest countries. I believe their best hope of a less miserable life rests on the economic growth that comes with trade. My belief is supported in the results of a recent survey of 500 academic and business economists. It was found that nearly three-quarters agree with the statement: "Tariffs and import quotas usually reduce general economic welfare" (Norton 1994, 233).

To date, most free trade areas are between countries that are geographically close together. The next step might be to consider free trade areas that are not geographically close, but have other similarities. An example might be a free trade area(FTA) between NAFTA countries and the European Union. This North Atlantic FTA would bring together three of the four largest export customers for U.S. goods and services-Canada, Western Europe and Mexico-creating a massive open trade zone with a combined gross domestic product of more than $10 trillion and a total population of over 770 million people (Yeutter et al 1995, C:9).

Both areas would have to be able to commit to five core obligations. One would be phased elimination of tariffs on all goods, the liberalization of agricultural trade, rules to protect investment and intellectual property rights, services liberalization and a dispute settlement system. All of these elements could be achieved and a North Atlantic FTA created. The EU and U.S. tariffs are not big factors in trade flows. Most major U.S. and European companies regard such tariffs as a nuisance. Both areas will also agree on intellectual property protection, financial services, investment and competition policy. Europe and the U.S. already have strong legal protection for patents, trademarks, copyrights and computer software against third world piracy. Today most large U.S. corporations have European subsidiaries, and many are so well established they are regarded as essentially "European."

Of course there would be some major obstacles in creating a North Atlantic FTA. One would be agriculture, which has been a source of contention since the

1960's. However, the U.S. and European systems have converged dramatically in recent years. European agriculture is slowly becoming more free. Another area of controversy is government subsidies in the aircraft and steel sectors. But Germany, the main driving force behind Europes's subsidies in these industries, can no longer afford to bankroll these massive programs. A third obstacle would be France's cultural protectionism. But many feel France's stand on this issue is doomed by advancing technology. For example on a 100 channel TV system, cultural protectionism is impossible.

Free trade is at an important crossroad. It is between major initiatives. The vacuum is dangerous. It creates openings for protectionism. A bold new free trade goal is needed to keep free trade wheels spinning, and perhaps a North Atlantic FTA should be that goal! It certainly would be ambitious.

Regardless of which countries come together in the future to form free trade areas, they will all require some change to promote economic integration. Japan, for example needs to make a lot of changes. The same political and economic system that provided the foundation for developing Japan's economic power of the past forty years are now hindering progress towards free and unobstructed competition. Because of these polocies Japan has an image to outsiders as "Fortress Japan." It will be tough, but necessary to show Japan that the only way for their industries to become stronger is to allow the dynamics of the free trade market to effect their economy more forcefully.

European leaders also have a large responsibiltity. They must ensure that their countries continue on the path of economic integration. They must resist the impulse to become narrow and inward-looking. A particular example of where Europe has been quite narrow is in its agricultural markets. I believe that the EU leaders will continue to show that a borderless internal European market means one in which companies from the U.S., Japan and elsewhere can compete fairly and freely.

As for the U.S. we must find ways to steer the economy in the direction of competing harder, smarter and better without succumbing to the false temptation of protectionist solutions. It would be a major setback if the U.S., the worlds most open market and the prime proponent of free trade, were to seek a politically popular but economically dangerous course along the path of protectionism.

In researching the benefits of free trade I feel more strongly than ever that the world should strive to become one big market. The integration of major economies will provide the stimulus needed to expedite economic growth worldwide. Integration is also crucial to the expansion of the service sector, where few international rules now exist. Financial, information, and telecommunication services have inherently global markets, yet they face a myriad of conflicting regulations and standards in different countries which prevent them from growing efficiently on a global scale.

Overtime we should seek to create an environment in which the movement of goods, services, capital, technology and people throughout the world is truly free. In such an environment international business could minimize waste and bureaucracy. Companies could focus their resources on the creative areas of enterprise which usually yield innovation, new technology and improved service. When business is able to focus on these creative areas, quantum leaps in productivity, output and quality of life are possible. As free trade continues to expand, consumers around the world should celebrate their good fortune.

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Dornbush, Rudi. "Sure, Fight Inequality, but set the markets Free." Business Week 27 Jun. 1994: 14.
This article talks about how free markets will actually help human rights abuses, not cause more damage. It says there are things that can be done to discourage human rights abuses, but one of them is not protectionism.

Dornbusch, Rudi. "What's Missing at the Latin Summit: Free Trade and a Free Cuba." Business Week 17 Oct. 1994.
This article argued that Cuba should be allowed to be part of the Summit. It said the best way to defeat communism in Cuba is to open markets.

do Rosario, Louise. "Sweet Taste of Success: Price drops bolsters O.J. Sales in Japan." Far Eastern Economic Review 10 June 1993: 59(1).
This article talks about the elimination of import quotas has caused O.J. prices in Japan to drop. This drop in prices has caused more Japanese to buy O.J.

Dowd, Ann Reilly. "Let's Just Say Yes to NAFTA." Fortune 29 Nov. 1993: 108.
This article shows that NAFTA is a clear cut winner in areas where nay sayers thought it would fail.

"A Dream of Free Trade." Economist 19 Nov. 1994: 35-36.
This article talks about what a free trade economy would be like.

Elliott, Michael. "America, A Global Dropout." New Week 28 Nov. 1994: 39-40.
America's hesitation on GATT is causing questions among other countries. It claims America should stand strong on free trade issues.

Engardio, Pete and Joyce Barnathan. "Marching Toward Free Trade in Asia?" Business Week 14 Nov. 1994, 52-54.
This article says that good will come from decreased barriers in the Asia-Pacific Region, particularly for the U.S.

European Commission, Ed. A Portrait of out Europe. Belgium: 1994.
This article talks about 12 of the EU members and gives information of the land, the people, the economy and the government.

"European Economic Area: E Pluribus." Economist 8 Jan. 1994; 49-50.
This article talks about the countries in the European Economic area. It also tells what the EFTA countries are getting by participating and what they must do to remain in the economic area.

"European Union: Eye of the Needle." Economist 12 Feb. 1994: 49=50.
This article talks about how the EU is the center of a huge free trade bloc for all of Europe. It says that the other countries of Europe will look to those in the Union for direction.

"European Union: From the Arctic to the Mediterranean." Economist 5 Mar. 1994: 52-57.
This article talks about the possibility of expanding the European Union. It would be the World's largest free trade area.

"The European Union: Now Fifteen," European Union News, 27 Dec. 1994, No. 76/94.
This article talks about the edition of Austria, Finland and Sweden to the EU.

Fontain, Pascal. Europe In Ten Lessons. Brussels: 1992.
This article talks about Europe's integration, and its institutions. Also the economic and monetary Union and where the EU will be in the 21st Century.

Forbes Malcolm S. Jr. "Fact and Comment." Forbes 4 July 1994: 25.
This is an article on the facts of free trade and the author's comment on them.

"From Uruguay to Marrakesh: World Trade." Economist 16 Apr 1994.
This article talks about the estimated gains from the ratification of GATT.

"General Agreement on Tariffs and Trade (GATT)." Congressional Digest Vol 73: Nov. 1994.
This booklet outlines the GATT agreement. It also has comments from both Mikey Kantor and Ralph Nader on their views on GATT.

Greco, Susan. "The NAFTA Factor." Inc. Mar. 1994: 134.
This article talks about how NAFTA effects all the countries it involves.

"Happy Ever NAFTA." Economist 10 Dec. 1994: 23-24.
This article talks the benefits that have come from NAFTA one year after it was passed.

Harbrecht, Douglas. "Ripping Down Walls Across the Americas." Business Week 26 Dec. 1994: 78-79.
This article talks about the American companies that are already investing in Latin America. It tell what countries they are going in and their reasoning.

Harbrecht, Douglas. "What Has NAFTA Wrought? Plenty of Trade." Business Week 21 Nov. 1994.
NAFTA's accomplishments in its first year. It especially focus's on the U.S. auto industry.

Hildyard, Nicholas. "Maastricht: The Protectionism of Free Trade."

Ecologist Mar/Apr. 1993: 45-51.
This article discusses the Maastrict Treaty and its positive effects on the formation of the EU.

Islam, Shada. "Europe: Ready or Not, Here Comes the Borderless Future." The World Press Review Nov. 1991: 9-15.
This article talks about the future of Europe without barriers to movement of people, goods and capital at the borders.

"It's Time to Open all of Asia's Markets." Business Week 14 Nov. 1994: 150.
This article talks about the benefits of opening the Asian market to freer trade. It gives the benefit for both Asian nations as well as other countries.

Kantor, Michael and Ralph Nader. "Should the U.S. Implement Uruguay Round Trade Agreements? Pro, Con." Congressional Digest Vol. 73: Nov 1994. 270-273.
Mickey Kantor is for implementing the agreements. He claims that free trade will help Americans through reducing tariffs. Ralph Nader is against the agreements and claims that it imposes on our rights to freedom.

Kelly, Kevin. "Paradoxes of Free Trade." Commonweal 14 Jan. 1994: 6-7.
This article talks about how free trade can help and at the same time hurt people. It claims that free trade leads to human rights abuses, even though the country may be doing better-higher GDP-due to the free trade.

Lea, Luke. "GATT Justice: Who Gets the Gains of Trade?" Challenge Sept. 1994: 11-17.
Another article on the effects of free trade on the poor people of the 3rd world. It claims the large countries and companies get most of the gain.

Lenzer, Robert. "Looming Threat to World Trade." Forbes 5 Dec. 1994. 46-47.
This article is an interview with Peter Sutherlands, the director general of GATT. It talks about his fears of what will be lost if the U.S. is not a member of the new World Trade Organization.

Lind, Michael. "One Nation, One Vote? That's Not Fair." The New York Times 23 Nov. 1994: Sec: A: 23.
This article talks about it is not fair to give all countries in WTO the same amount of power when voting on issues. It claims the U.S. and other large countries votes should count as more than one vote.

Lustig, Nora. "NAFTA: Doing Well by Doing Good." Brookings Review Winter 1994: 47.
This article says that NAFTA is making a lot of money and creating jobs.

Lustig, Nora. "A New Mexico? Toward a U.S. Mexican Partnership." Brookings Review Winter 1995. 38-41.
This article talks about the U.S. and Mexico having a new trading relationship that will be good for both countries.

Magnusson, Paul. "With Latin America Thriving, NAFTA Might Keep Marching South." Business Week 25 July 1994: 20.
This article talks about the progress of the Latin American countries is their ability to be a trading partner. It claims that many Latin American countries are ready to trade with larger countries, such as the U.S. and Mexico.

Mazlish, Bruce, ed. The Wealth of Nations By: Adam Smith. New York: Bobb-Merrill Company, Inc, 1961.
This book is on Adam Smith's views on labor, stock, opulence, politics and the commonwealth. He strongly believes in capitalism and free trade.

Mc Nair, James. "Global Appetite for Grapefruit is Sweet News for Fl. Growers." Journal of Commerce 28 Mar. 1995: P. 9A(1).
This article talks about the benefits to Fl. grapefruit growers due to the increase of free trade and therefore the lowering of tariffs.

"Mercosur: Four in One Might Go." Economist 13 Aug. 1994: 58-59.
This article discusses the possibility of the countries of Mercosur becoming like a European Union.

Morais, Richard C. "les Miserables." Forbes 28 Feb. 1994: 50-51.
This article argues that free trade is making the poor people of lesser developed

countries worse off.

Mortia, Akio. "Toward a New World Economic Order." _Atlantic Monthly_ June 1993.
This article presents the way a free trade globe may look. It talks about how we are moving toward that, and takes it a step further to look into the future.

Nash, Nathaniel. "Europe Seeks Latin Free-Trade Ties." _The New York Times_ 7 Dec. 1994: Sec: D:2.
This article is saying that if the U.S. doesn't include Latin American countries in their free trade agreement, Europe is willing to.

Nelan, Bruce. "The Peoples Choice (Honest!)." _Time_ 5 Sept. 1994: 48-49.
This article talks about how the people in newly developing countries want freer trade.

Norton, Rob. "Is It Time To Throw Out Free Trade?" _Fortune_ 19 Sept. 1994: 233-234.
This article gives some cons of free trade and suggests that perhaps it is time to turn back to protectionism. There does not seem to be any strong arguments though.

"Norway's No." _Economist_ 3 Dec. 1994: 20.
This article talks about why Norway chose not to be a part of the European Union. It also talked about the effects, negative, that choice could have on Norway.

"Now, For the Fruits of Freer Trade." _The New York Times_ 3 Dec. 1994: Sec: A: 22.
This article talks about the good that has come from free trade. It counter-argues several arguments against free trade.

O'Beirne, Maeve, ed. _Partnership: The European Union and the United States in the 1990's_. Washington D.C.: European Commission Delegation, 1994.
This booklet talks about U.S.\EU relations on economics and politics. It focus's on areas of cooperation and disagreement between the two.

Oster, Patrick. "Sweden to the EC: Snuff It." _Business Week_ 17 Jan. 1994: 8.

This article talks about Sweden joining the EC. Sweden is hesitant because they will need to make snuff illegal.

"Pacific Rim Ministers Express Optimism on Free Trade." The New York Times 13 Nov. 1994: Sec:1:10.
This article talks about the Pacific Rim summit and the fact that most of the Ministers from the different countries seem to be in favor of free trade.

"Pan-American Free Trade: Maybe But How?" Economist 17 Dec. 1994:44-45.
This article suggests that there will be free trade, they are just not sure how all the specifics will work out. The article gives some ideas.

Pizarro, et al. "Business-NAFTA: Bad News for Mexico?" World Press Review Sept. 1994: 40-41.
This article talks about the trouble U.S. businesses are having opening up in Mexico. The Mexican agencies are making it very difficult and this could prove bad for Mexico in the long run.

Pollack, Andrew. "Asian Nations Wary on Free Trade." The New York Times 11 Nov. 1994: Sec. A:8.
This article talks about some of the concerns the Asian nations have about free trade. Some countries feel they need more time before they can participate in a free trade agreement.

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This article talks about the progress at the Asia-Pacific Summit. It suggests that they may be able to reach some agreement a ways down the road.

Pollack, Andrew. "U.S. Supports Asia-Pacific Free Trade, But Questions Timing." The New York Times 12 Nov. 1994: Sec. A:6.
This article talks about the U.S. concern in having to open up their markets as much as ten years before the developing countries of Asia do. President Clinton does not feel U.S. businesses will be very happy with this time frame.

Poppe, David. "The Crossroads Economy." Florida Trend Dec. 1994: 30-35.

This article discusses the benefits that Fl. businesses will reap if we increase trade with Latin America.

Poppe, David. "International Trade: What the Summit Means to Florida." Florida Trend Nov. 1994: 26,27.
This article talks about Florida's top trading partners and what free trade will mean to Miami. It gives percentages of trade between Miami and Latin American Countries.

Press, Eyal; George Rose. "NAFTAmath." Nation 2 Jan. 1995: 4,5.
This article talks about the changes since NAFTA and what types of changes should be expected in the future.

Ratmiroff, Serge. "NAFTA Offers Real Opportunities." Industry Week 3 Oct. 1994: 32.
This article talks about the opportunities for U.S. and Canadian businesses, both large and small, when entering the Mexican market. It shows that with the decreased tariffs for these countries goods they have a step up on companies from other countries, such as Japan and Europe.

Richman, Louis S. "What's Next After GATTs Victory?" Fortune 10 Jan. 1994. 66-70.
This article talks about the issues that need to be addressed in GATTs next round. It includes eliminating investment barriers, Harmonizing technology policies, curbing anti-dumping zeal, and addressing the environment.

Romer, Paul. "The Tyranny of Triangles." Economist 16 July 1994: 65.
This article discusses the three largest trading areas, Europe, Japan and the U.S. and talks about how they interact and how important they are to each other.

Sanger, David E. "An Epidemic Averted: Foot in Mouth disease." The New York Times Sec. 1:22.
This article talks about what a mistake it would be for the U.S. not to precede with free trade talks with Latin America.

Sanger, David E. "Chile is Admitted as North American Free Trade Partner." The New York Times 12 Dec. 1994: Sec. A:8.

This is just a short brief that says Chile was offered admittance to NAFTA at the end of the hemispheric summit.

Sanger, David E. "Clinton Asks G.O.P. to Back Free Trade." *The New York Times* 14 Nov. 1994: Sec. A:8.
Clinton asks for support in passing GATT.

Sanger, David E. "U.S. Envisions An Expansion of Free Trade in Hemisphere." *The New York Times* 8 Dec. 1994: Sec. A:14.
This article was a poll done to show that most U.S. citizens wanted and expected more free trade in the future.

Sanger, David E. "U.S. Said to Seek Pacific Free Trade Pact." *The New York Times* 27 Oct. 1994: Sec. D:2.
This article suggests that the U.S. will try to set up a free trade agreement with certain countries in the Pacific Rim.

Smith, Geri, et al. "What Has NAFTA Wrought? Plenty of Trade." *Business Week* 21 Nov. 1994: 48-49.
This article talks about the types of trade that have increased due to NAFTA. It tells what businesses are doing well as a result.

Smith, Geri, et al. "Why Wait for NAFTA." *Business Week* 5 Dec. 1994: 52-54.
This article talks about the Latin American countries that are already getting ready for free trade even without admittance to NAFTA. Also it talks about U.S. businesses that are expanding into Latin American countries before any formal free trade agreement is reached.

Smith, Geri. "Which Side (of the Border) Are You On? Well, Both." *Business Week* 4 Apr. 1994: 50.
This article talks about the pro's and con's of Mexican U.S. free trade.

"Son of GATT." *Economist* 6 Aug. 1994: 16.
This article introduces the World Trade Organization (WTO). It talks about the WTO responsibilities.

"Spain Drives Another Hard Bargain." Economist 19 Feb. 1994: 59
This article talks about Spain becoming a part of the EU. It discusses the things that Spain does not want to agree to in order to become a member.

"Steel Woes." Economist 19 Feb. 1994: 18.
This article talks about the history of the EU. It talks about the European Coal and Steel Community and how successful it was.

Valentine, Charles F. The Ernest & Young Resource Guide to Global Markets. New York: John Wiley & Sons, 1991.
This book gives figures on market environments and what ones are ready for trade.

Walker, Lucy. "Deal Starts Rush to Join European Superpower." European 25-31 Oct. 1991: 1.
This talks about the Europe '92 deal causing many countries to want to be a part of it.

Walters, Alan. "One European Currency: The ECU..." World Press Review Oct. 1994: 36-37.
This article talks about switching to the ECU for the entire EU. It tells what is being done now and the projections of when there will be a single currency.

Williams, Robert, et al. The Worlds Largest Market: A Business Guide to Europe 1992. New York: Amaccom, 1992.
This booklet talks about what will happen once the EU is complete. It talks about good opportunities for businesses.

"World Trade: Slim Victories." Economist 17 Sept. 1994: 76-79.
This article talks about the passing of GATT. It was uncertain until the end if GATT was going to pass.

Yeutter, Clayton K., Warren H. Maruyama. "A NAFTA for Europe." The Wall Street Journal 19 May 1995: C9.
This article talks about creating a free trade area between NAFTA and the EU. It shows why it would work and what main obstacles each country would have to overcome.

Zarsky, Lyuba. "NAFTA and Green Trade." Enviroment Mar. 1994: 2-3.
This Article talks about how NAFTA is addressing environmental issues, and what it still needs to do in the eyes of environmentalist groups.

Zukerman, Amy. "EC Drops Ticking Time Bomb." Industry Week 16 May 1994: 44-51.
This article is talking about the admittance of new countries into the union. It also talks about the formation of the European Free Trade Area.