

# THE TOP 10 requirements for FREE TRADE TO DRIVE PROSPERITY



## 1. The removal of discriminatory trade restrictions



Discriminatory restrictions are import burdens that exist solely to protect domestic suppliers. A higher consumer protection standard in one country is not discriminatory, as long as that standard is applied to both imports and local goods equally.

## 2. Market transparency



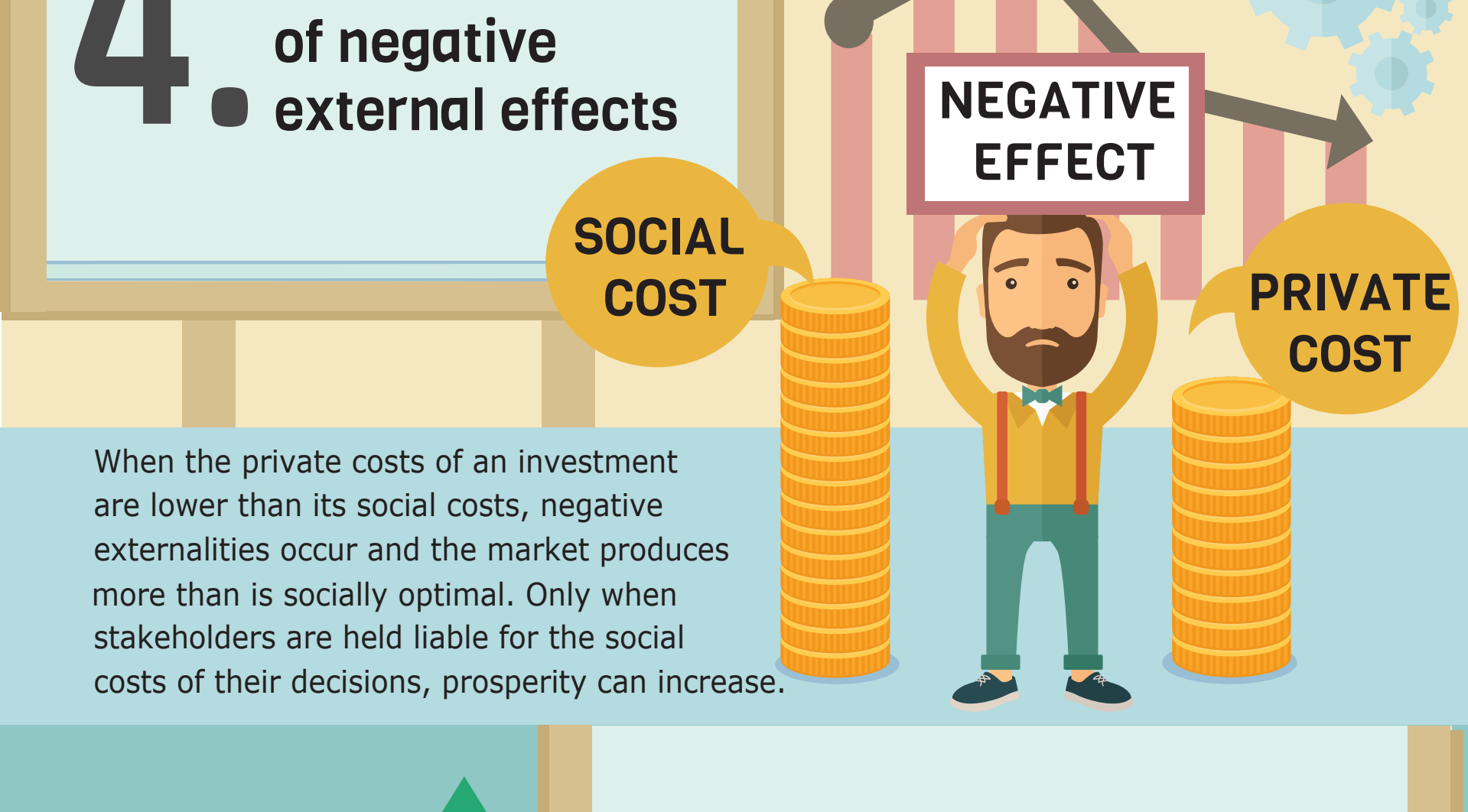
Consumers need to be informed about the products they are buying if they are supposed to make optimal decisions. Compulsory labeling of products therefore is key for free international trade.

## 3. All participants in the market need to have the same level of information



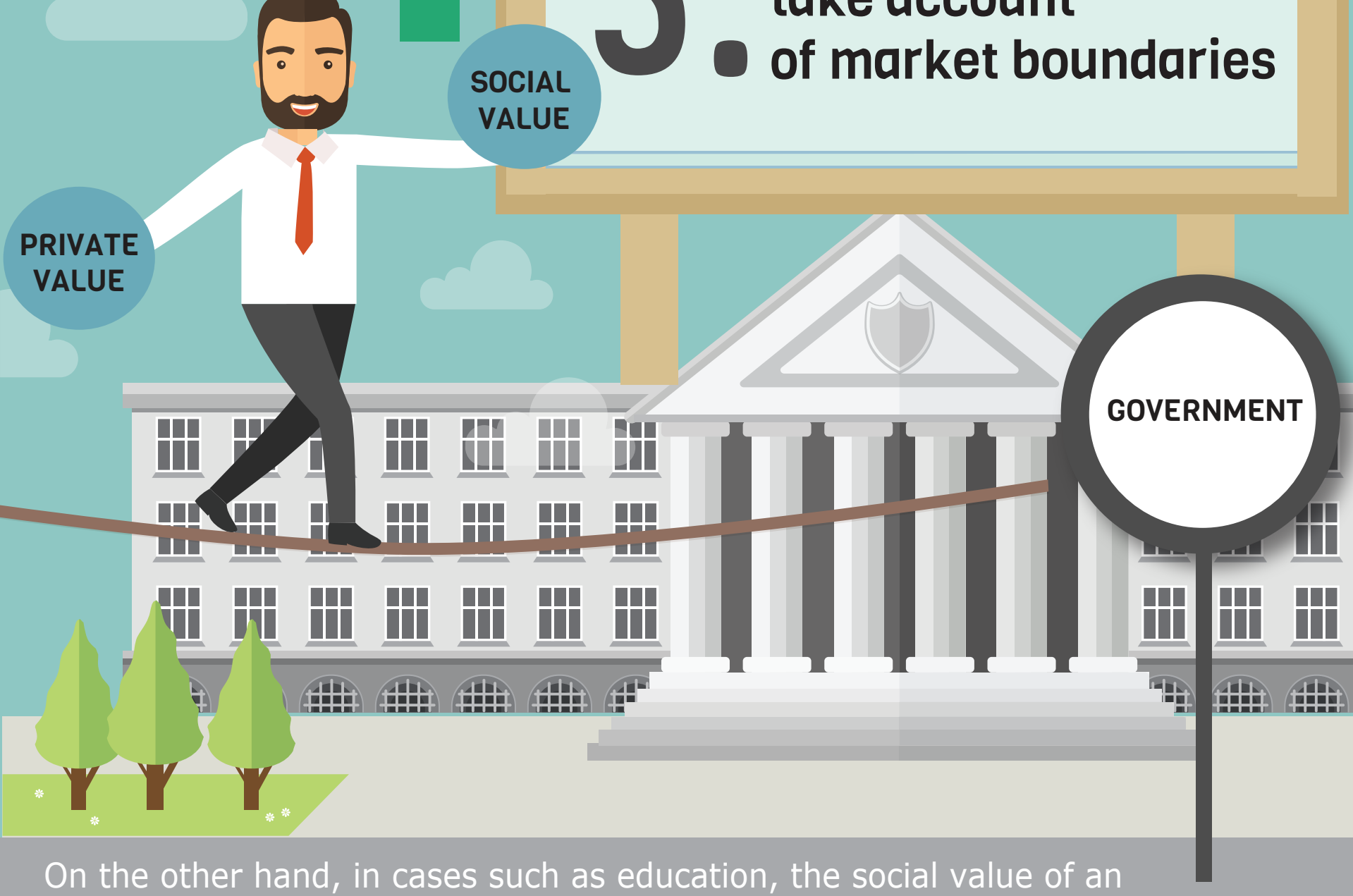
Information asymmetries are a major obstacle to effectively functioning markets. Practices like insider trading in the sphere of financial markets need to be combatted for the prosperity of everyone.

## 4. Internalization of negative external effects



When the private costs of an investment are lower than its social costs, negative externalities occur and the market produces more than is socially optimal. Only when stakeholders are held liable for the social costs of their decisions, prosperity can increase.

## 5. Free trade must take account of market boundaries



SOCIAL VALUE

PRIVATE VALUE

GOVERNMENT

On the other hand, in cases such as education, the social value of an investment might outweigh its private value and markets produce too little. State intervention is needed to regain market balance.

## 6. Fair distribution of increases in income between the participating countries



More free trade leads to a higher total income level on the global stage. But that doesn't automatically mean that all countries involved profit. Sometimes developing countries, which cannot compete globally on their own, need some help from their industrialized partners.

## 7. Fair distribution of increases in income within the participating countries



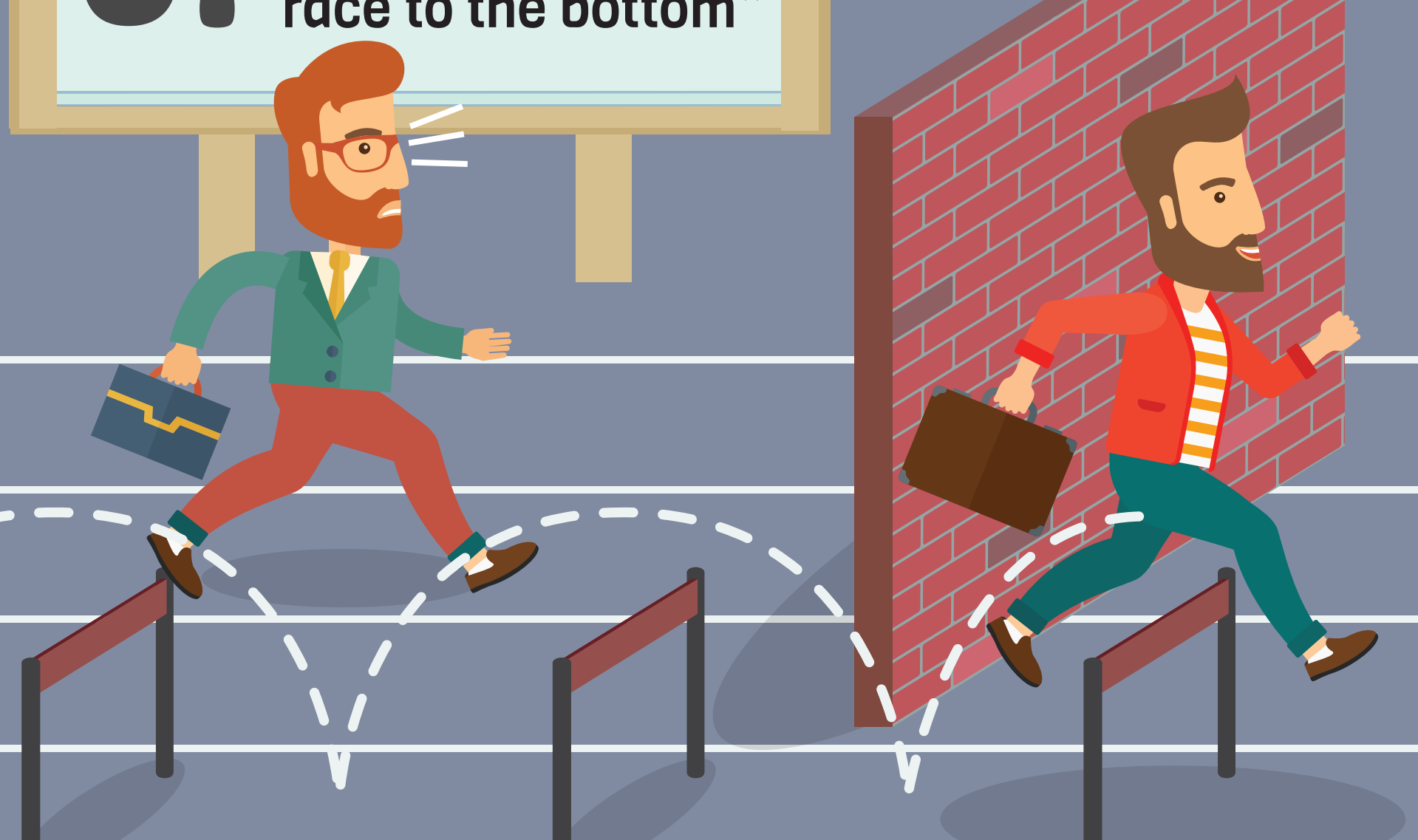
The removal of protectionist policies might bring higher unemployment to some sectors in the short term. States should then be careful to accompany their international free trade intensification with appropriate social policies at home.

## 8. Compensation for the loss of income in third countries



Lacking a multilateral framework, countries often band together in bilateral or regional free trade agreements. Third world countries remain excluded and might face resulting losses. Agreement participants should contribute to such third country adaption costs.

## 9. Free trade must not be a "race to the bottom"



Global competition puts pressure on firms to decrease their production costs. Technological advancement should be the key to do this. Solid social and working standards should be in place to avoid a race to the bottom.

## 10. Participation in free trade presupposes corresponding production capacity



Well-functioning international free trade can only function on the basis of a fitting production capacity in the participating states. Developed nations are duty bound to offer their support when it comes to building up factors like infrastructure or access to technologies in less developed nations.

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