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Global trade should be remade from the bottom up

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The trouble is that people see integration as a project by elites for elites



Global trade means that a pay cheque can buy twice as much but few people see it that way

Since the end of the second world war, a broad consensus in support of global economic integration as

a force for peace and prosperity has been a pillar of the international order. From global trade agreements to the EU project; from the Bretton Woods institutions to the removal of pervasive capital controls; from expanded foreign direct investment to increased flows of peoples across borders, the overall direction has been clear. Driven by domestic economic progress, by technologies such as containerised shipping and the internet that promote integration, and by legislative changes within and between nations, the world has grown smaller and more closely connected.

This has proved more successful than could reasonably have been hoped. We have not seen a war between leading powers. Global living standards have risen faster than at any point in history. And material progress has coincided with even more rapid progress in combating hunger, empowering women, promoting literacy and extending life. A world that will have more smartphones than adults within a few years is a world in which more is possible for more people than ever before.

Yet a revolt against global integration is under way in the west. The four leading candidates for president of the US — Hillary Clinton, Bernie Sanders, Donald Trump and Ted Cruz — all oppose the principal free-trade initiative of this period: the Trans-Pacific Partnership. Proposals by Mr Trump, the Republican frontrunner, to wall off Mexico, abrogate trade agreements and persecute Muslims are far more popular than he is. The movement for a British exit from the EU commands substantial support. Under pressure from an influx of refugees, Europe's commitment to open borders appears to be crumbling. In large part because of political constraints, the growth of the international financial

institutions has not kept pace with the growth of the global economy.

Certainly a substantial part of what is behind the resistance is lack of knowledge. No one thanks global trade for the fact that their pay cheque buys twice as much in clothes, toys and other goods as it otherwise would. Those who succeed as exporters tend to credit their own prowess, not international agreements. So there is certainly a case for our leaders and business communities to educate people about the benefits of global integration. But at this late date, with the trends moving the wrong way, it is hard to be optimistic about such efforts.

The core of the revolt against global integration, though, is not ignorance. It is a sense, not wholly unwarranted, that it is a project carried out by elites for elites with little consideration for the interests of ordinary people — who see the globalisation agenda as being set by big companies playing off one country against another. They read the revelations in the Panama Papers and conclude that globalisation offers a fortunate few the opportunities to avoid taxes and regulations that are not available to the rest. And they see the disintegration that accompanies global integration, as communities suffer when big employers lose to foreign competitors.

What will happen next — and what should happen? Elites can continue pursuing and defending integration, hoping to win sufficient popular support — but, on the evidence of the US presidential campaign and the Brexit debate, this strategy may have run its course. This is likely to result in a hiatus in new global integration and efforts to preserve what is in place while relying on technology and growth in the developing world to drive further integration.

The precedents, notably the period between the first and second world wars, are hardly encouraging about unmanaged globalisation succeeding with neither a strong underwriter of the system nor strong global institutions.

Much more promising is this idea: 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.

This would mean a shift from international trade agreements to international harmonisation agreements, where issues such as labour rights and environmental protection would take precedence over issues related to empowering foreign producers. It would also mean devoting as much political capital to the trillions that escape tax or evade regulation through cross-border capital flows as we now devote to trade agreements. And it would mean an emphasis on the challenges of middle-class parents everywhere who doubt, but still hope desperately, that their kids can have better lives than they did.

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