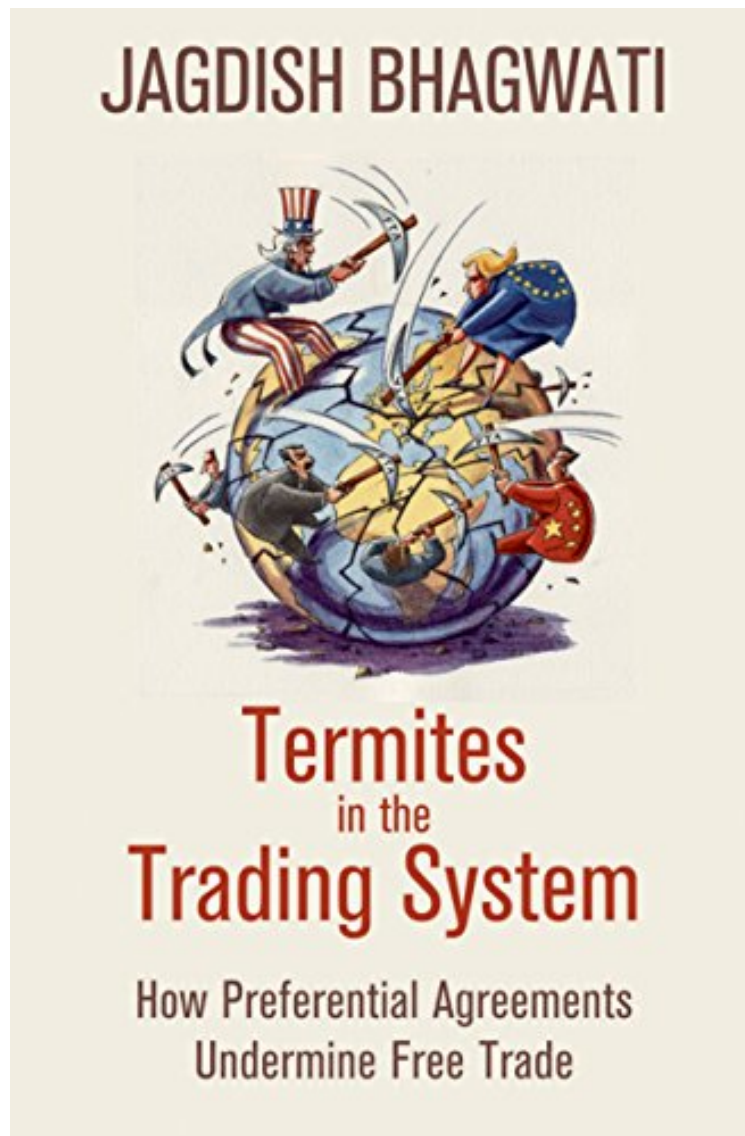


[Free pdf] Termites in the Trading System: How Preferential Agreements Undermine Free Trade (Council of Foreign Relations)

## Termites in the Trading System: How Preferential Agreements Undermine Free Trade (Council of Foreign Relations)

Jagdish Bhagwati

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**Jagdish Bhagwati : Termites in the Trading System: How Preferential Agreements Undermine Free Trade (Council of Foreign Relations)** before purchasing it in order to gauge whether or not it would be worth my time, and all praised Termites in the Trading System: How Preferential Agreements Undermine Free Trade (Council of Foreign Relations):

0 of 0 people found the following review helpful. Decent Book By Steve Bornell This book contains some good

information about international trade and brings up some strong points about preferential trade agreements. It is troubling when preferential trade agreements are used to promote trade unrelated issues and when politicians promote them without full knowledge of the impacts on both sides.<sup>4</sup> of 6 people found the following review helpful.

Intellectual arrogance at its worst  
By K G R Bhagwati, a well-known proponent of unconditional free trade, wrote this book to critique the numerous bilateral or plurilateral free-trade agreements ( a/k/a preferential trade agreements or PTA's). As always, Bhagwati expounds his view that all States should eliminate tariffs and any restrictions on trade. Bhagwati's intellectual arrogance shines throughout. He cites to his own previous works on nearly every second page of the book. Humorously, he repeatedly lauds his own publications and efforts. Then he arrogantly derides and insults those who dare to disagree with him and his free trade mantra, but offers little in the way of serious replies. I suspect that most reading this book are proponents of free trade and that therefore most of the book amounts to preaching to the converted. But if you are not an unconditional fan of the WTO I suspect that you'll find this book comically inadequate. The author argues that PTA's are a "danger" because they serve to undermine universal most favored nation (MFN) status. This means that rather than relying solely on the WTO GATT system, whereby each country accords each other's products the same tariffs, countries with PTA's provide each other with more preferential tariff rates. Bhagwati mocks countries for entering into PTA's based on geography or cultural reasons, rather than for pure economic benefit. But the author, like all too many economists, seems to fail to grasp the concept that profits and economic utility are not the only considerations in our decisions. Bhagwati is obviously correct that the US trades a great deal with many countries with which the US does not PTA's, and that some countries with which the US does have PTA's (e.g. Israel, Jordan) account for a relatively small portion of US trade. But so what? The author does not attempt to address the point that there may be cultural, religious, geographical, national security, or any reason other than pure economic benefit as to why a country may wish to encourage trade with certain nations and not others. Bhagwati, like many scholars from developing countries, argues that the inclusion of labor, environmental, or other conditions in PTA's is an unfair method for wealthier countries to reduce advantages (like lower labor costs or lack of ) that are enjoyed by poorer countries. But he never attempts to explain why wealthier, more developed countries should not want these conditions, or how they may be bad for all in the long run. Proponents of unconditional free trade argue that the citizens of wealthier countries benefit from cheaper goods, and that ultimately (when/how is never specified) conditions will improve for workers and the environment in developing countries. Facts and history have not proven this. Bhagwati does not address the fact that labor unrest or pollution from one country can easily lead to effects in others, or why those in the developed world should want to compete with workers making a fraction of their wages in far less agreeable conditions. Proponents of free trade almost universally argue that lost jobs in, for example, manufacturing in a developed country will be replaced by "better" jobs in the service sector or elsewhere. Bhagwati and his like do not seem able to address the fact that this has not been the experience of many millions of workers. One could obviously argue about cause and effect, or what the net benefit or loss is to a country's citizens, but Bhagwati does not seriously try to offer anything other than to not so subtly imply that if you do not agree with him that unconditional free trade is the best policy for countries to follow, then you must be an idiot. Ultimately, the simple fact that countries with accountable officials are seeking PTA's seems to belie Bhagwati's point that they are counterproductive or even dangerous. At only 100 pages long, the book's size should make it obvious that this is really just a long, glorified pro-WTO pamphlet.<sup>4</sup> of 5 people found the following review helpful. Termites have fun  
By Dr. Andrew L. Elek  
This is not Bhagwati at his best. A lot of anecdotes, but more advocacy than analysis. I agree with his view, but the book lacks gravitas.

Jagdish Bhagwati, the internationally renowned economist who uniquely combines a reputation as the leading scholar of international trade with a substantial presence in public policy on the important issues of the day, shines here a critical light on Preferential Trade Agreements, revealing how the rapid spread of PTAs endangers the world trading system. Numbering by now well over 300, and rapidly increasing, these preferential trade agreements, many taking the form of Free Trade Agreements, have re-created the unhappy situation of the 1930s, when world trade was undermined by discriminatory practices. Whereas this was the result of protectionism in those days, ironically it is a result of misdirected pursuit of free trade via PTAs today. The world trading system is at risk again, the author argues, and the danger is palpable. Writing with his customary wit, panache and elegance, Bhagwati documents the growth of these PTAs, the reasons for their proliferation, and their deplorable consequences which include the near-destruction of the non-discrimination which was at the heart of the postwar trade architecture and its replacement by what he has called the spaghetti bowl of a maze of preferences. Bhagwati also documents how PTAs have undermined the prospects for multilateral freeing of trade, serving as stumbling blocks, instead of building blocks, for the objective of reaching multilateral free trade. In short, Bhagwati cogently demonstrates why PTAs are Termites in the Trading System.

"The world's foremost trade policy scholar explains why what he calls 'preferential trade arrangements' are not a path towards global free trade, but a dangerous step away from it. A long-standing and brave opponent of these

arrangements and particularly of those between hegemonic powers and developing countries, Jagdish Bhagwati explains how they promote costly trade diversion, interfere with the efficient operation of global business and allow great powers to extract unjustified concessions from weaker countries. This book underlines the abiding wisdom of non-discrimination, the now almost completely forgotten founding principle of the world trading system, and concludes that the only way to return to sanity is by movement towards free market access for all."--Martin Wolf, Chief Economics Commentator, Financial Times "Highly recommended."--CHOICE "Jagdish Bhagwati is one of the world's most distinguished economists. ...a rare academic who has the great ability to communicate his ideas to a more general audience. ...written with a light touch, with many amusing stories, examples, and effective argumentation that make it, above and beyond its policy significance, a genuine pleasure to read. ... Mr. Bhagwati's concise book of just 100 pages of text should be read by all who care about the world trading system today."--The New York Sun "With layoffs in the auto sector and bailouts in the housing sector, exports are one of the few bright spots in the American economy. ... Begging the question: How can we sell even more? Columbia University economics professor Jagdish Bhagwati, for decades a leading international scholar on trade theory and practice, has some ideas."--New York Post "Termites is a slim volume, but there is a lifetime of economic learning in it, expressed in clear, often witty, language that is accessible to interested lay readers. ...likely to be widely read."--Far Eastern Economic "The founding fathers of the postwar trading system wisely chose non-discrimination as its central principle. But the last fifteen years have witnessed its erosion due to the proliferation of Preferential Trading Agreements. Jagdish Bhagwati, the leading trade economist of our time, rang first the alarm bells about the resulting spaghetti bowl of discriminatory rules and regulations. Now, with his usual blend of brilliance, wit and bluntness, he describes the rise of PTAs and analyzes why it has occurred and how it threatens the multilateral trading system. This book is essential reading not only for economists and trade diplomats, but for anyone concerned with the design of the institutions that are central to our prosperity."--Andre Sapir, Professor of Economics, Universite Libre de Bruxelles, Former economic adviser to European Commission president Romano Prodi (2001-2004) About the Author Jagdish Bhagwati is University Professor, Economics and Law, at Columbia University and Senior Fellow in International Economics at the Council on Foreign Relations. He has been uniquely celebrated with six festschrifts in his honor. His latest book, *In Defense of Globalization* (Oxford, 2004), a huge success worldwide, has just been reissued with an Afterword. He has received several honorary degrees and awards, among them the Freedom Prize (Switzerland), the Bernhard Harms Prize (Germany) and recently the Thomas Schelling Award (Kennedy School, Harvard). He is on Wired Magazine's Smart List 2008, naming "15 People the Next President Should Listen To".