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Ethics and International Trade: A Tale of Many Connections[1]

Etica e commercio internazionale: un racconto di molte connessioni

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Abstract. In recent decades a growing number of analytic political philosophers have started to pay attention to the ethics or morality of international economic integration. In this paper we offer an overview of the normative questions related to international trade. The paper has eight parts and focuses on these topics starting from a conceptual definition of trade: the legal, institutional and governance dimensions of international economic exchange and related ethical questions; the idea that trade has distributive effects within participating countries; the distinction between the ethics of production and consumption; two specific international markets, the market for natural resources and that for weapons.

Keywords: international trade, ethics, global market, production, consumption.

Riassunto. Negli ultimi decenni un numero crescente di filosofi politici analitici ha iniziato a prestare attenzione all'etica o alla moralità dell'integrazione economica internazionale. Questo articolo offre una panoramica delle questioni normative legate al commercio internazionale. Il testo si articola in otto parti e si concentra sui seguenti argomenti, a partire da una definizione concettuale di "commercio": le dimensioni legali, istituzionali e di governance dello scambio economico internazionale e le relative questioni etiche; l'idea che il commercio abbia effetti distributivi nei Paesi coinvolti; la distinzione tra etica della produzione e del consumo; due specifici mercati internazionali, il mercato delle risorse naturali e quello delle armi.

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Parole chiave: commercio internazionale, etica, mercato globale, produzione, consumo.

Introduction

In recent decades a growing number of analytic political philosophers have started to pay attention to the ethics or morality of international economic integration. In this paper, we offer an overview of the normative questions related to international trade.[2] International trade is only a subset of global economic activity. Other topics that are not discussed in this paper include, for example, the international implications of domestic monetary policy choices for poverty and development,[3] the relationship between Sovereign bond markets and democracy or self-determination,[4] tax competition, fiscal sovereignty and distributive justice,[5] the moral justification (or lack thereof) for capital mobility,[6] the effectiveness and/or desirability of international aid.[7]

The paper has 8 parts. The first offers a conceptual definition of trade as economic exchange in the presence of political borders, and outlines the basic economic rationale for conducting trade, namely, the Ricardian idea of comparative advantage. The second highlights the legal, institutional and governance dimensions of international economic exchange and related ethical questions. The basic message is that international trade is not natural, but a deeply artificial institutional project that has evolved over time. The third addresses trade policy tools, such as tariffs, quotas, and export subsidies, to name just a few. Trade has never been completely free, and the policy tools governments use to encourage or restrict trade pose morally relevant questions of their own. The fourth section refines the logic of comparative advantage introduced in part I of the essay by explaining the basics of the Heckscher-Ohlin model of economic integration and thus introducing the idea that trade has distributive effects within participating countries. This fact naturally leads us to ask what relationship exists between trade and distributive justice, but also proves useful as an insight into the causes of the rise of populist parties in West-

[2] See Barry and Wisor, "The Ethics of International Trade;" de Bres, "Justice and International Trade;" Miller, "Fair Trade;" Wollner and Risse, "Three Images of trade."
[3] See Reddy, "Developing Just Monetary Arrangements."
[4] See Held and Maffettone, "Global Political Theory."
[5] See Dietsch, *Catching Capital*.
[6] See James, *Fairness in Practice*.
[7] See Chatterjee, *The Ethics of Assistance*.

ern countries. Parts five and six deal with the ethics of, respectively, production and consumption. The global disintegration of production has contributed to highlight the degrading working conditions faced by many workers around the world and naturally leads us to ask questions concerning labor exploitation in traded sectors within developing economies. Yet traded goods not only need to be produced, but they also must be consumed. This brings to the fore the role of rich countries' customers and more broadly, the idea of ethical consumerism. At this juncture the idea of fair-trade labelling standards is also introduced and briefly discussed. Parts seven and eight concentrate on two specific international markets, the market for natural resources and the market for weapons. The geopolitical significance of both markets is rather obvious. So too is the fact that they are 'big business' within the global economy. The paper details some of the ethical or moral questions raised by these two markets and more specifically, the problem related to the ownership of natural resources which often turn them into stolen goods, and the justifiability of, and limits to, the international sale of arms.

Three caveats before moving forward. The first is that I do not address environmental questions in a separate or dedicated section of the paper[8]. Rather, the essay will often refer to the environmental dimension of most, if not all, the topics that are discussed in parts I to VIII. Second, the paper is written with the basic categories of international trade in mind rather than being centered around the philosophical discussion of the issues. Put differently, philosophical, and more specifically ethical and moral questions, are discussed within the framework of practical issues that give structure to the activity of international trade. Bar some exceptions, the overall approach is problem driven, not (philosophical) literature driven. Third, it should be clear that, as stated from the outset, the paper provides an overview of recent normative discussions within the confines of analytic political philosophy broadly construed. Other approaches to what we can call the ethics of international economic activity, such as the longstanding Marxist tradition, are thus not directly addressed.[9]

1. International Trade: Political Borders and Comparative Advantage

Imagine a continuum that goes from perfect integration between all the world's economies to perfect autarky. At one end of this spectrum, there is no international trade because the entire world has become a

[8] But see Copeland and Taylor, *Trade and Environment*.
[9] For a relatively recent classic in this tradition see Harvey, *The Ways of the World*.

single economy. At the other end of the spectrum there still is no international trade – ex hypothesis, all countries in the world have closed economies. These two extremes are, bluntly put, truly extreme. We find ourselves somewhere in the middle; and we are, furthermore, unlikely to ever experience either perfect integration or complete autarky, or at least, not on a scale that we might deem significant. Perfect integration would require something akin to a world state.[10] Complete autarky has never been (generally) achieved in recorded history – even when transportation technologies and political links between sovereigns, tribes, empires etc. were looser than they are in today's world, economic exchange has always been part and parcel of global political life (Irwin, 1996). Since we neither experience a world of perfectly economically autarkic states, nor a borderless world with a single economic market for goods, services, and labor, we live in a world where trade exists. In a slogan, political borders plus economic exchange equals international trade.

Not only do we live in a world where trade takes place, but also one where trade is actively encouraged and sought after by nations. More trade, economists often tell us, means more prosperity.[11] One way to illustrate the latter point is to introduce the idea of comparative advantage. In the basic Ricardian model, one where labor is homogeneous and is the only factor of production, and where workers move effortlessly from one sector to another, trade simply leads to international specialization according to comparative advantage dictated by technological differences, and no one is hurt by trade. Put differently, in the Ricardian view of the world[12], countries as a whole benefit from trade (their citizens, collectively, can consume more) but so do individuals since trade does not really affect the distribution of income to factors. The real world does not easily fit this rosy Ricardian picture, and I will return to its limitations when I discuss the relationship between trade and distributive justice in part V below.

The basic logic underpinning the Ricardian model is, however, relatively easy to explain. More trade will produce increases in world output since it will allow countries to specialize in the supply of goods and services in which they face a lower opportunity cost in production. This is the idea of comparative advantage[13]. There is no need for a country to be able to produce any good or service more cheaply than any other country for it to gain from trade. The only requirement is that it sticks to the production of those goods and services for which it has to forgo less in the

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[10] See Rodrik, *The Globalization Paradox*.
[11] See Mankiw, "Beyond the noise on free trade."
[12] See Lepenies, *Economists as Political Philosophers*.
[13] See Maneschi, *Comparative Advantage in International Trade*.

production of other goods and services compared to other countries. This may not be an intuitive way of thinking, but it is one of the most important concepts in economic theory, namely, that the real cost of producing (or purchasing) something is not its money value but the value of what we could have produced (or purchased) instead. Minimize the latter, and you minimize the former, hence the (static) efficiency gain. In a slogan, the real cost of our choices is the value of the choices we haven't made but could have.

2. International Trade, Governance, Laws, and Institutions

Up until now, we have discussed international trade as if it were an activity governed by informal rules or norms. The reader may be excused for thinking that trade simply constitutes an additional extension of Adam Smith's natural propensity to truck, barter, and exchange. This is emphatically not the case. At a very high level of abstraction, no market should be understood as a natural kind: markets, at least in moderately sophisticated economic systems, are the result of institutional design.[14] This point becomes relatively easy to gauge once we start thinking about some of the legal underpinnings of market transactions, for example, property rights. In the same way, tort law, regulatory law, competition law, and antitrust law are indispensable to allow economic exchange to take place in a stable fashion and in line with moderately competitive conditions that limit the exercise of market power by participants. International trade is no exception to this set of general observations[15]. Global economic integration requires a momentous legal and governance apparatus. Such apparatus includes international trade law broadly conceived, but also large and complex governing bodies such as the WTO, and, as illustrated by Figure 1 below, a significant number of bilateral and multilateral (regional) agreements negotiated between different countries all over the world. The WTO database lists 361 such agreements in force at the date of writing.[16] Examples include the United States-Mexico-Canada Agreement (USMCA, formerly NAFTA), the ASEAN Free Trade Area (AFTA), the Common Market for Eastern and Southern Africa (COMESA) etc.

A second important observation pertains to the content of this sophisticated institutional apparatus (i.e. the one required for international trade to occur). Put differently, what are international trade law and

[14] See Heath, *Ethics for Capitalists*.
[15] See Trebilcock and Trachtman, *Advanced Introduction to International Trade Law*.
[16] See WTO, *Regional Trade Agreements*.

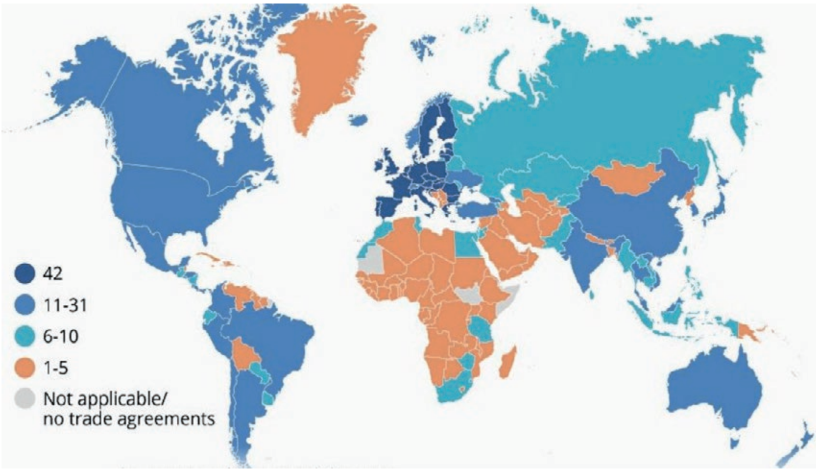

Figure 1. Active regional trade agreements as listed by the WTO (as of August 12, 2019). *Source: International Business Times.*

trade governing bodies and institutions concerned with? It has now been a consistent trend over the past five decades for trade negotiations and agreements to be increasingly concerned with aspects of the internal regulatory systems of independent states.[17] A useful distinction, often drawn in the literature, is between border measures (such as tariffs and quotas) and beyond borders measures (such as safety standards, local content requirements, intellectual property rights, environmental standards etc.); and, it is the latter, rather than the former, that are at the heart of our current predicament at the global level. This insight allows us to understand some of the intricacies of negotiating trade agreements in contemporary global politics. The best way to think about such agreements is to imagine their goal as one of interoperability between sophisticated institutional systems. The task is, to use a further well-known distinction, to achieve 'deep', as opposed to 'shallow', integration between economic systems. [18]

In this context, a number of sui generis ethical problems arise.[19] To begin with, there is the issue of the fairness of the negotiations of trade agreements and of the design of the bodies that are tasked with overseeing and implementing such agreements. There is no need to be committed to a hard-nosed Realist view of international politics to accept that power imbal-

[17] See Hoekman and Kostecki, *The Political Economy of the World Trading System.*
[18] See Asche, *Shallow and Deep Integration.*
[19] See Garcia, *Consent and Trade.*

ances between different members of international society will often result in negotiating circumstances and outcomes that are a far cry from what we might intuitively believe to be fair.[20] Second, there is the issue of whether international trade agreements are inimical to specific goals we might deem to be ethically or morally important. To cite just two well-known examples, trade agreements often require the extension of intellectual property rights protections, and limitations to a country's ability to offer 'special treatment' to its local producers. As many have argued, this might affect, respectively, a country's ability to offer new life-saving medications to its citizens at a reasonable or even just affordable price[21] and its ability to forge its own path to economic development by creating new kinds of comparative advantages.[22]

Finally, at a higher level of abstraction, deep integration poses a problem for the very idea of national self-determination.[23] As we have just observed, the main task of trade agreements is to allow for the interoperability of complex institutional systems. In practice, this implies the quasi-alignment of a host of regulatory frameworks. An such alignment does not limit itself to abstruse technical questions. To illustrate, the compatibility of different national environmental and labour standards has been a source of key controversies in recent trade negotiations, witness the discussion concerning the Canada-EU Comprehensive Economic and Trade Agreement.[24] At least in part, this is because environmental and labour standards are the subject of evaluative attitudes by different groups within civil society and are often the object of internal political controversy.

Thus, the process of international regulatory alignment will often force domestic constituencies to partly give-up their preferences on ethically sensitive questions. Tensions between the idea of self-determination and the reality of global economic integration are thus likely to arise. The impression that trade negotiations are often carried out in the interest of large corporations and dominant economic players rather than ordinary citizens usually contributes to aggravate the problem.

3. International Trade and Trade Policy Instruments

In the previous section, we have highlighted the institutional preconditions for trade to occur. In this section, we shall concentrate on the

[20] See Kapstein, "Fairness Considerations in World Politics;" Narlikar, "Fairness in International Trade Negotiations."
[21] See Cullet, "Patents and Medicines;" Shadlen et al. "Patents, Trade and Medicines."
[22] See Slaughter, *Infant-Industry Protection*.
[23] See Rodrik, *The Globalization Paradox*.
[24] See Bartels, "Human Rights, Labour Standards."

ethical controversies raised by the use of trade policy instruments, that is, of those regulatory and policy tools that are used to affect the extent of international economic integration[25]. Trade policy can be used to encourage and incentivize international trade, yet it is more often used to restrict trade. That the topic of trade policy poses politically sensitive questions is relatively plain. At the time of writing, large scale organized protests by farmers in many European cities are front page news. And those who are taking their tractors to Brussels, Berlin, Paris and Rome have a clear common concern: trade policy.

As a rule, most economists recommend that trade be as free as possible. As a matter of political reality, there is no such thing as purely free trade.[26] At times, governments encourage international trade. They might do so because they believe this will increase the competitiveness of their economies, to give consumers and firms access to a wider array of final and intermediate goods and services at lower prices, to attract foreign investments, to potentially benefit from technological spillover effects and other kinds of positive externalities, to raise employment in specific sectors etc. The policy instruments used to incentivize trade may range from export subsidies and credits to the concession of fiscal privileges broadly conceived, and the loosening of regulatory requirements for exporting firms. More often, governments wish to restrict trade (and have always done so historically), for several reasons. These reasons include the desire to raise revenues, the political necessity to cater to local special economic interests, the concern for national security in strategic sectors ranging from food to weapons and new technologies, the wish to protect the local culture and heritage, the goal to maintain or alter a country's place in global value chains and production networks by helping national firms etc. The standard policy tools used restrict trade include tariffs, quotas, and voluntary export restraints, but also, more subtly, regulations concerning local content requirements and as briefly discussed in the previous section of the paper, the strategic use of different kinds of production standards such as safety and environmental ones, minimum price arrangements, antidumping regulation, countervailing duties, suspension agreements etc.

Given the panoply of rationales and policy instruments briefly described in the preceding paragraphs, it would be impossible to discuss all the ethical concerns raised by trade policy interventions. We shall limit ourselves to the use of export subsidies and tariffs. Export subsidies are

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[25] See Walton, "Justice and Trade Policy."
[26] For overviews see Lima-Campos and Garcia, *Introduction to Trade Policy*; Bown, "Trade Policy Instruments over Time."

often used by rich countries to boost the international sale of, most notably, agricultural products.[27] The European Common Agricultural Policy (CAP) is a case in point (though it is emphatically not limited to production and export subsidies). While this policy instrument is not necessarily or exclusively deployed to affect producers and consumers in developing or poorer countries, it is when it is so used, or when it ends up having this effect, that ethical or moral considerations become more salient.

From the standpoint of economic efficiency, subsidies, tariffs, and quotas are generally inefficient. To illustrate, tariffs are a kind of tax, and as economists are keen to point out, taxes tend to create deadweight losses. Exceptions to this general rule are possible when international markets are not competitive, for example, when a given country can exercise monopoly or monopsony power in a specific world market. Efficiency considerations are not morally irrelevant, yet they do not constitute the core of the problem. Consider an export subsidy to a wheat farmer in a developed country. What are its effects? Leaving aside deadweight losses, export subsidies are, as their name suggests, a form of payment to an agent (in this case, the wheat farmer), conditional to the agent's exporting the subsidized good. Since more of the commodity is exported, its supply will be lower in the domestic market, and its price will thus go up negatively affecting local consumers. However, the subsidy will also have the effect of lowering the world price of the commodity (by increasing the supply of the traded amount). And this, inevitably, will negatively affect producers in other countries (but might benefit consumers in those other countries). If the good that is subsidized is one that has been traditionally supplied by developing countries, then, the subsidy is in effect a form of economic harm to developing country producers. In general, subsidies will tend to favour countries which are net importers of the subsidized good, but the within country group specific effect will, as just outlined, depend on whether one is a producer or consumer of the good.

The basic ethical questions that arise are as follows.[28] First, do producers in developed countries have a claim against their fellow citizens and government to receive subsidies? Second, should governments consider the effects of subsidies on foreign countries and producers, especially those in developing or poor countries? Third, since the effects of subsidies on foreign countries and citizens are uneven, they depend on whether a country is a net importer or exporter, and on whether the citizen is a producer or a consumer, to which 'foreign effect' should the state offering the subsidy give greater weight? A definitive answer to such a complex array of ques-

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[27] See Porterfield, *U.S.* "Farm Subsidies."

[28] Here I follow Kurjanska and Risse, "Fairness and Trade."

tions is not something we can provide here, but it is worth emphasizing that at least one important commitment arises out of the very fact of asking those questions. The questions highlight that trade policy instruments have potential implications for some of the most vulnerable people in the world and thus that their use in light of domestic political and moral considerations should be tempered by the acceptance of minimal duties not to harm, and when possible, support, citizens in poorer countries.

Whether governments wish to incentivize or restrict trade, trade policy instruments constitute one important element of economic statecraft, namely, of the economic tools used to foster a country's foreign policy agenda.[29] Take the example of tariffs. Tariffs are often used by governments to shelter local firms from foreign competition in a variety of sectors and products such as textile, machinery, autos and transportation equipment, information technology products, minerals, and metals etc. However, they can also be, and often have been, used to 'punish' other countries for their behaviour in international society. The US-China 'trade war' over the past few years is a case in point. To the extent that tariffs, or any trade policy tool, is used an incentive system in bilateral diplomatic relations, its ethical justifiability will depend on the nature of the target country. To illustrate, lowering tariffs vis a vis a murderous regime might be condemned as a form of complicity with the regime's actions.

4. International Trade, Distributive Justice, and Populism

In part I of this essay I have hinted at the fact that the real world does not correspond to the simple Ricardian model of the gains from trade. The main departure, one that economists and philosophers are clearly aware of, is that, even assuming international trade to be good for a country, it is not necessarily good for all individuals or groups within that country.[30] A rather plainer way to state the same conclusion is to say that economic integration via international trade has distributive implications; it is good for some, maybe most, but not all, persons.[31] Three of the standard concerns that relate distributive justice and trade pertain to the effects of trade on inequality,[32] economic development and, relatedly, poverty reduction.[33] The empirical evidence on all counts is mixed, though perhaps favouring the conclusions that trade increases inequality and

[29] See Fabre, *Economic Statecraft*; Pattison, *The Alternatives to War.*
[30] See Driskill, "The Argument for Free Trade."
[31] See Kapstein, "Winners and Loosers in the Global Economy."
[32] See Rodrik, *A Primer on Trade and Inequality.*
[33] See Barros and Martinez-Zarzoso, "Systematic literature review."

favours development and poverty reduction; the debate is ongoing. From the perspective of distributive justice, these are clearly crucial results. To wit, egalitarians will tend to see their judgments of trade integration as affected by its propensity to lead to higher levels of inequality.[34] Similarly, assuming that the global poor (as defined through the World Bank International Poverty Line) fall below any plausible sufficientarian threshold, the effects of trade on poverty reduction will largely determine the way sufficientarians assess international economic integration.[35]

Yet, the distributive effects of trade also have a distinctive political dimension, one that connects them to the rise of populist movements in Western countries over the past two decades. To understand the link, we need to have a clearer picture of what determines the patterns of international economic specialization and what are the foreseeable distributive effects of such patterns for different socio-economic groups. To do so, economists usually introduce the Heckscher-Ohlin model. The model's basic version makes the following assumptions. There are two countries (say, Home and Foreign), producing two goods (say computers and shoes), employing two homogenous factors of production (capital and labor). Computers are capital intensive in production and shoes are labor intensive in production. Consumer preferences and technology are assumed to be equal in both countries. We also assume that the Home country is capital abundant and that the Foreign country is labor abundant, which simply means that the capital to labor ratio is higher in Home than it is in Foreign. In this picture, we can predict that the relative price of computers will be lower in Home than it is in Foreign while, conversely, the opposite will be true for shoes. For the simplest case of a model with two countries, two goods, and two factors of production, the so-called Heckscher-Ohlin Theorem states that "the country that is abundant in a factor exports the good whose production is intensive in that factor".[36] The theorem can be generalized to include several countries, factors of production, and goods, by claiming that "countries tend to export goods whose production is intensive in factors with which the countries are abundantly endowed" (ibid).

How are these predicted trade patterns linked to the distribution of income to factors of production? The general prediction made by the Heckscher-Ohlin model is that the owners of the abundant factor in a country will see their income rise while the opposite will be the case for the owners of the country's scarce factor (abundance and thus scarcity, being understood in relative terms). Further assuming, as it is plausible,

[34] See James, "A Theory of Fairness in Trade."

[35] See Tesón, "Why Free Trade is Required by Justice."

[36] Krugman, *International Economics,* 127.

that developed countries are capital abundant, and that developing ones are labor abundant, the implications of the model are relatively easy to gauge, namely, we should see income to labor falling in rich countries and rising in poorer ones, while the opposite should occur to income accruing to (owners of) capital. Mutatis mutandis, the same logic suggests that, in developed countries, low skilled workers will be penalized while highly skilled workers will tend to gain from trade with developing ones. The plainest way to capture the problem is to think of the relentless competition faced by unskilled workers in Europe and the US from workers in South-East Asia.

Empirical evidence for this conclusion can be provided by looking at the 'China shock' to US manufacturing. The economic rise of China has been largely driven by the development of its manufacturing sector leading the growth of the country's exports. The share of world manufacturing value added captured by China grew six-fold between 1991 and 2012 going from 4.1% to 24%.[37] A similar growth pattern can be observed for the Chinese share of global manufacturing exports, which went from roughly 3% to 18% in the same period. Given the relative economic isolation of China before 1991, and given the size of Chinese exports, it is natural to think of the growth in China's manufacturing as a form of supply shock for its trading partners. The effects of this supply shock have been shown to be sizable and highly concentrated, and they affect not only wages but also employment levels. In Autor's words:

> Summing over both aggregate demand and reallocation effects and considering both those industries that are directly exposed to import competition and those that are indirectly exposed via input–output linkages, […] import growth from China between 1999 and 2011 led to an employment reduction of 2.4 million workers. There is little evidence to suggest, however, that employment gains in non-exposed local industries substantially offset these losses. Indeed, the estimated employment decline is actually larger than the 2.0 million job loss estimate when considering only direct and input–output effects […] Trade shocks impact more than just the employment margin in labor markets. Workers in trade-exposed […] [commuting zones] experience larger reductions in average weekly wages, and these impacts are concentrated among workers in the bottom four wage deciles. Thus, while trade theory has typically emphasized the wage impacts of trade shocks, analysis finds that adjustments at the employment margin might have an even larger quantitative impact on workers' earnings.[38]

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[37] Autor, *Trade and labor markets*, 6; see Acemoglu et al, "Import Competition."
[38] Autor, *Trade and labor markets*, 7.

The link with the rise of populism is, at this juncture, much easier to explain.[39] What really has caused the emergence of populist movements in many Western countries is a subject of intense academic debate. A debate I do not intend to contribute to here. Nonetheless, adopting a relatively ecumenical stance, and thus conceding that both cultural and economic transformations were relevant, there is no doubt that international trade has played a part. Many unskilled, and thus comparatively disadvantaged to begin with, workers in Western countries simply paid the brunt of the cost of greater societal prosperity afforded by the increase in economic integration through international trade. And the so-called 'élites' in such countries have consistently failed to offer effective institutional countermeasures.[40] The results are, in my view, easy to discern: 'our' economies have become more prosperous (we, as consumers, have massively benefitted), and yet some of the weakest members of our communities have suffered to allow such prosperity to unfold.

Needless to say, the effects on low-skilled Western workers do not offer conclusive reasons to condemn integration between rich capital abundant countries and poor labor abundant ones, to use the language employed by the Hecksher-Ohlin theorem. For the other side of the (distributive) story is the rise of employment and real incomes in many poor countries. Something that positively affected the life prospects of persons that are much worse-off, in absolute terms, than unskilled workers in developed countries.

5. International Trade, Global Production, and (Labour) Exploitation

In the previous part of the essay, I have briefly hinted at the fact that unskilled workers in Western economies face relentless competition from unskilled labor in developing or poorer countries. The obvious question one might wish to ask, at this juncture, is what exactly makes the competition of workers from poorer countries so *relentless*? Answering such a question naturally leads us to explore the link between international trade, global production, and labor exploitation.

The globalization of production is not a historically novel phenomenon (the Dutch East India Company opened its first saltpetre plant in Bengal in 1641) yet its current level of 'geographical disintegration' is unprecedented and has been made possible by the interplay of several factors such as developments in telecommunication (e.g. the internet),

[39] See Rodrik, "Populism."
[40] See Scheffler, "The Rawlsian diagnosis of Donald Trump."

technology (e.g. modularity), transportation (e.g. standardized shipping containers), regulation and trade law (e.g. lower tariffs and non-tariff barriers), and, ultimately, an ideological propensity to see the deepening of international economic integration as something to be promoted; as the main, if not the only, engine of economic growth and development.[41] These changes to the structure of economic activity clearly have immense practical import, yet they also pose stark moral problems.[42] Crucial ethical questions that arise at this juncture include the role of multinational corporations, the duties of rich consumers (something we turn to in the next section), and the philosophical bases for different proposal to increase wages in poorer countries (i.e. different proposals of what is a 'fair wage'[43]).

A widely accepted definition of exploitation is that to exploit is to take unfair advantage.[44] Glossing over several philosophically sophisticated debates, the most natural application of the concept to labor relations is to say that companies may take unfair advantage of their employees when they offer compensation packages (thus including working conditions broadly conceived) that are unfair given the kind of efforts made, and results obtained, by workers. To begin with, as evidenced by Figure 2, wages tend to vary significantly at the global level. The choice of the garment sector is dictated by the fact that, in developing countries, the sector is often at the core of the country's exports. Additionally, compensation should also consider the quality of the work environment and related benefits, such as the safety regulations in place. Here too, there are immense differences between, say, the safety standards and the length of the working day in rich countries and developing ones. Though circumstances vary significantly among developing countries, it is generally accepted that the international competitiveness of many sectors within poorer economies has been obtained in labor-intensive industries by pushing down the cost of labor.

Are workers in those economies exploited? Is their participation to global production networks made possible by their exploitation? A widespread view, at least among economists, is that workers in poor countries are simply faced with a very bad option set, and that employment in, for example, so-called sweatshops is the best alternative available to them; an alternative those workers take-up voluntarily and that makes them better

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[41] See O'Brien and Williams, *Global Political Economy.*
[42] See Barry and Reddy, *International trade and labor standards*; Mayer, "What's wrong with Exploitation?"
[43] See Risse and Wollner, *On Trade Justice*; Kates, "Sweatshops;" Reiff, *Exploitation and Economic Justice.*
[44] See Vrousalis, "Exploitation."

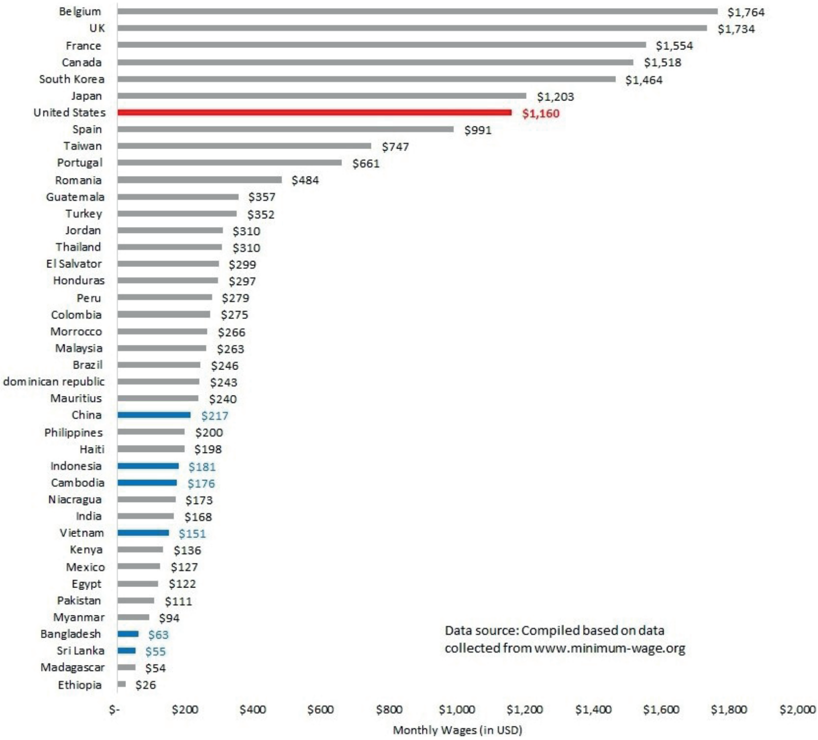

Figure 2. Monthly Minimum Wages for Garment Workers in 2019 (selected countries). Source: Sheng Lu, *Minimum Level Wage*.

off than they were or would have been were they unemployed or employed in agriculture or in the informal economy. Fighting for higher wages and better working conditions in poor countries would, the argument continues, reduce the level of employment in those countries, and would also hurt their international competitiveness, and thus their prospects for economic development. A moralized version of these arguments is that it is not possible to harm someone, normatively speaking, by offering them an option that makes them better off and that they take-up voluntarily.[45]

The conclusion is, however, debatable, and, in fact, debated.[46] To begin with, a host of private sector initiatives have tried to tackle the improvement of working conditions within global production networks broadly conceived. To illustrate, at the time of writing, more than 24,436 compa-

[45] See Powell and Zwolinski, “The Ethical and Economic Case.”
[46] See Coakley and Kates, “The Ethical and Economic Case for Sweatshop Regulation.”

nies have joined the UN Global Compact, thus committing themselves to respecting core human and labor rights (and environmental standards).[47]

In addition, it is unclear whether raising wages for workers in developing countries would have negative employment effects. This is a purely empirical question, but no doubt one that has important moral implications. Some evidence for the marginal effect of higher wages on employment can be gleaned by looking at the effects of the introduction, or increase, of minimum wages in the formal sector of developing economies. For example, Broecke et. al.[48] provides a qualitative overview of 74 studies covering 10 emerging economies (Brazil, Chile, China, Colombia, India, Indonesia, Mexico, the Russian Federation, South Africa and Turkey). They also provide a formal meta-analysis of labor demand elasticity coefficients and signs (covering 26 and 57 studies, respectively). They summarize their findings as follows:

> […] in most cases, minimum wage increases appear to have no impact on employment and that, when there is an impact, it tends to be negative but small. Equally, while more vulnerable groups appear to be more adversely affected by increases in the minimum wage, the effects again tend to be relatively small. These findings are remarkable, and very much in line with the growing consensus around the impact of minimum wages on employment in more advanced economies. Moreover, the review indicated that there is very little evidence that increases in minimum wages lead to more informality. If anything, the disemployment effects of minimum wage rises were found to be slightly higher in the informal than in the formal sector".[49]

Similarly, higher wages for workers in developing countries might not prove to be detrimental to their ability to integrate in the global economy and thus hamper their best path to economic development. The concern, here, is that depriving developing countries of the ability to compete through lower wages would basically mean depriving them of their best chance to increase their economic output in the medium to long term. Now, we should note two things about this worry. The first is that loss of competitiveness can occur vis a vis different classes of actors. For the sake of argument, let's divide those actors in developed or rich countries and other developing countries. Are higher wages in a developing country likely to induce loss of competitiveness vis a vis rich countries? In a definitional sense they of course would, but whether higher wages would imply the loss of an 'absolute' cost advantage will depend on how much

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[47] See Our Participants | UN Global Compact (last access: 25/07/2024).
[48] See Broecke, Forti and Vandeweyer, "The effect of minimum wages."
[49] *Ibid*., 22.

higher the wages go. And, once again as evidenced by Figure 2, there is likely to be a substantial margin between the actual wages of sweatshop workers and putatively higher ones that would still allow a developing country to keep a substantial cost advantage vis a vis a rich one. As Barry and Reddy argue:

> Although it is true that the basis of gains from trade would be reduced by increases in the costs of labor in developing countries that may arise from the imposition of labor standards, there is in fact no reason to believe that this impact would be substantial…In the presence of large North-South cost differentials, the level of cost increase needed to make uneconomical Southern production of commodities that employ labor intensively in their production (i.e., to displace production from the South to the North rather than from one developing country to another) would have to be massive indeed…[50]

Of course, the most important issue, some may say, is loss of competitiveness *vis a vis other developing countries*. Here, it seems undeniable that there are clear risks involved in raising wages for every country if the choice is adopted by countries in an uncoordinated fashion. The question, the most important question, is why exactly one is supposed to believe that the decision to raise the wages of sweatshop workers should be adopted unilaterally by individual developing countries. Surely enough there would be significant coordination problems, political infighting, pressures from powerful economic actors etc. and an agreement to raise wages across the developing world would be extremely difficult in the short to medium term. All the familiar problems linked to collective action would surely apply and be substantial. But, from a 'theoretical' perspective, these are all contingent reasons that leave the basic issue untouched. If all major developing economies decided to do something about the wages that some of their workers are paid, then, loss of competitiveness vis a vis one another would be, by definition, zero.

6. International Trade and (Ethical) Consumer Choice

All citizens of Western countries are consumers of traded goods. When 'we' drink coffee, in the morning, when 'we' shop for our clothing in a large department store, when 'we' use cars to travel to work, when 'we' buy fruit and vegetables that are clearly not seasonal, 'we' are engaging in a commercial relationship that links our daily lives with the lives of many workers around the world. This is, simply put, the other side of

[50] Barry and Reddy, *International Trade and Labor Standards*, 36.

the global disintegration of production; there is supply, and then, there is demand, there is production, and then, there is consumption. As we have seen, the global production process of traded goods poses a wide array of ethical questions. Yet, those questions are centred on the role and responsibilities of public and private institutions. They refer to, inter alia, the behaviour of multinational corporations and their subsidiaries concerning working conditions, or governments when they adopt and (not) enforce different kinds of labour and environmental regulations and standards. In this section, we look at the responsibilities of those who purchase traded goods that are produced around the world.

The crucial question, at this juncture, is straightforward: as consumers of traded goods, do we have a responsibility to orient our purchases in ways that promote ethically, morally, or socially desirable ends?[51] Standard consumer behaviour assumes consumption choices to be based on quality and price. Should awareness of the harshness of the working conditions that allows many goods and services to come to market in the global economy alter this basic orientation? And if so, in what ways? To illustrate, when a consumer in a rich country buys a pair of jeans for, say, $10, or when they buy half a kilo of coffee at the supermarket for $3, should they consider the features of the production processes that (at least in part) explain the affordability of those goods? Given that the production processes in question are a far cry from what most of the purchasers would consider to be decent, or just human, working conditions, if they ignore this fact, are the purchasers complicit in the exploitation, and ultimately, the suffering of the producers?

Consumer responses to perceived injustices within production processes, or to any perceived socially undesirable implications (e.g. environmental degradation), can take a variety of forms. There can be individual action or decision-making. The individual consumer may decide to buy or refrain from buying a given product, individually, as a matter of conscience. More organized forms of ethical consumerism are also possible, and in fact regularly take place. For example, consumer groups can call for the boycott of a product or company because of its behaviour. And, as cogently observed by Barry and MacDonald (2019), these forms of commercial collective action may prove more effective and more decisive compared to legislation or direct appeals to the conscience of producers in bringing about desirable forms of social change.

A particularly noteworthy example of this kind of collective ethical consumerism has been the emergence of the Fair Trade movement over the past few decades. The movement is an array of different national cer-

[51] See Barry and Macdonald, "Ethical Consumerism."

tification systems overseen the Fairtrade Labelling Organizations International (FLO). Given the terms of our present discussion the movement is perhaps best described as an alliance between producers and consumers insofar as the certification system offers guarantees to consumers that their purchases, when displaying the FLO label, meet relevant ethical standards. The certification system is often used by small scale farmers in developing countries, but increasingly also in large plantations, of products like coffee and cocoa beans, cane sugar, seed cotton, bananas, and tea. Over two million farmers and workers, and close to two thousand producer organizations, operate within the FLO system as of 2021. Following Valentin Beck, we can say that:

> In addition to providing incentives for ecological production methods, the Fairtrade system aims primarily at establishing and securing minimal social labour standards in the production processes within developing countries. Its main instruments consist of effectively guaranteed minimum prices and minimum wages, long-term trading partnerships, the requirement of adequate workplace conditions and support for local and regional health, education and infrastructure projects.[52]

Ethical consumerism in general, and the Fair Trade movement in particular, have not escaped critical scrutiny.[53] Concerning the former and more general practice, some have complained that it is a form of unaccountable political behaviour that ends up foisting Western values upon groups that do not necessarily share them,[54] or that it constitutes an impermissible form of market Vigilantism violating key procedural values.[55] More specific criticisms of the Fair Trade movement and associated certification efforts include, but are not limited to, the worry that its requirements are not always enforced, that voluntary certification should be replaced by mandatory laws, and that minimum price guarantees distort market prices and tend to lock farmers into activities that are not profitable and thus not conducive to long term economic prosperity.[56]

As a reply to the broader concerns raised against ethical consumerism, Barry and Macdonald[57] propose standards to be followed by ethical consumers, including the promotion of reasonable conceptions of the common good, attention to the reliability of the information that guides

[52] Beck, "Theorizing Fairtrade," 1-2.
[53] See Walton, "The Common Arguments for Fair Trade."
[54] See Føllesdal, "Political Consumerism."
[55] See Hussain, "Is Ethical Consumerism an Impermissible Form of Vigilantism?"
[56] See Collier, *The Bottom Billion*.
[57] Barry and Macdonald, "Ethical Consumerism," 316.

their behaviour, and sensitivity to power disparities. Defences of the FLO label point out that enforcement of standards is generally good, that price distortions are minimal given that FLO certified products are a small part of global markets, and that, more broadly, the demonstrable welfare gains for some of the poorest people in the world outweigh most if not all the system's shortcomings.[58]

7. International Trade and Stolen Goods: The Case of Natural Resources

In parts VI and VII of the essay we have discussed some of the ethical aspects of production (i.e. labour exploitation in developing countries) and consumption (i.e. the decisions to purchase traded goods and services). In this section and the following one we consider two specific markets or classes of (traded) goods. Both, as we shall see, are economically significant and pose sui generis ethical concerns. We shall begin by discussing the international market for natural resources. International markets for natural resources are a significant part of the global economy. To provide a single example, in 2022, global crude oil production was roughly 4.4 billion metric tons. According to some estimates, the oil and gas exploration and production sector had total revenues of $ 4.3 trillion in 2023.[59]

There are at least two ethical issues that are worth considering. The first is connected to the environment. Natural resources such as oil, gas, and charcoal contribute to environmental degradation (e.g. pollution, and carbon emissions) both through of their use and through the processes required for their extraction.[60] To the extent that they do, and to the extent that their extraction and sale are part of international trade, they represent one more instance of the connection between the ethics of trade and environmental ethics broadly conceived.

The second ethical issue, the one that shall detain us for the rest of this section, is less intuitive.[61] International markets for natural resources are, as the expression no doubt suggests, markets. In turn, markets, as we have emphasized time and again, are institutions that require a complex and sophisticated set of rules, norms, and laws to function. Chief among the functional presuppositions of any market are well-established property rights. Among other roles, property rights specify rules for the acquisition and sale of goods and services. Such rights need to be assigned and enforced.

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[58] See again Beck, "Theorizing Fairtrade."
[59] See IBIS World, *Global Oil & Gas Exploration & Production.*
[60] See Malin, Ryder, and Galvão Lyra, "Environmental justice."
[61] See Pogge, *World Poverty and Human Rights.*

Applying these relatively plain set of considerations to natural resources, we can ask the following questions. Who owns the natural resources that are regularly extracted around the world? Are the property rights of those owners respected? And if they are not, what kind of remedial action is called for? As convincingly argued by Leif Wenar,[62] the natural resources in a country belong to the people of that country. However, international markets for natural resources do not respect the property rights of peoples over their natural resources. Instead, the rule that is regularly used to assign such rights is 'might makes right': whoever can wield effective control over a territory, and however such control is acquired and maintained, is recognized as legally entitled to extract the natural resources within the country, sell them, and benefit from the proceeds of the sale. The implication is that the international market for natural resources is, to a large extent, a 'stolen goods' market. A further, and perhaps even more surprising, implication of this set of circumstances is that what ought to be a blessing, the presence of a natural bounty (i.e. the resources) within one's land, is often a 'curse'.[63].

Expanding slightly, we can start from the fact that international law assigns the ownership of natural resources to the people of the country or territory in which such resources are found.[64] Evidence of this statement can be found in Article 1 of the International Covenant on Civil and Political Rights, and in Article 1 Of the International Covenant on Economic, Social, and Cultural Rights (the two articles are identical). The wording of the Article(s) is as follows:

> 1. All peoples have the right of self-determination. By virtue of that right they freely determine their political status and freely pursue their economic, social and cultural development.
>
> 2. All peoples may, for their own ends, freely dispose of their natural wealth and resources […].

These are the two most important human rights treaties in international society and have been voluntarily accepted by most countries around the world. For good measure, the same idea is expressed by Article 21 of the African Charter on Human and Peoples' Rights. This principle, that the natural resources of a country belong to a people of that country, can be interpreted in a flexible way (it is thus compatible with different economic systems, and different structures, whether public or

[62] Wenar, "Property Rights;" *Blood Oil.*
[63] See Murshed, *The Resource Curse.*
[64] See Wenar, "Fighting the Resource Curse."

private, for the extraction and commercialization of the resources). Yet, such flexibility still requires that the rightful owners authorize, in some fashion, the use of the resources that belong to them. Minimal conditions for such authorization are that the people is able to find out about the sales, to stop it if judges it to be against its best interest without suffering from excessive costs, and not to be subjected to extreme manipulation from those who are selling the resources on their behalf.[65] These conditions, minimal as they are, are regularly violated in autocratic countries around the world. In countries such as Equatorial Guinea, Saudi Arabia, and Russia, to name just a few, the natural resources of the country are controlled by a single person, a family, or an oligarchy, and the sales of such resources is nothing more than the sale of stolen goods. In addition, and this what serves as an explanation for the so-called 'resource curse' (the well-known correlation between the presence of significant amounts of natural resources within a territory and civil wars, poor economic performance, and repressive governments), the proceeds derived by the sale of these stolen goods is used to worsen the lives of the legitimate owners of the resources.

Natural resources such as oil, for example, are used to power our cars, to light and heat our homes, to make plastic used in our children's toys etc. Whenever we buy such oil from autocratic governments, we are in effect complicit in the perpetuation of the might makes right rule to assign property rights in natural resources around the world. And in so doing, we contribute to the misery of some of the weakest persons alive today. Remedial action can take complex forms, but, at the very least, it has been suggested that all countries (and especially rich countries) should stop from buying stolen goods. To illustrate, this would imply turning away Guinean, Saudi, or Russian oil and gas.

8. International Trade and Dangerous Goods: The Case of Weapons

Our mental model of international trade usually refers to what are, per se, innocuous goods and services. We think of toys, shoes, and insurance contracts. Yet, some of the things we trade are not like that, they are intrinsically more problematic. An illustrative example is global waste trade, including the international trade of toxic and hazardous material such as nuclear waste.[66] In this section of the paper, we address the international trade of weapons or arms.

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[65] Once again, I follow Wenar, "Property Rights."
[66] See Gregson and Crang, "From Waste to Resource."

Over the past two years, Western countries, and especially the US and the UK, have sent a significant amount of weapons and military equipment to the Ukrainian government in an effort to help its people to repel the Russian invasion of their country. Similarly, at the time of writing, the war in Gaza rages on. The Israeli Defence Forces have historically benefitted from the ability to purchase weapons from private companies in the US, while Hamas and Hetzbollah derive parts of their arsenals from Iranian sources. Some of these weapons transfers are simply 'gifts', some are, however, sales. Furthermore, these examples are but the most visible tip of the iceberg; the international market for arms exists and is big business. According to the Stockholm International Peace Research Institute (SIPRI), the value of weapons and related military services sold by the 100 largest companies was close to $600 billion in 2021.[67] Should countries, either directly through government owned or controlled corporations, or indirectly through the actions of private firms, be allowed to sell weapons to one another? If so, why and to what extent? Are there circumstances in which such sales are impermissible?

International law has traditionally restricted the sale of specific kinds of weapons, and this usually so because the weapons in question are indiscriminate.[68] They do not, that is, allow for a proper distinction between combatants and non-combatants and thus violate some of the deeply felt moral intuitions about the conduct of war (i.e. jus in bello). Examples include chemical and biological weapons, poisoned weapons, anti-personnel landmines, and cluster munitions. Clearly enough, if one ought not to employ a given weapon, then, bar some limited exceptions (e.g. nuclear weapons *might* be acceptable because of their deterrence effect), one ought not to produce it, and a fortiori one ought not to sell it. The international trade of illegal weapons seems like a relatively easy question to settle from a moral point view; simply avoid entirely.

Things become more complex, however, once we recognize that, unless we adopt a strongly pacifist stance, weapons generally play an important part in securing some of the most fundamental rights of individuals. Following James Christensen,[69] we can say that weapons are instrumentally necessary for the protection of individual security rights, that is, rights to physical safety, including "[…] rights not to be assaulted, tortured, raped, killed, and so forth".[70] And these rights, in turn, generate correlative duties. Duties that states, assuming they are the primary

[67] See SIPRI, *Arms sales of SIPRI.*
[68] See for example ICRC, *Convention*.
[69] See Christensen, "Weapons, Security and Oppression."
[70] *Ibid*., 25.

duty bearers, would not be able to discharge without being allowed to arm themselves. Without weapons, that is, states would be unable to deter and repel several threats such as terrorism, and the armed aggression of other states. Accepting this framework justifies, in fact requires, states arming themselves. But what about states arming each other? What about the international trade of weapons? According to Christensen:

> […] some states lack the capacity to produce their own weapons, or at least to produce weapons of adequate quality and in sufficient quantities. Consequently, in order to acquire weapons of adequate quality and in sufficient quantities, and to discharge their duty to protect the safety of their citizens, such states must import weapons from abroad. If these states were unable to import weapons – if no international trade in weapons was permitted – they would not be able to ensure the security of their citizens. Blocking all international arms transfers would penalize states which lack the capacity to produce their own weapons, and unjustifiably jeopardize the security of the people who live in those states.[71]

This is, coarsely put, the justification for a general permission to sell weapons internationally. Once again following Christensen (2015), the justification can be extended to include the sale of arms between countries that do have the capacity to produce them, but perhaps do not have a comparative advantage in such production, or simply cannot produce the full array of weapons necessary to equip its defence forces. However, it is also plain that such general justification, given its very structure, implicitly offers guidance for what constitutes impermissible arms' sales. Given that the production and (international) sale of weapons is seen as instrumental to the protection of security rights, this very rationale will limit the kinds of legitimate recipients. States that violate the security rights of their own citizens, or, through military aggression, violate the security rights of the citizens of other countries, should not be facilitated in doing so. And since weapons clearly are one of the main means to violate security rights if an agent intends to do so, then, once it is established that this is the purpose or the habitual modus operandi of such an agent, no state is morally allowed to sell weapons to the agent in question. No country should arm internally oppressive and/or externally aggressive regimes. Similarly, no country should allow its private firms to do so.

While these remarks offer intuitive support for the international trading of arms, and for limiting such trade to permissible weapons and specific kinds of regimes, a number of further, and more nuanced, ethi-

[71] *Ibid*., 26.

cal questions remain in place.[72] Should we sell weapons to rebel groups, or insurgents, when they are fighting an unjust regime? Is it morally permissible to sell weapons to states that are oppressive by the standards of a liberal democratic conception of political legitimacy but do not violate or threaten to violate the security rights of their citizens or of the citizens of other countries?

Conclusion

In this paper, I have traced several of the connections that exist between normative political philosophy and international trade. No doubt more could be said about each of the arguments I have only briefly outlined. Nonetheless, I hope that the overview of the issues I have offered is enough to highlight the importance of the links between international trade and ethical or moral concerns. If nothing else, the paper might convince readers that the Westphalian idea that trade is a purely domestic policy issue in positive economics should be abandoned. For decades, economics students have been taught that trade is relatively politically inconsequential, and good for the welfare of a country. For decades, politicians from right and left in the West and elsewhere have suggested that globalization will benefit all. Clearly, that much is not true, or at the very least, the story that unfolded in front of us was more complicated.

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[72] See Christensen, "Arming the Outlaws."

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