

## Reaction Paper on The Free Trade Fix by Tina Rosenberg

Globalisation is an inevitable phenomenon that all countries in the world must face. It is accepted by most economists that countries benefit from trade. However, questions have been raised due to the globalization's effectiveness in modern trade and the distribution of wealth among countries. International institutions such as the WTO and the IMF are supposed to support and regulate economic transactions of member countries for the sake of development but it is evident that they fail to do so for some countries and work effectively for some others, especially those with power in their hands, both politically and economically. Rosenberg proposed suggestions for world's economy to adapt in the globalizing process in order to help the negatively-affected countries to solve the problems such as poverty, inequality and poor living standards. Firstly, government of each country must become the major stakeholder of its economy and actively work for the benefits of its people. While most countries cannot avoid opening their economies, the states must create control mechanism to suit the development path of each country. Corruption is still the main obstacle of development which governments need to heavily work on. Next, countries must focus on home innovation or know-how in order to compete with others. Using only labour forces without technological transfer is not enough. Worker exploitation is not the only effect from globalisation. People's choices in life also diminish such as losing jobs due to capital movement in low-skilled labour or fall in price of agricultural products since FTA imposed. The following is to get rid of the lobbyist since economic decision making of government and international institutions is always influenced by powerful group of people. Hence, powerless people are badly affected. Agricultural sector in less developed economies suffers from trade negotiations while rich countries enjoy the benefits through better technology and more powerful negotiating power. Next, help for import substitution and primary product export-oriented economy to break the habit and change is needed since both policies have proven to be inefficient and unsustainable. Then, labours are encouraged to move freely to where they are needed. Next, the IMF must be freed from the control of rich countries such as the US. Their standard advice should be beneficial to crashed economies. And lastly, developed nations must not impose regulations that prevent the less developed to follow their way of getting rich just to enjoy the ongoing benefits.

I do agree that government must play an important role in this ongoing phenomenon. However, due to inequality created by the practicing system, what those poor nations should be doing is to develop the standard of their sectors (both manufacturing and agricultural) in term of quality and quantity to compete with the highly-protected products from the rich. Forming a union of nations to increase negotiating power could be another way out. Transfer of physical and labour capital would help each member to increase competitiveness in the world stage. This is like what ASEAN are trying to do.

I disagreed with some argument raised in the paper that solution for small farmers is to educate their children and find them jobs outside agriculture. Drawing labours out of the field due to increased degree of globalisation without well-developed industrial basis would create problems such as poor living condition in the urban (sanitation and education), crime and urban unemployment for the low-skilled labours during economic shocks. From one development theory, rural-urban unemployment multiplier indicates that for every one job created in urban area, more than one rural worker will move into the city. The example is the industrialisation of Kenyan economies in 1960's when rural workers migrated for jobs but ended up living in slums or ghettos. Therefore, improving agricultural sector or creating jobs in rural area would stop the unnecessary migration and at the same time improve the rural quality of life. Government should support in R&D to improve technology that is suitable for the country to increase productivity and competitiveness in the globalised market. This is also what I believe to be the way poorer nations will survive from the world economies controlled by the rich. Letting globalisation work the way it is now would not solve or even ease the problems of the poor. Globalisation must come with appropriate regulations and monitor. Equality in right among countries to make their own economic decision, based on cost and benefit of what should be the most beneficial action countries should take and come to agreement with others, would help to improve the situation. In order to come to that, it requires a lot of work from the poor nation to find their own position in the world. Both government and private sector must work hand in hand. This is very difficult yet possible. East Asian economic development can be a good example and inspiration for poor countries in other part of the world. Waiting for external help without developing internal strength is a waste of time.