

## President's Message

**A**lmost all economists agree that free trade brings substantial benefits to trading partners. Despite the numerous arguments in defense of protectionist policies, I find nearly all of these arguments to be seriously flawed. Economic theory and empirical analysis demonstrate that the lowering of trade barriers causes increased competitive pressures that allow and, in fact, force resources to be used more productively. These competitive pressures, which are reflected in expanding trade flows, have been a significant factor propelling higher standards of living for countries participating in these cross-border flows.

Adjustments to these competitive pressures are far from costless, however, so they tend to be resisted by some firms and workers. Thus, despite the contribution of free trade to higher living standards, as the argument for free trade moves from the economics arena to the political arena, specific proposals that would lower trade barriers generate large differences of opinion concerning their desirability. Recent events in Seattle confirm vividly the political contentiousness of trade issues.

The Twenty-Fourth Annual Economic Policy Conference of the Federal Reserve Bank of St. Louis, held on October 21-22, 1999, focused on the major international trade issues dominating current discussions. Conference participants discussed issues relevant to manufacturing, services, and agriculture. As you will see from the papers, the definition of a "trade issue" has increased substantially over time. In fact, the question of just how encompassing this concept should be for the World Trade Organization (WTO) is itself a trade issue. For example, there are those who argue that labor standards should be integrated into the WTO. Regardless of the definition, the issues discussed at the conference are likely to form the basis for the next round of multilateral trade negotiations.

During the conference, leading international trade scholars discussed the economic as well as the political dimensions of these issues. Their

discussion, in conjunction with much audience participation, left me, as well as many others, with a much deeper understanding of the issues and of what is at stake. The papers in this volume provide a comprehensive summary of the conference proceedings. To understand Seattle and its aftermath, I encourage you to start in St. Louis.

William Poole  
President and Chief Executive Officer  
Federal Reserve Bank of St. Louis

## REVIEW

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