**Free Trade**

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Free trade is a system in which goods, capital, and labor flow freely between nations, without barriers which could hinder the trade process. Many nations have [free trade agreements](http://www.wisegeek.com/what-are-free-trade-agreements.htm), and several international organizations promote free trade between their members. There are a number of arguments both for and against this practice, from a range of economists, politicians, industries, and social scientists.

A number of barriers to trade are struck down in a free trade agreement. Taxes, tariffs, and import quotas are all eliminated, as are subsidies, tax breaks, and other forms of support to domestic producers. Restrictions on the flow of currency are also lifted, as are regulations which could be considered a barrier to free trade. Put simply, free trade enables foreign companies to trade just as efficiently, easily, and effectively as domestic producers.

The idea behind free trade is that it will lower prices for goods and services by promoting competition. Domestic producers will not longer be able to rely on government subsidies and other forms of assistance, including quotas which essentially force citizens to buy from domestic producers, while foreign companies can make inroads on new markets when barriers to trade are lifted. In addition to reducing prices, free trade is also supposed to encourage innovation, since competition between companies sparks a need to come up with innovative products and solutions to capture market share.

Free trade can also foster international cooperation, by encouraging nations to freely exchange goods and citizens. Agreements between trading partners can also promote educational advantages, such as sending engineers to train with people in the top of the engineering field in one nation, or sending agriculture experts to rural areas to teach people about new farming techniques and [food safety](http://www.wisegeek.com/what-is-food-safety.htm) practices.

Opponents of free trade often argue that it hurts domestic producers by opening up competition to companies which operate in nations with less stringent [labor laws](http://www.wisegeek.com/what-are-labor-laws.htm). In the European Union, for example, there are specific rules about working hours, fair rates of pay, working conditions, and so forth, which drive up the cost of production for companies which operate in the European Union. By contrast, labor laws in many developing nations like Honduras are much more lax, allowing companies to produce products at low cost, because they have low overhead costs.

Free trade has also raised concerns about product safety among some consumer advocates. A series of scandals in the early 21st century involving tainted food products from China highlighted the issue of purchasing goods from countries with inefficient or incomplete regulatory systems. Other people have suggested that free trade encourages companies to relocate, because when barriers to [foreign trade](http://www.wisegeek.com/what-is-foreign-trade.htm) are lifted, domestic companies have no reason not to move operations overseas to take advantage of cheaper labor, inexpensive supplies, and lax regulatory systems.