



MILKEN INSTITUTE

# The Power of Ideas

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Insights for Building  
Meaningful Lives

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## Why the U.S. and the World Need Trade to Prosper

Had Napoleon won the Battle of Waterloo in June of 1815, a London stockbroker named David Ricardo might have lost the big bet he placed on British securities that netted him a king's ransom worth \$100 million in today's dollars. If he hadn't been able to retire at 43 to his country estate to noodle on ideas in the nascent field of economics, he might not have discovered nor laid the theoretical foundations of free trade.

Ricardo figured if Portugal could produce wine at a lower cost than England, and England could produce cloth at a lower cost than Portugal, and the two nations traded wine for cloth, both nations' economies would grow at a much higher rate than if they had competed to produce both commodities separately. Ricardo's Theory of Comparative Advantage is widely credited with providing the rationale for why trade should be free, thus spurring the exponential growth in world trade that has transformed our world and lifted untold millions out of lives of drudgery and poverty.

Two centuries later, however, while the generalized benefits of world trade are well-documented, once-tiny fissures have turned into great chasms in the long-held consensus that trade—and its near-synonym globalization—have been of unalloyed benefit to all. In 2017, trade is popularly associated with a painful series of economic disruptions and dislocations, ranging from the decline of manufacturing and well-paying middle-class jobs to the wholesale collapse of deeply engrained customs and communities that supported families for generations.

That said, the increased attention from economists and policymakers to the intense and often localized economic and social consequences of trade liberalization is a welcome development. At Citi, we've been on the forefront of trade finance for over two centuries. And as a world leader in financing the flows of critical commodities, goods and services from auto parts to computer chips

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to soy beans and sunflower seeds, we operate from a firm conviction that while trade policy and agreements may take different forms and reflect different priorities, trade isn't going away.

Instead, to preserve the mutual prosperity that trade has brought to the world, we need to get trade reform right. We need to make trade not just freer but fairer than it is now.

How?

First, in an era of rising risks to the free flow of not just things but people and ideas across borders and around the world, we need to make our free-trade/market-oriented rules work as intended. That means we need to practically—and not just rhetorically—address the unfortunate fact that our global society has fallen short in providing the necessary tools and support to people and businesses adversely affected by technological change and globalization.

This policy shortcoming has made trade the scapegoat for

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economic dislocations that are actually attributable to a far wider range of causes. We need to recognize that fact as we design policies and programs to help people, businesses and communities adapt to the competitive challenges and opportunities of free trade and an open-market system.

Second, understanding this evolutionary achievement, we need to be far more effective at driving a sustainable and equitable trade agenda that strikes a better balance between the benefits consumers get from being able to purchase a five-dollar flip-flop or memory stick online or at their local mall and the pain induced by the closure of a factory that once might have made that same product at a higher cost, closer to home.

While the outcome of this debate remains uncertain, I haven't the slightest doubt that the debate itself is a positive development. Just as it would be a grave error to discount the incalculable benefits that trade has bestowed on so many, it would be equally

foolish to deny the depths of its downsides. As a business leader, parent, and citizen, I ask those in both the public and private sectors to seize the initiative to improve a system and a principle that has fueled economic growth and opportunity of historical proportions.

Let's think in terms of evolution, freedom of enterprise, and true competition as we make trade fairer by distributing its benefits even more broadly, to provide greater opportunity for all.