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THE IMPACT OF IMPORTS AND EXPORTS ON A COUNTRY'S QUALITY OF LIFE

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ABSTRACT. This paper is a sequel to Sirgy et al. (*Social Ind. Res*. 68(3) (2004) 251), "The Impact of Globalization on a Country's Quality of Life: Toward an Integrated Model" published in *Social Indicators Research*. That paper conceptualized globalization in terms of the free flow of four major components: (1) goods and services, (2) people, (3) capital, and (4) information. The current paper focuses on the free flow of goods and services, one of the four major components of globalization. Specifically, we (1) articulate the trade globalization construct, (2) show the complex mediating effects between trade globalization and QOL, and (3) describe *under what conditions* these positive vs. negative QOL effects are likely to occur. We develop a set of theoretical propositions to capture these mediating and moderating effects. Based on the theoretical model, we suggest the following public policy recommendations: (1) Encourage exporting firms not to outsource jobs. (2) Encourage firms to export more products in ways that can enhance their production efficiency. (3) Discourage firms from exporting culturally sensitive (and possibly offensive) products to culturally distant countries. (4) Encourage firms to export more products with potential for technology transfer. (5) Encourage firms in industries with a significant comparative advantage to increase exports. (6) Encourage imports of products that do not compete with high employment domestic industries where workers cannot easily transition to more productive employment. (7) Impose trade barriers as short-term solution to help threatened industries while helping those industries retool to become more competitive. (8) Assist displaced workers by re-training them to shift to industries with comparative advantage.

KEY WORDS: globalization, imports and exports, impact of trade on quality of life, quality of life, trade globalization

1. INTRODUCTION

There has been much discussion on the topic of globalization of the world economy (e.g., Levitt, 1983; Yip, 1989; Held et al., 1999). Globalization reflects a state of affairs in which a country becomes more interconnected with the rest of the world (e.g., Levitt, 1983; Bordo, 2002). The drivers of globalization include elimination of trade barriers and free flow of products and services across countries (e.g., Levitt, 1983; Yip, 1989; Hill, 1997).

Some argue that trade globalization has a *negative* impact on quality of life (QOL). They believe that trade globalization eliminates many jobs, especially in the manufacturing sector. For example, it has been argued that net loss of jobs under NAFTA between 1993 and 2000 in the US was 766,030 (Scott, 2001). These globalists argue that globalization is creating a new epoch of human history in which nation-states and governments, in general, are powerless to improve the QOL of their citizens (e.g., Ohmae, 1995; Petras, 1999; Soros, 2000). They claim that global capitalism is now a great threat to the "open society." Thus, there are those who paint a gloomy picture for a truly global world.

In contrast, others argue that trade globalization has a *positive* influence on QOL (e.g., Thorbecke and Eigen-Zucchi, 2002). These pro-globalists view trade liberalization and increased market integration as an opportunity to increase productivity and wages, thus improving the QOL of workers (Zoellick, 2001). For example, it has been argued that US exports to NAFTA support 2.6 million new jobs (*Council of Economic Advisors*, 2002). It also has been argued that the negative impact of globalization, such as elimination of manufacturing jobs, has been dramatically overstated (Thorbecke and Eigen-Zucchi, 2002). Only about 10–20% of manufacturing job losses in the US is due to plant relocation to other countries (Fligstein, 2001). The decline in the manufacturing industry is not caused by globalization; it is mainly driven by technological changes (Krugman, 1996) and productivity changes (Rhodes, 2004).

1.1. *The Purpose of the Paper*

This paper is a follow-up to Sirgy et al. (2004), "The Impact of Globalization on a Country's Quality of Life: Toward an Integrated Model" published in *Social Indicators Research*. That paper conceptualized globalization in terms of the free flow of four major components: (1) goods and services, (2) people, (3) capital, and (4) information (cf. Levitt, 1983; Held et al., 1999; Petras, 1999; Bordo, 2002). This paper focuses on the free flow of goods and services, one of the four major components of globalization. We make an attempt in this paper to analyze in greater depth the QOL impact of imports and exports of goods and services. Furthermore, in the context of trade globalization, we strictly focus on imports and exports, not other market entry methods such as international manufacturing operations, international sales subsidiaries, international strategic alliances as in joint ventures and licensing, etc. These international business market entry methods are beyond the scope of our study. To reiterate, we focus on

developing a conceptual model to capture the QOL impact of trade globalization in the form of imports and exports of goods and services. We do so to help stimulate the research agenda in this area.

There exists only a limited understanding regarding *how* imports and exports affect QOL, and *under what conditions* are these positive or negative effects likely to occur. The literature is highly fragmented and needs conceptual integration. An integrated model of the QOL impact of trade globalization can be very helpful in the re-assessment of existing public policies and the formulation of new ones (e.g., Held et al., 1999; Petras, 1999).

Specifically, the purpose of this paper is twofold. First, we develop a conceptual model describing possible impacts of trade globalization on the QOL of a country. In other words, we show how trade globalization can create positive and negative QOL effects (immediate and future effects). Second, we identify the conditions under which specific positive or negative QOL effects are likely to occur. The conceptual model provides research questions that should be investigated further. Thus, our model contributes to theory development and fleshes out a research agenda for future research. Furthermore, the model also provides public policy makers with conceptual ammunition to help re-assess existing public policies and formulate new ones.

The paper proceeds as follows. First, we provide a conceptual definition of trade globalization and examples of measures based on the proposed definition. Second, we develop a conceptual model linking trade globalization and quality of life of a country. Third, we identify those conditions under which trade globalization is likely to produce varying degrees of QOL effects. Finally, we discuss the public policy implications of our model.

2. DEFINING AND MEASURING TRADE GLOBALIZATION

To reiterate, *globalization*, in general, refers to the free flow of goods and services, people, capital, and information among countries (Levitt, 1983; Held et al., 1999; Petras, 1999; Bordo, 2002). In contrast, *trade globalization*, refers to the free flow of goods and services in the form of imports and exports (Held et al., 1999).

Traditionally, international economists measure trade globalization in terms of *intensity* of trade (Held et al., 1999). Intensity of trade is a measure of the magnitude of trading activity, estimated at either the global or the country level. At the global level, it is captured as a ratio of world trade to world output. At the country level, intensity is estimated by the ratio of national trade to national GDP.

What about impact indicators? Antagonists of globalization attempt to capture the impact of trade globalization in terms of number of jobs leaving a country, usually in the manufacturing and information technology sectors. This measure has been referred to by international economists as "job reallocation" (Davis et al., 1996). Through job reallocation, workers move to more productive and more remunerative positions as new opportunities become available and as new jobs are created (Klein et al., 2003). However, the number of jobs leaving the country (job reallocation) is simply one of the many possible *outcomes* of trade globalization.

The focus of the remainder of this paper is to develop a conceptual model that allows international business researchers (e.g., macromarketers, international marketing scientists, international economists, international sociologists, and international political scientists) to develop specific impact indicators of trade globalization.

3. DEFINING AND MEASURING QOL

The QOL of a country involves various well-being dimensions that can be captured using a variety of objective as well as subjective indicators (see Sirgy, 2001 for literature review). Popular objective indicators of a country's QOL include:

- The United Nations Development Programme's (UNDP) QOL measures (UNDP, 1998),
- The Swedish Level of Living Survey (see Erickson, 1993),
- The World Bank Measure of Societal QOL (see Hagerty, 1997),
- The International Living Survey (see Ulrich, 1991),
- The American Demographics Index of Well Being (see Kacapyr, 1996),
- The Weighted Index of Social Progress (Estes, 1998),
- The Net Economic Welfare Measure (Nordhaus and Tobin, 1973), and
- The US Bureau of Census Measure of Societal QOL (see Brown, 1974).

Sirgy et al. (2004) have analyzed these measures and argued that the construct of societal QOL and its various dimensions and sub-dimensions can be captured in terms of four major life domains: (1) economic well-being, (2) consumer well-being, (3) social well-being, and (4) health well-being.

3.1. *Economic Well-being*

Sirgy et al. (2004) defined a country that enjoys a high level of economic well-being as a country that has most of its people enjoying a high level of

financial security through high levels of productivity and employment. This definition of economic well-being can be operationalized through two dimensions and corresponding indicators. The two dimensions are standard of living and employment and productivity. Examples of indicators of *standard of living* include GNP per capita (+), GDP per capita (+), personal income per capita in purchasing power parity (PPP) dollars (+), household income (+), and disposable income per capita (+). Indicators of *employment and working conditions* include rate of unemployment (−), physical demands of work (−), educational level (+), and percentage of unskilled jobs (−).

3.2. *Consumer Well-being*

Sirgy et al. (2004) have argued that a country characterized as high on consumer well-being is one in which most of its people's basic needs are met and have access to goods and services to meet their non-basic needs. This definition of consumer well-being was operationalized through two dimensions and corresponding indicators. The two dimensions are satisfaction of basic needs and access to goods and services related to non-basic needs. Indicators of *satisfaction of basic needs* may include housing quality [e.g., number of persons per room (−), housing amenities such as plumbing and heat (+)], quality of infrastructure (e.g., availability and quality of public transportation, telecommunications, public safety, water, and energy), and other welfare measures. Indicators of *access to goods and services related to non-basic needs* include the Consumer Confidence Index (CCI), the Consumer Expectations Index (CEI), the Consumer Price Index (CPI), and other cost of living measures.

3.3. *Social Well-being*

A country characterized as high on social well-being is one in which most of its people's higher-order needs (non-basic needs) are satisfied (Sirgy et al., 2004). This definition of social well-being was operationalized through seven dimensions and corresponding indicators. The seven dimensions are satisfaction of needs related to leisure, family, community, culture, spirit, education, and justice.

- Indicators of *satisfaction of leisure-related needs* include amount of leisure time (+), number of leisure time pursuits (+), vacation trips (+), household chores (−), number of hours not spent on paid work (+), and spending on recreational goods and services per capita (+).

- Indicators of *satisfaction of family-related needs* include marital status (+), childcare time (+), child labor (−), and divorce rate (−).
- Indicators of *satisfaction of community-related needs* include contacts with friends and relatives (+), and unattractiveness of inner cities (−).
- Indicators of *satisfaction of culture-related needs* include the largest percentage sharing same or similar racial/ethnic origins (+), the largest percentage sharing basic religious beliefs (+), and the largest percentage sharing the same mother tongue (+).
- Indicators of *satisfaction of spiritual needs* include the number of people practicing a religious faith (+).
- Indicators of *satisfaction of education-related needs* include adult literacy (+), school enrollment ratios (+), years of formal schooling (+), combined 1st, 2nd, and 3rd level school enrollment ratios (+), percentage of a cohort reaching grade 5 (+), public expenditure on education (+), percentage adult literacy, and the proportion who completed four or more years of college (+).
- Indicators of *satisfaction of justice-related needs* include laws related to human rights (+), human rights violations (−), voting in elections (+), member of unions and political parties (+), ability to file complaints (+), crime rate (−), women's status, e.g., female adult literacy rate as a percentage of males (+), social chaos, displaced persons per 100,000 population (−), and welfare (+).

3.4. *Health Well-being*

A country characterized as high on health well-being is one in which most of its people's health and safety needs are adequately met (Sirgy et al., 2004). This definition of health well-being was operationalized through three dimensions and corresponding indicators. The three dimensions are personal health, healthcare, and the environment. Indicators of *personal health* include life expectancy at birth (+), infant mortality (−), ability to walk 100 m (+), various symptoms of illness (−), reported incidents of certain diseases such as tuberculosis, polio, venereal disease, and infectious and serum hepatitis. Indicators of *healthcare* include the number of contacts with doctors and nurses (+), population in thousands per physician (+), children immunized against DPT by age 1 (+), and children immunized against polio by age 1 (+). Indicators of the *environment* include exposure to violence (−), clean air (+), clean water (+), number of endangered species (−), and percentage of population with access to safe water.

4. HOW DOES TRADE GLOBALIZATION AFFECT THE QOL?

Our conceptual model is shown in Figures 1–4. The figures show how imports and exports impact the QOL of a country through economic, consumer, social, and health well-being of the country residents. Specifically, we show the positive and short-term (immediate) impact of a country's exports on the QOL of the country's residents (see Figure 1).

The short-term (immediate) effects refer to the QOL effects within 3 years while the long-term (future) effects means QOL effects that occur after more than 3 years. The long-term effects take a longer time as the mediators requires structural changes (e.g., increase in industry competitiveness) or reflects reactions from the exchange partner countries (e.g., trade retaliations).

We show the negative impact long-term (or future) impact of a country's exports on the QOL of the country's residents in Figure 2. The positive long-term (future) influence of a country's imports is shown in Figure 3. The negative short-term (immediate) influence of a country's imports is shown in Figure 4. We then develop specific theoretical propositions articulating and explaining the links shown in Figures 1–4.

4.1. *The QOL Impact of a Country's Exports*

In regard to the QOL implications of increased exports, we posit that the effects are both *positive* and *negative* and are both *short*-and *long-term*. The positive short-term influence of a country's exports on the QOL of the exporting country is shown in Figure 1. The negative long-term influence of a county's exports on the QOL of the exporting country is shown in Figure 2.

4.1.1. *The Positive Impact of Exports on Economic Well-being*. There is much evidence that suggests that a country's economic well-being is positively related to trade. Throughout history, countries that are more developed have engaged in international trade at higher levels than less-developed countries (Held et al., 1999, pp. 156–157). A country's exports serve to enhance the economic well-being of the country's residents by creating more jobs in the exporting sector (Eaton, 1997). The 1930s depression that hit countries worldwide illustrates both the global extent of the trading system and the economic significance of trade (Held et al., 1999, p. 161).

Based on US Department of Commerce data, Hashemzadeh (1997) reported that more than 700,000 jobs in the US were supported by exports to Mexico in 1992. Exports contribute to economic growth

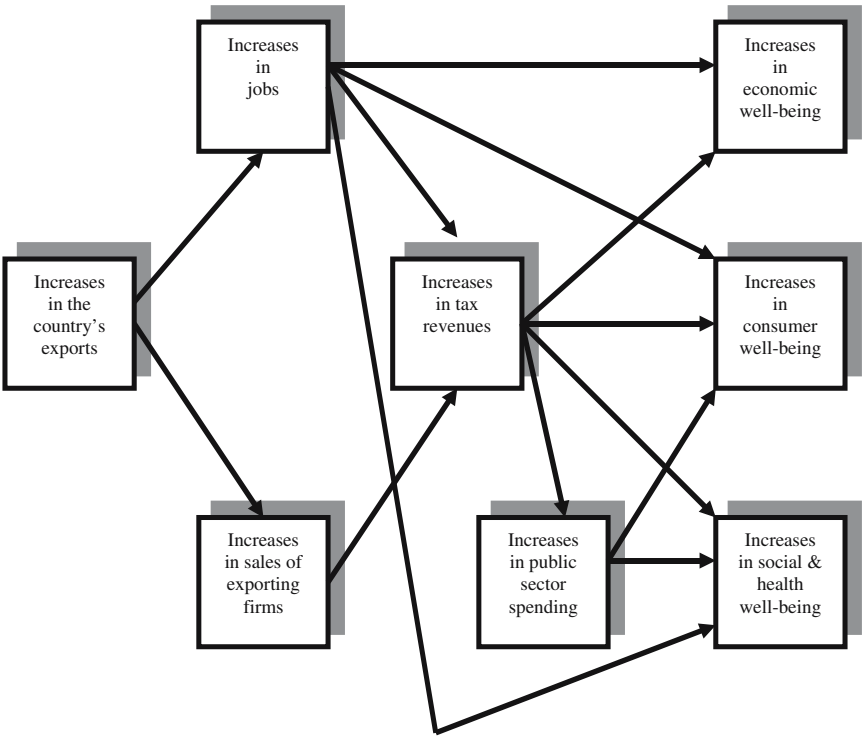

Fig. 1. The positive short-term (immediate) impact of exports on the QOL of the country's residents.

(Jaffee, 1985) and increase purchasing power of the exporting country (Mullen, 1993; Thorbecke and Eigen-Zucchi, 2002). This assertion is consistent with neo-classical trade theory that predicts free trade results in positive economic growth for both parties. According to the comparative advantage theory of international trade, both importers and exporters benefit from trade by specializing in production of goods in which they have comparative advantages over other countries (Bradley, 1995, pp. 36–37; Keegan, 1995, pp. 378–381). That is, trading countries obtain needed foreign currency through free trade by specializing in the production of commodities needed by other countries. Specialization should reflect abundant resources in specific industrial sectors. For example, countries that have abundant oil resources specialize in the oil industry and export oil to other countries in exchange for foreign currency.

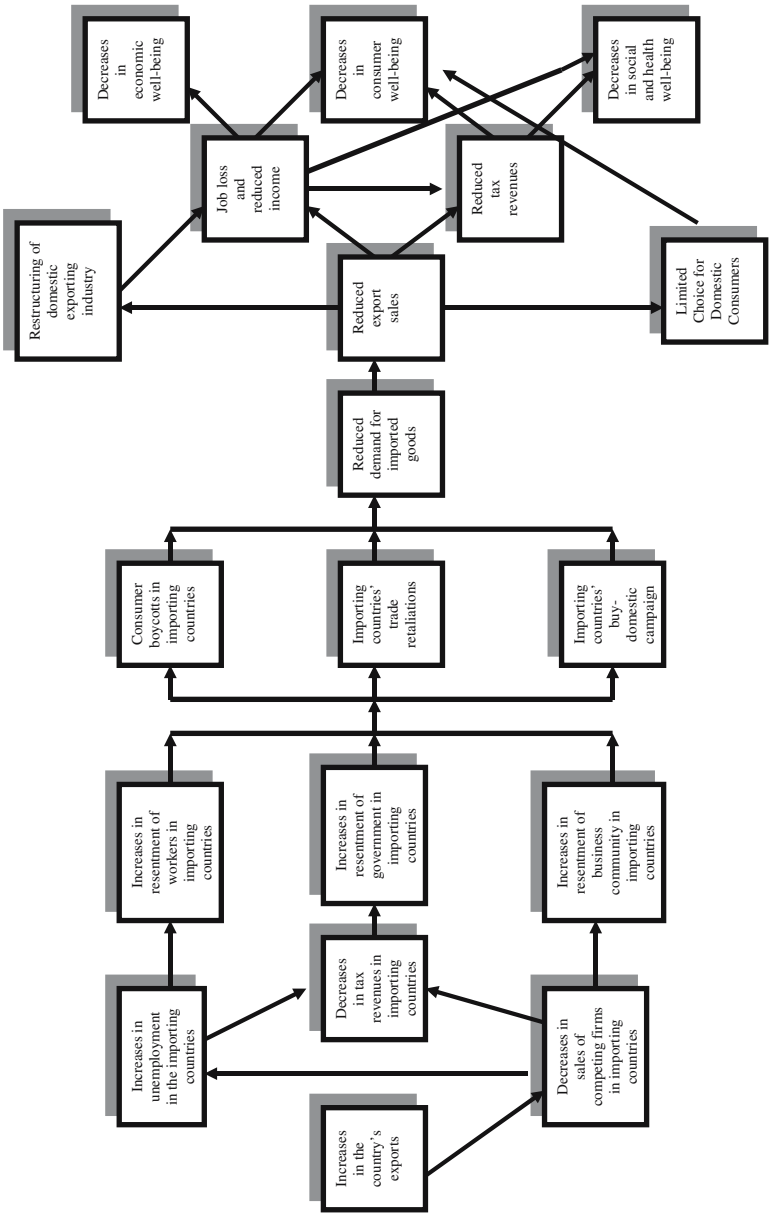

Fig. 2. The negative long-term (future) impact of exports on the QOL of the country's residents.

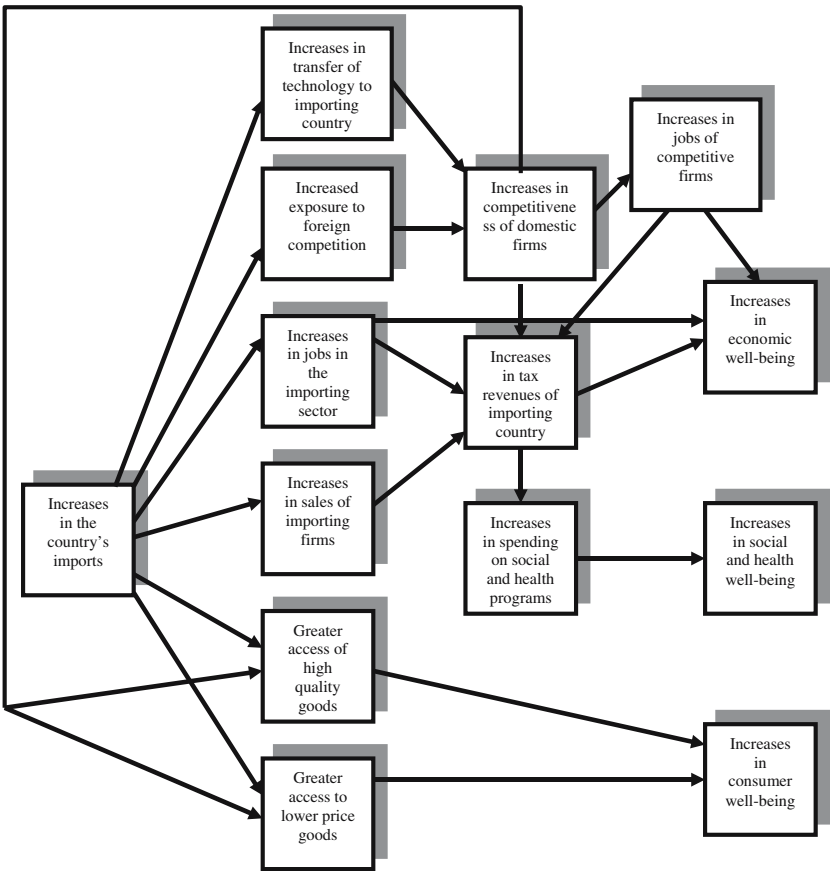

Fig. 3. The positive short- and long-run impact of imports on the QOL of the country's residents.

New jobs created by export activities provide workers with greater job opportunities and increased income of workers in the exporting country. Evidence shows that exporters tend to be relatively more efficient and pay higher wages than non-exporters (*Council of Economic Advisors*, 2002). Increases in job opportunities, disposable income, and standard of living all contribute to increases in economic well-being. Based on this discussion, we propose the following.

Proposition 1: *Increases in exports have a positive short-term impact on the economic well-being of a country's residents. This may*

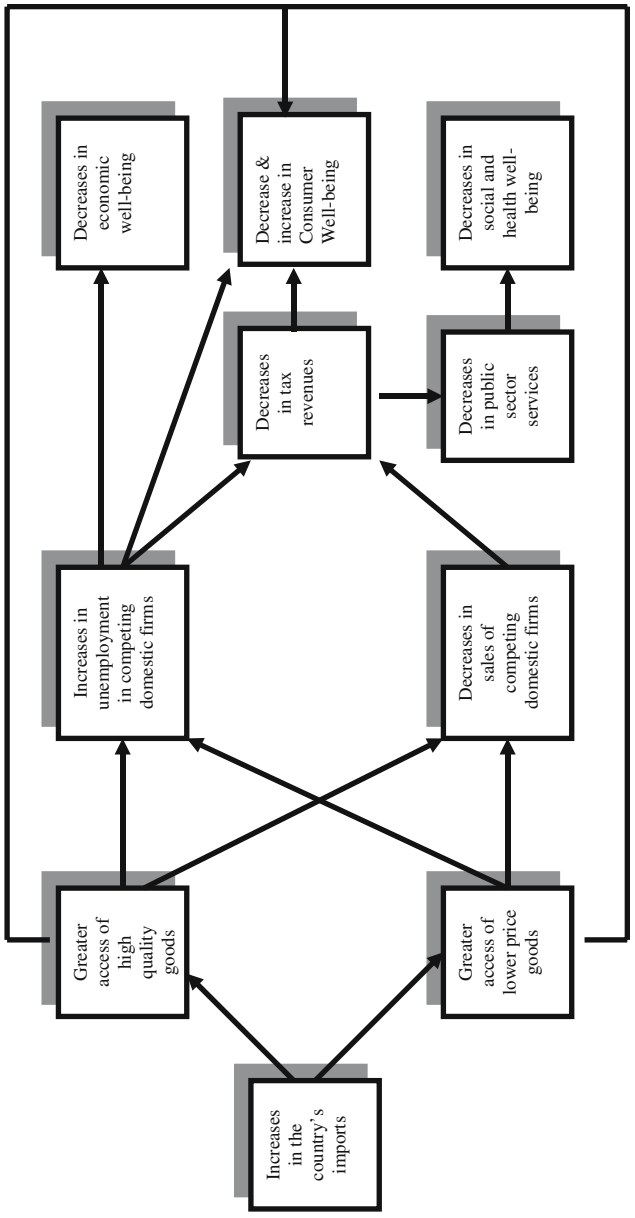

Fig. 4. The negative short-term (immediate) impact of imports on the QOL of the country's residents.

occur as a result of (1) increases in jobs and (2) increases in tax revenues.

4.1.2. *The Positive Impact of Exports on Consumer Well-being.* Increases in exports also serve to enhance consumer well-being (Figure 1). Exports provide workers with more job opportunities, higher income, and a higher standard of living (Jaffee, 1985; Thorbecke and Eigen-Zucchi, 2002). Higher income and more job opportunities generated by exports contribute to satisfaction of basic consumption needs (Mullen, 1993). Greater purchasing power from higher levels of disposable income allows consumers to purchase goods and services to meet not only their basic needs but also their higher-order needs. This demand for non-necessity items serves to provide the necessary market incentives to supply these goods and services, thus further enhancing consumer well-being.

Furthermore, we argue that increases in exports have a positive short-term (immediate) influence on consumer well-being of country residents mediated through increases in public sector spending, which is used to upgrade the country's infrastructure and government services. This comes about as a direct result of increases in tax revenues, which in turn are positively affected by increases in jobs. Based on the preceding discussion, we propose the following.

Proposition 2: *Increases in exports have a positive short-term impact on consumer well-being of a country's residents. These may occur as a result of (1) increases in jobs (providing residents with financial resources to meet at least their basic needs), (2) increases in tax revenues (allowing government to enact entitlement programs for the poor, disabled, elderly, etc., which in turn provide these residents with financial resources to meet at least their basic needs), and (3) increases in public spending (used to upgrade infrastructure and government services).*

4.1.3. *The Positive Impact of Exports on Social and Health Well-being.* Export sales increase corporate profits and personal income through job creation, resulting in increased tax revenues. Tax revenues are used to provide a variety of public services, from transportation and healthcare to recreation and culture. These public services impact the QOL of the country's residents by enhancing their social and health well-being (see Figure 1).

Increased tax revenues (e.g., increased corporate income tax and personal income tax) can be used to provide better public services in the areas of education, healthcare, public safety, and leisure, among others. Government spending in these areas enhances social and health well-being by providing needed public services (Easton, 2001). In contrast, government budget cuts due to reduced tax revenues adversely affect social and health well-being (Henderson, 2002). Thus, one can argue that increased tax revenues help government increase spending on public sector services. Enhanced public services should significantly affect social and health well-being (Peterson and Malhotra, 1997). Based on this discussion, we propose the following.

> *Proposition 3*: *Increases in exports have a positive short-term impact on social and health well-being of the country's residents. This may occur as a result of (1) increases in jobs (which provide financial resources to meet social and health-related needs), (2) increases in tax revenues (allowing government entitlement programs for the poor, disabled, elderly, etc., which in turn provide these residents with financial resources to meet at least their social and health-related needs), and (3) increases in public sector spending (improving access and efficiency of government services related to social and health well-being).*

4.1.4. *The Negative Impact of Exports on Economic Well-being*. Figure 2 depicts the negative long-term (future) impact of a country's exports on the QOL of the country's residents. Exports adversely affect competing firms in the countries of import. Thus, competing firms lose sales and profits, causing them to lay off employees. Decreases in sales of competing firms in the importing countries do not contribute only to increases in unemployment but also to decreases in tax revenues. High unemployment in the importing countries perhaps causes workers in those countries to feel resentment toward the country of export. Decreased sales and profits of competing firms also may result in feelings of resentment by the business community in the importing countries. Reduced tax revenue also may cause government officials in the countries of import to feel resentment against the exporting country (cf. Scheve and Slaughter, 2001). For example, Latin American agriculture workers resent imports of subsidized US agriculture products, and this resentment has held up expanded free trade agreements such as the Free Trade Areas of the Americas (FTAA). Mexican farmers rail against the more efficient, albeit heavily subsidized, North American agribusinesses. Of course, trade retaliation is likely to occur when export volume

reaches a high threshold at later stages of the relationship. In the early stages of a trade relationship, imports are less likely to provoke resentment from the importing country. Resentment builds up over time with continuous and increasing levels of imports.

The anger and resentment felt toward imports is not restricted to developing countries only. The *Christian Science Monitor* (2003) reports a survey of Americans, where 45% believe that "free trade" is: "good"; 34% said it was "bad." In the same survey, only 16% stated that free trade creates more jobs than it loses, while 53% said that it loses more jobs than it creates.

Because workers and labor unions and the business community are all negatively affected by imports, they may take retaliatory measures in the form of consumer boycotts and buy-domestic campaigns (Sternquist and Phillips, 1991; Mullen, 1993; Wolfgang and Byron, 1997). Research has shown that buy-domestic campaigns are prevalent in countries in which residents express a high level of concern about job losses, empathy towards displaced workers, and feelings of patriotism (Granzin and Olsen, 1995; Granzin and Painter, 2001). Furthermore, reacting to feelings of anger and resentment of displaced workers, the business community as well as the governments of the importing countries may retaliate against the country of exports by imposing high tariffs, quotas, and/or other non-tariff barriers.

These retaliatory measures are likely to affect the QOL of the residents of the country of export. Specifically, the country's economic well-being is likely to be adversely affected by the importing countries' retaliatory measures by the eventual decrease of exports, which in turn would cause loss of jobs and tax revenues. Based on this discussion, we propose the following.

> *Proposition 4*: *Increases in exports have a negative long-term impact on the economic well-being of the exporting country's residents. This may occur as a result of feelings of resentment among workers, government, and the business community in the importing countries. The resentment is caused by unemployment and loss of tax revenues resulting from decreases of sales and profits of firms in the countries of import. Resentment may lead to adoption of protectionist trade policies by the importing countries. These are likely to affect adversely economic well-being of the country's residents because of the eventual decrease of trade, producing loss of jobs and tax revenues.*

4.1.5. *The Negative Impact of Exports on Consumer Well-being*. Increases in exports also may have a negative future impact on the well-being of

consumers in the exporting country (see Figure 2). We previously argued that exports might cause the unemployment rate to jump in the importing countries. High unemployment and low sales of competing firms in the countries of import breed feelings of resentment among workers and the business community. Faced with feelings of resentment and pressure from displaced workers and the business community (plus loss of tax revenues), governments of the import countries are pressured to adopt protectionist trade policies (Baldwin and Magee, 2000; Kletzer, 2001). It should be noted that trade retaliations typically occur when the volume of exports reaches a high level.

Increased trade and non-tariff barriers in the importing countries also serve to reduce consumer well-being of the exporting country, because consumers in the exporting country eventually suffer from declining foreign income. The lack of that income hurts consumers because they cannot use it to purchase needed goods and services. The lack of income takes away from market incentives to provide goods and services. Furthermore, reduced personal income results in fewer tax revenues, which in turn affect consumer well-being through reduced quality and access to public sector services (cf. Scheve and Slaughter, 2001). In addition, in an effort to focus on the export market, exporters may reduce the quantity of the exported goods to local consumers. Product scarcity in the local market may cause domestic prices to increase, which in turn may reduce consumer well-being. Based on this discussion, we propose the following.

> *Proposition 5*: *Increases in exports have a negative long-term impact on consumer well-being of the residents receiving the imports. This may occur as a result of feelings of resentment among workers, government, and the business community in the importing countries. Increased resentment may lead to the adoption of protectionist trade policies, which in turn may reduce consumer well-being of residents of the exporting country by decreasing personal income from foreign sources and thus reducing (1) purchasing power, (2) market incentives to supply goods and services that are in demand, and (3) quality of and access to government services.*

4.1.6. *The Negative Impact of Exports on Social and Health Well-being*. As we argued previously, increases in exports may lead to high unemployment rates and decreased sales in foreign markets, which may generate feelings of resentment against the country of export. Feelings of resentment among workers, the business community, and government of the country of import

may lead to trade retaliations, buy domestic campaigns, and import boycotts, which in turn are likely to affect exports adversely. Decreased sales and loss of jobs resulting from shrinking of export markets should reduce tax revenues of the exporting country, which in turn should lead to cuts in spending on social and health programs (cf. Henderson, 2002). That is, an increase in exports may have a negative influence on social and health well-being of residents of the exporting country through a complex process involving feelings of resentment of workers, the business community, and governments of the foreign markets (see Figure 2). In other words, both loss of jobs (and the reduced income resulting from job loss) and reduced tax revenues (resulting from both job loss, reduced personal income, and reduced export sales) have a significant and adverse effect on the social and health well-being of the country's residents. For example, Southside Virginia (USA) has been hard hit by the loss of import sensitive textile jobs and this has decimated the local tax base creating a host of social and health problems among Southside residents (Tomaselli and Burke, 2003; Melton, 2000).

Furthermore, to compete effectively in foreign markets, exporters often are forced to restructure by laying-off current high-wage workers or implementing pay cuts, and/or recruiting a new low-wage labor force. Doing so reduces tax revenues and in turn public spending, which reduces social well-being. Based on this discussion, we propose the following.

> *Proposition 6*: *Increases in exports have a negative long-term (future) impact on social and health well-being of the country residents. This may occur as a result of feelings of resentment among workers, government, and the business community in the importing countries. Increased resentment may lead to the adoption of protectionist trade policies, which in turn reduce social and health well-being of residents of the exporting country by decreasing spending on social and health programs that serve the social and health well-being of country residents.*

4.2. *The QOL Impact of a Country's Imports*

In regard to the QOL effects related to the increased inflows of goods and services (imports), we surmise that the QOL effects are also both *positive in both the short and long run* and *negative in the short run* (see Figures 3 and 4).

4.2.1. *The Positive Impact of Imports on Economic Well-being*. The positive influence of a country's imports on the QOL of the country's residents is

shown in Figure 3. Increased imports serve to enhance the country residents' economic well-being (cf. Campbell, 1981; Thorbecke and Eigen-Zucchi, 2002). This comes about as a function of increases in personal income and job opportunities, because imports increase jobs in the distribution sector, especially in import-related industries. Distribution firms benefit from increased business opportunities and create jobs. For example, Galuszka and Kranz (2002) reported that distribution facilities have fueled port-related employment during the past two decades. Specifically, the number of port-related jobs has nearly tripled in this time period. Most of that growth came from the proliferation of distribution facilities (cf. Witherspoon, 1996; Chase and Pascall, 1999; Galuszka and Kranz, 2002). Furthermore, it is well known that countries (e.g., Belgium, Singapore) and cities (e.g. Hong Kong, Miami) with extensive logistics-based jobs benefit from import distribution.

In addition, increases in imports expose domestic firms to the discipline of open competition and motivate them to increase their worker productivity and market competitiveness (Zoellick, 2001). Increases in imports also facilitate the transfer of technology, which in turn increases the overall competitiveness of domestic firms. Increases in the overall competitiveness of domestic firms, in turn, contribute to the economic well-being of the country's residents through increased jobs, wages, and tax revenues (cf. Samli, 1985; Lane, 1991; Kletzer, 2001). For example, Mexican Maquiladoras have successfully adopted new technologies, such as lean manufacturing, in order to compete in world markets (Axtman, 2003). Based on this discussion, we propose the following.

> *Proposition 7*: *Increases in imports have a positive short-and long-run impact on the economic well-being of a country's residents. This may occur as a result of (1) increases in jobs of competitive firms (resulting from increases in the transfer of technology from imports and increased exposure to foreign competition), (2) increases in jobs in the import sector of the economy, and (3) increases in tax revenues (resulting from increases in jobs in the importing sectors of the economy and increased competitiveness of domestic firms).*

4.2.2. *The Positive Impact of Imports on Consumer Well-being*. We surmise that increases in imports may have a positive immediate influence on the consumer well-being of the residents of the importing country (see Figure 3). Imported goods usually find a market in the home country

because these goods often have a competitive advantage compared to domestic goods. Imported goods enhance consumer well-being of a country because they provide consumers with greater access to high quality products, more choices, and reduced prices (e.g., Mullen, 1993; Granzin and Olsen, 1995; Scehve and Slaughter, 2001). A social critic wrote:

"The beauty of globalization is that it can free people from the tyranny of geography. Just because someone was born in France does not mean they can only aspire to speak French, eat French food, read French books, visit museums in France, and so on. A Frenchman—or an American, for that matter—can take holidays in Spain or Florida, eat sushi or spaghetti for dinner, drink Coke or Chilean wine, watch a Hollywood blockbuster or an Almodovar, listen to bhangra or rap, practice yoga or kickboxing, read *Elle* or *The Economist*, and have friends from around the world. That we are increasingly free to choose our cultural experiences enriches our lives immeasurably. We could not always enjoy the best the world has to offer (Legrain, 2003, p. B7)."

In addition, imports from other countries motivate domestic producers to work harder to improve their product quality and price competitiveness (Scheve and Slaughter, 2001). In time, domestic producers work harder to provide domestic consumers with more quality goods at lower prices. For example, increases in imports have been a boon in both prices and product selection for India's fast-growing middle class (Constable and Lakshmi, 2001). Based on this discussion, we propose the following.

> *Proposition 8*: *Increases in imports have a positive short- and long-run impact on consumer well-being of the residents of the importing country. This occurs because increased imports result in greater access to high quality goods and goods at lower prices. Further increased imports result in increases in competitiveness of domestic firms, which in turn provide consumers with higher quality goods at lower prices.*

4.2.3. *The Positive Impact of Imports on Social and Health Well-being.* We believe that increases in imports play a role in enhancing the social and health well-being of residents of the importing country. This may occur through the mediating effect of increases in tax revenues and enhanced public services (see Figure 3). Increases in sales of imported goods and creation of import-related jobs in the importing country provide tax revenues. Increases in imports also induce domestic competitors to be more efficient and competitive. Faced with import competition, domestic firms make every effort to increase sales (e.g., develop new technologies, enhance worker productivity, etc.). This healthy competition, the high level of firm performance, and worker productivity translate into higher tax revenues.

Increased tax revenues in the importing country contribute to an increase in government public spending and enhance the level of public services in such areas as health care, education, public safety, leisure, etc. Government spending on these areas is important for social and health well-being (cf. Easton, 2001). Based on this discussion, we propose the following.

> *Proposition 9*: *Increases in imports have a positive short- and long-run impact on social and health well-being of the residents of the country of import. This occurs because increases in imports lead to increased tax revenues (through increases in sales and jobs in the importing sector of the economy and domestic competitors), which in turn enhance the level of public sector spending on social and health programs for the country's residents.*

4.2.4. *The Negative Impact of Imports on Economic Well-being*. Figure 4 shows the negative influence of a country's imports on the importing country's well-being. Increased imports provide consumers in the importing country with greater access to high quality and low priced products. This, of course, reflects increased consumer well-being of the country's residents; however, this may come at the expense of decreased economic, social, and health being. Increased imports may result in decreased sales of comparable domestic products. Domestic firms react by laying off workers to maintain an acceptable level of profitability (Granzin and Olsen, 1995). Kletzer (2004) concluded in her study that job loss related to imports captures a considerable share of US manufacturing job loss. Job loss is a major driver for a lower economic well-being (Lane, 1991).

During the period from 1979 to 1999, 6.4 million U.S. workers were displaced as a result of imports in industries such as electric machinery, apparel, toys, motor vehicles, non-electric machinery and blast furnaces (US Department of Labor, 2001b). NAFTA also had its impact on job losses. Between 1 January 1994 and 16 April 1996, more than 64,709 US workers were displaced as a result of increased trade between USA and other NAFTA countries (Hashemzadeh, 1997). It is not just developed nations that face job displacement due to cheap imports. For example, Mexico lost 256,000 jobs in 2 years due factories moving to China (Mireles, 2002).

The risk of job loss is usually high in industries with high trade deficits. More balanced-trade industries tend to have lower levels of job loss (Kletzer, 2001). Kletzer estimates that about 65% of displaced workers (displaced as a direct result of imports) can be re-employed; however, they are likely to suffer an income loss averaging 13%. Displaced workers who

are older, less educated, and less skilled are likely to suffer an income loss averaging 30% or more. Therefore, increases in imports should adversely affect the country residents' economic well-being because imports contribute to job layoffs in competing domestic firms.

A case in point regarding the costs and benefits of imports is Martinsville, Virginia (USA). In the early 1900s, furniture manufacturing from New England replaced chewing-tobacco factories as major employers. An abundant supply of lumber and good railroad connections helped with this "new" industry. In the 1990s and early 2000s, China became a major furniture supplier to the U.S. market. In response, Martinsville furniture firms, including Hooker furniture, receive, inventory, and distribute this furniture from China. So, the impact of Chinese furniture manufacturing had a negative impact on furniture manufacturing workers but a positive impact on warehouse and distribution workers (*The Washington Times*, 2004). Based on the discussion, we propose the following:

> *Proposition 10*: *Increases in imports have a negative immediate impact on the economic well-being of the country's residents. This may occur because increases in imports lead to greater access to high quality and lower priced goods, which in turn causes competing domestic firms to lay off workers to maintain acceptable levels of profits.*

4.2.5. *The Mixed Impact of Imports on Consumer Well-being*. Increased imports provide consumers in the importing country with greater access to higher quality and lower priced products. This, of course, reflects increased consumer well-being of the country's residents. However, increases in imports can have a negative influence on the well-being of consumers in the target country. Imports often result in high unemployment and decreased sales of competing domestic firms. As a result, the spending power of consumers in the importing country decreases. That is, reduced disposable income among consumers in the importing country will negatively influence the well-being of consumers (Mullen, 1993). In addition, reduction in tax revenues from the domestic companies in the importing country should negatively affect consumer well-being. Reduction in tax revenues in the importing country forces the importing country's government to reduce spending on public programs, some directly related to consumer well-being such as consumer protection, consumer safety, quality assurance, among others (cf. Scheve and Slaughter, 2001). Based on this discussion, we propose the following.

Proposition 11: *Increases in imports have a mixed immediate impact on the consumer well-being of the country's residents. Imports provide greater access of more goods and services at lower prices, which contribute positively to consumer well-being. Consumer well-being is also adversely affected as follows. Increases in imports lead to increases in unemployment in competing domestic firms, which reduce consumer spending and consumer well-being. Further increases in unemployment lead to decreases in tax revenues and public spending, which ultimately result in decreases in consumer well-being.*

4.2.6. *The Negative Influence of Imports on Social and Health Well-being*. Increased imports can have a negative influence on social and health well-being of the importer country's residents. This may occur through the mediation effects of reduced tax revenues and deteriorated public services in the importing country (Granzin and Olsen, 1995). Slow sales of domestic firms and high unemployment rates in the importing country mean decreased tax revenues. Decreased tax revenues result in reduction of public spending and deterioration of public services (Henderson, 2002). The outcome is decreased social and health well-being of the residents of the importing country (see Figure 4). Based on this discussion, we propose the following.

Proposition 12: *Increases in imports have a negative immediate influence on the social and health well-being of the residents of the country of import. This may occur because increases in imports lead to a reduction in tax revenues and deterioration of public sector services.*

5. MODERATION EFFECTS

As noted previously, trade globalization has both positive and negative influences on a country's QOL. In this section, we discuss various conditions under which the positive and negative QOL impacts are likely to occur.

5.1. *Moderators of the Positive QOL Impact of Exports*

The main argument for the positive impact of exports is largely based on the fact that exports create more jobs and additional sales in the exporting country, which in turn serve to enhance the exporting country's level of economic, consumer, social, and health well-being (cf. Jaffee, 1985; Mullen,

1993; Easton, 2001). These positive QOL effects are likely to occur under the following conditions.

First, the exports' positive QOL impact is likely to occur when the majority of the products exported have value added *mostly by domestic producers and workers*. The positive QOL effect of exports is likely to be significantly diminished if the domestic producers outsource the production (or the production of many of the product's components) to foreign suppliers. Outsourcing those jobs to foreign suppliers prevents the creation of additional domestic jobs (Clott, 2004), which in turn fails to generate more tax revenues from personal income. Remember we argued that tax revenues provide a major source of public services affecting social and health well-being.

Second, positive QOL impact is likely to occur when products that provide a comparative advantage for the country are exported. Based on the theory of comparative advantage (commonly cited in textbooks such as Keegan, 1995, pp. 378–381), each country exports products that it can produce more efficiently. In other words, exporting firms that export take advantage of economies of scale and production efficiency. Indeed, according to comparative advantage theory of foreign trade, each country benefits significantly when exporting leads to production efficiency and product specialization. That is, countries that trade with one another may benefit significantly from the trade, when the countries export goods produced with relatively greater efficiency and while importing goods that cannot be produced efficiently. Based on the discussion, we propose the following.

> *Proposition 13*: *The positive impact of exports on QOL is likely to be greater when (1) the majority of the country's export goods are manufactured by domestic producers employing domestic workers, and (2) when domestic production of exported goods has a high degree of production efficiency leading to a comparative advantage*.

5.2. *Moderators of the Negative QOL Impact of Exports*

As previously argued, exports have a negative QOL effect because exports contribute to feelings of resentment among people in the importing countries. Resentment felt by workers, business people, and government officials in the countries of import may lead to trade retaliation against the exporting country.

We believe that the exports of culturally offensive products (e.g., alcohol, movies, music) are likely to induce heightened feelings of resentment in

countries of import that are culturally distant to the exporting countries. Western countries exporting alcohol, movies, and music to Islamic countries are a case in point. Feelings of resentment are not likely to be as intense if the countries of import are culturally proximal as in other Western countries. Trade retaliation against the exporting country, therefore, is likely to vary as a direct of function of the nature of the products and cultural distance (cf. Mullen, 1993; Granzin and Olsen, 1995; Kletzer, 2001).

Also, note that we argued that exports are likely to induce feelings of resentment in the country of import because exports would displace competition in the countries of import. Specifically, if domestic firms have also a comparative advantage in the same industries of exported products, competition becomes more intense. But what happens when imported products and services do not face significant competition. In that case, those imports are likely to be perceived by workers, business people, and government officials of the countries of import more as a "blessing" than a "curse." No feelings of resentment are likely to be induced. In other words, the negative QOL effect of exports may occur only under conditions in which the countries of import have domestic firms likely to be adversely affected by the exports and this negative effect is heightened when the goods or services are culturally sensitive Based on the discussion, we propose the following.

> *Proposition 14*: *The negative QOL impact of exports is likely to be greater when (1) the export products are culturally offensive and given that the countries of import are culturally distant from the countries of export, and/or (2) firms in the countries of import market similar products threatening the health and survival of these firms.*

5.3. *Moderators of the Positive QOL Impact of Imports*

We previously argued that imports increase the level of QOL because imports create more jobs in the distribution and retailing sectors of the countries of import (Constable and Lakshmi, 2001). In addition, imports serve to increase the supply of goods available for consumption. Imports serve to enhance QOL by providing consumers with scarce commodities and by driving down prices of domestic goods. That is, imports allow domestic consumers to access high quality products at lower prices (Scehve and Slaughter, 2001; Zolllick, 2001).

Morris and Adelman (1988, Chs. 3 and 6) found that whether trade had a significant positive impact on developing economies depends on whether

their domestic market structures were sufficiently advanced to realize the gains from trade and diffuse them throughout the national economy. Trade often had a significant impact in stimulating the development of market relations within an economy.

We posit that the positive impact of imports on a country's QOL is likely to be greater when domestic firms providing competitive goods benefit from the competition. This impact will depend upon the type of import; for example, technology goods facilitate technology transfer; commodities normally do not. Thus, the benefit may accrue from *technology transfer*. Firms in the countries of import benefit from the imports by learning from foreign competition, and this learning leads to increased competitiveness. There are many cases that demonstrate the power of technology transfer in the growth and development of economies. Examples include Korea and Japan. These countries have benefited a great deal from technology imports, which in turn spurred their domestic competitiveness.

In other countries, imports have had catastrophic effects. Many of the African countries are more hurt than helped by imports of competing goods. We believe that the moderator in question is about technology transfer, innovativeness, organizational learning, and problem solving. Countries having cultures that promote these skills and values are likely to benefit more from imports than countries without these skills and values. Therefore, we propose the following.

> *Proposition 15*: *The positive QOL impact of imports is likely to be greater when (1) firms in the countries of import do not produce and market competing products, and (2) if they do, they are embedded in a culture that adapts well to technological change.*

5.4. *Moderators of the Negative QOL Impact of Imports*

As previously discussed, imports have the potential to affect QOL in adverse ways. High quality imported goods at lower prices may cause domestic firms to lose sales and market share, which in turn may lead to job cutting, decreased sales, and decreased tax revenues in the domestic scene (Lane, 1991; Granzen and Olsen, 1995; Mullen et al., 1996; Mireles, 2002).

One can argue that the adverse QOL of imports may be more evident when the imported goods present a major threat to the domestic economy due to structural barriers. Structural barriers are insurmountable obstacles related to the system in place and are very difficult to change. An example of a structural barrier is high costs of skilled labor in a country. The textile

industry in the United States is facing competition from imported textiles but cannot fight back. Imported textiles are equal or higher in quality and lower in price. Exporting countries, such as China, have a structural advantage in manufacturing and marketing textiles because of the low wages paid to Chinese textile and apparel workers. For U.S. textile firms to compete effectively against Chinese imports, they would have to employ workers at significantly lower wages and invest a great deal of capital in upgrading their plants, equipment, and operations. There are other structural barriers that could be overcome more easily if not for the political consequences (Levy, 2003). Based on the discussion, we propose the following.

> *Proposition 16*: *The negative QOL impact of imports is likely to be stronger given the existence of certain structural barriers in the domestic market preventing local industries from competing effectively against foreign imports.*

6. PUBLIC POLICY IMPLICATIONS

Future research should test the validity of our model. Assuming that our model is valid, the public policy implications are significant. In the following section, we will demonstrate how our model can inform public policy debate.

6.1. *Public Policy Implications Related to Exports*

With respect to exports, we argued that increases in exports might result in increases in the economic, consumer, social, and health well-being of a country (revisit Figure 1 and the theoretical propositions pertaining to the positive QOL impact of exports). The obvious public policy implication here is that governments should develop and enhance export assistance programs to help manufacturers and service providers to increase exports. Examples of potentially beneficial export assistance include the technical and marketing export assistance programs provided by the U.S. Department of Commerce. In addition to the programs provided by the U.S. Department of Commerce, each state has its own government agency whose purpose is to provide export assistance to manufacturing and service firms within the state. According to the *Office of Trade and Economic Analysis* (2001); however, while there is a core group of robust U.S. exporters that can compete globally, it appears most U.S. exporters have a limited commitment to foreign markets (e.g., 63% of small to medium size exporters only ship to

one foreign market). In contrast, Europe has much more extensive export assistance programs (Nothdurft, 1992). Clearly, more needs to be done to increase U.S. exports.

On the negative side, we argued that exports might generate local resentment against exporting firms and their countries of origin. This resentment sometimes translates in trade retaliations adversely affecting the exporters and their countries of origin. Greater effort should be made to increase mutually beneficial trade negotiations and to reduce trade retaliations from importing countries. Policy makers need to take a long-term approach in trade negotiations by making mutually beneficial trade pacts. The short-term increase in United States' steel import tariffs, which ended in December 2003, is an example of what *not* to do (Francois and Baughman, 2003). Care should be made not to maximize short-term benefits of the exporting country at the expense of the importing country's well-being.

Thus, our model showing the complex mediating effects of exports on QOL suggests two *obvious* policy recommendations that are generally pursued by most countries. These are policies that encourage exports and policies that guide trade negotiations to reduce the possibility of trade retaliations. However, we offer recommendations that are less obvious and potentially conflictful. These are based on the moderator effects. Specifically, we argue that increased exports of goods contribute to QOL moderated by two factors, namely keeping those jobs at home rather than outsourcing them to foreign firms, and ensuring that exports generate production efficiency through economies of scale and learning effects. These two moderators have significant public policy implications. Furthermore, we argued that potential negative QOL effects of exports is moderated by two factors, namely the exporting culturally sensitive products to culturally distant countries, and exporting products that have the potential for technology transfer, thus benefiting business in the countries of import. We will discuss the public policy implications of these moderators in some detail next.

6.1.1. *Exporting Firms Should Not Outsource Jobs.* We argued that the positive QOL impact of exports hinges partly on job creation and the positive effect associated with job creation. If exporting firms decide to outsource the work to foreign firms, then the positive QOL impact is significantly comprised. Forrester Research in 2003 forecast that 3.3 million white-collar jobs, mostly tech services, and some $136 billion in earnings will transfer out of the U.S. by 2015 (McCarthy, 2004). A 2003 survey of IT executives found that 11% of companies queried had already outsourced

system and architecture planning jobs and 14% had outsourced R&D (Grimm, 2004).

Therefore, we recommend public policy makers address this issue. In order to ensure that exports do produce the maximum positive QOL impact, exporting firms should be motivated to create domestic jobs, not outsource these jobs to foreign firms. Of course, at the individual-firm level, this state of affairs is not likely to be preferable if the cost of domestic labor is significantly higher than that of foreign labor. Thus, individual companies will be motivated to outsource jobs because of the financial incentive. By outsourcing jobs, these firms can decrease the cost of production, which in turn allows them to increase product quality and decrease price. At the societal level, this may be construed as positive because increasing product quality and decreasing price serve to enhance consumer well-being. Nevertheless, if businesses were to refrain from outsourcing jobs, collectively they may not have to deal with the negative repercussions arising from resentment of the business community, the labor groups, and government bodies of the importing countries. Avoiding such wrath should help exporters sell more to these countries. Higher levels of sales should help them achieve higher levels of production efficiency, which in turn should lead to decreased costs, lower prices, and higher levels of product quality.

Public policy can perhaps be designed to encourage exporting firms to create domestic jobs through tax incentives and discourage the outsourcing of these jobs through tax disincentives. In an April Harris Poll, 69% of Americans agreed that they would support a tax on companies, which replace jobs with offshore labor (Grimm, 2004).

6.1.2. *Exporting Firms Should Export More Products that Can Enhance Their Production Efficiency*. One of the arguments we put forth in dealing with the positive QOL consequences of exporting is the notion that exporting is a means to achieve higher levels of production efficiency through economies of scale and learning effects. That is, exporting allows firms to capitalize on economies of scale and learning to lower the cost of production and enhance product quality. Becoming more efficient in manufacturing and marketing products enhances the firms' competitive advantage, which in turn benefits their employees and the resident communities. For example, one of the authors worked for an American electrical appliance manufacturer that improved the quality of its domestic products through its experience exporting to scrupulous German and Japanese buyers.

Therefore, we recommend public policy makers formulate policies designed to enhance exporting activities when those activities are likely to

make the exporting firms more efficient. These policies can be implemented through information and education programs directed to growing domestic firms with no exporting experience.

6.1.3. *Exporting Firms Should Not Export Culturally Sensitive (and Possibly Offensive) Products to Culturally Distant Countries*. We argued that exports sometimes are responsible for a host of negative QOL consequences. These come about as a result of trade retaliations arising from resentment of local workers, the business community, and government against the exporting firms. We believe that resentment is usually exacerbated when exporting firms market culturally sensitive (and possibly offensive) products in culturally distant markets.

An example is the marketing of violent and sexually laden movies, music videos, and video games of Western companies to markets in Islamic countries such as Saudi Arabia, Kuwait, and Iran. These products violate local customs and create the impression that the Westerners that export these products live in decadent and a morally repulsive society. The host communities experience resentment toward the exporting firms (and their countries) when those products are bought by impressionable young people, influencing their behavior. Westerners are then accused of corrupting the young and contributing to moral decadence. Trade retaliations ensue. One may argue that if certain products violate local customs, then it should be the responsibility of the government of the importing country to erect justifiable trade barriers to prevent (or at least make it very difficult) for these products to be imported. However, this argument is based on the fact that governments can are motivated to erect import barriers guided by local customs and community norms. This may not be the case. Governments are motivated by many economic, political, legal, technological, and social factors.

Therefore, public policy makers should design policies to discourage exporting firms from exporting culturally sensitive products to culturally distant markets–products likely to be construed as culturally offensive. We do not recommend legislation designed to prohibit the exports of these products; instead we suggest a system of tax disincentives. Firms that export those culturally sensitive products to culturally distant markets should be taxed heavily for every unit shipped. Perhaps this may sufficiently discourage them from marketing those products to those markets.

6.1.4. *Exporting Firms Should Export More Products with Potential for Technology Transfer*. As previously stated, there can be adverse QOL effects

in relation to increased exports. The culprit is trade retaliations caused by resentment of the host communities toward exporting firms and their countries of origin. International firms in the foreign countries need to become good citizens and build company goodwill. One possible way to reduce resentment among the importing country's workers and business communities is to export products that have the potential of technology transfer. In other words, export products likely to enhance innovation and production efficiency of local firms. Doing so generates positive QOL benefits for the local community (Navaretti et al., 2004), which in turn may diffuse potential resentments and trade retaliations. In fact, Kemp and Shimomura (1999) showed that the international sharing of technology makes the country better off. Of course, one can argue that local firms can use technology transfer to become efficient enough to displace competition from the exporting firms. The catch here is to help with the transfer of technology that can be used to make local firms efficient in producing non-competing products – non-competing with the exporting firms. For example, the U.S. can help Kuwait and Saudi Arabia make their local oil-producing firms more efficient by transferring computer technology and artificial intelligence. Therefore public policies can be designed to encourage exports that promote technology transfer in ways that can enhance production efficiency of local firms in non-competitive markets.

6.1.5. *Exporting Firms Should Export Products that Can Give Them Comparative Advantage*. We previously indicated that an increase in exports may come to haunt the exporting country due to trade retaliation. One way to reduce the possibility of trade retaliation is to export products with a noted comparative advantage. If countries pursue a strategy of comparative advantage in international trade, this would lead to a win–win situation for all. For instance, Turkey has a comparative advantage in four major industries, namely textile/apparel, food/beverages, materials/metals, and housing/household products (Oz, 2002). Therefore, the government of Turkey should encourage firms in these industries to export their products.

6.2. *Public Policies Implications Related to Imports*

Increases in imports can create new jobs in import-related industries, and increase sales of importing firms, thereby contributing to economic well-being of the importing country (see Figure 3). An increase in tax revenue from the importing industry contributes to enhancement of social and health well-being. Increased imports also serve to enhance consumer

well-being in the importing country by making higher quality goods available at lower prices. As the *Council of Economic Advisors* (2002) points out, "international trade allows Americans to enjoy French wine and Colombian coffee and to take advantage of investment opportunities in the United Kingdom" (p. 107). On the negative side, increased imports can put many competing domestic manufacturers out of business if these firms fail to develop new ways to compete against the foreign intrusion (see Figure 4).

The obvious recommendations from understanding the positive and negative QOL impact of imports are to ensure that public policies encourage the importation of goods and to develop policies designed to enhance the competitiveness of domestic industries to protect their prosperity and long-term survival. The less obvious recommendations are deduced from the moderating effects. Remember we argued that the positive QOL impact of imports is moderated by two factors, namely when the imports do not compete with domestic firms and when domestic firms benefit from the technology transfer related to exports. Furthermore, we argued that the negative QOL impact of imports is exacerbated by structural barriers such as cost of labor. We will address the policy implications of these moderator effects because we believe that are significant.

6.2.1. *Encourage Imports of Products that Do Not Compete with High Employment Domestic Industries Where Workers Cannot Easily Transition to More Productive Employment*. Our model suggests that the positive QOL impact of imports is maximal when the imported goods provide the country residents with added value and in ways that do not compete with high employment domestic firms where workers cannot easily transition to more productive employment. Increasing needed imports can be achieved by providing exporters with financial incentives to import their goods with low or no tariffs. This also can be done by providing foreign companies with tax incentives to establish local presence through establishing manufacturing and/or sales subsidiaries.

6.2.2. *Impose Trade Barriers as Short-term Solutions While Helping Threatened Industries Retool to Become More Competitive*. Our model also suggests imported products may jeopardize the survival of large competing firms in the domestic market, which in turn may adversely affect the QOL of the country residents. The typical response of most governments to combat foreign intrusion and protect threatened industries is by instituting protectionist measures. The German economist Freidrich List (1789–1846) developed the notion that emerging economies needed to shelter their

industries until they developed to the levels of the leading economies'' (cited in Held et al., 1999, p. 156). Protectionist measures took form in tariffs, quotas on imports, negotiated restrictions on import quantities, support for exporters, customs delays and procedures, and government policies of buying from domestic producers.

For example, U.S. industries have filed a slew of antidumping suits aimed at China's furniture manufacturers, and they are winning many of these cases. The U.S. International Trade Commission has investigated complaints by U.S. furniture manufacturers. The U.S. Commerce Department ruled against Chinese manufacturers by imposing punitive duties (Engardio and Roberts, 2004).

There is some evidence that protectionism does not help much to shield the adverse effects of trade on economic well-being. For example, following the 1929 stock market crash, protectionism became widespread as countries raised their trade barriers in futile attempts to deal with the economic recession. Trade plummeted after 1929: between 1929 and 1937 world trade volumes actually fell by 0.4 per cent per annum, while world output grew slowly at 0.8 per cent per annum (Kitson and Michie, 1995). The fall in trade greatly exacerbated the downturn in economic activity.

We recommend a two-pronged approach involving trade barriers (e.g., tariffs, quotas) and training/education. As a short-term solution, governments should protect their threatened industries by imposing trade barriers. This should allow those threatened industries time to retool to become more competitive. Enhanced entrepreneurship and marketing skills programs should help domestic manufacturers compete against foreign imports by making them more innovative and productive. Eventually, when the threatened industries are no longer, tariffs and quotas should be reduced significantly or eliminated.

6.2.3. *Assist Displaced Workers By Re-training Them for Jobs in Industries with Comparative Advantage*. It is important for governments to help displaced workers from failing industries to re-train and be reallocated to globally competitive industries (industries with a comparative advantage). Governments can reduce the negative QOL impact of imports by developing placement assistance programs and providing short-term financial assistance, especially for the most vulnerable displaced workers (i.e., old, and less skilled) (Kletzer, 2001). Governments should focus on assisting those displaced individuals to return to suitable employment as quickly as possible. Suitable employment is defined as work that is substantially equal to, or

higher in skill levels than, the person's past adversely affected employment, and that pays not less than 80% of the individual's previous income (*U.S. Department of Labor*, 2001a).

Therefore, governments should develop specific policies and programs directed to assist these displaced workers by training them to acquire skills in thriving industries, especially industries with higher paying jobs. The way to address the loss of low-wage jobs is to make sure that all workers in the U.S. have the education and skills to climb the ladder to high-productivity occupations. The same can be said for countries such as Mexico and Cambodia (Calvert, 2002; Rozo, 2002). As William Spurr, president of the North American transport division of Bombardier points out in a *Business Week* interview, "If Mexico wants to hold on to its value-added jobs, it must develop education and enlarge its pool of knowledge-based workers" (Smith and Lindblad, 2003). Hence, trade globalization cannot be ignored or left to chance; governments need to promote education and take other necessary steps to help both their own countries and less fortunate ones.

7. FUTURE RESEARCH

In addition to testing the proposed model, we suggest additional avenues for future research. Our proposed model has focused on the impact of trade of *economic goods* on the QOL of a country. We developed our model guided by the notion that economic goods play an important role in trade globalization. Our model does not take services into account. Therefore, we suggest that future research should expand the boundaries of our model to incorporate services. One aspect of including services in our model will be the realization that technology has made many businesses "hyperflexible" in dealing with paperwork. Kirkpatrick has revealed that a Proctor & Gamble (P&G) spokesperson stated that P&G has saved $1 billion since 1999 by concentrating back-office work in Costa Rica, the Phillipines, and Britain (Kirkpatrick, 2003).

Further, research should be conducted to expand the model to take into account the impact of technology, information, capital, and workers on a country's QOL. One can further argue that globalization researchers should study the interplay between aspects of globalized technology, information, capital, and workers on a country's QOL.

Some may criticize our model for failing to address explicitly the impact of trade globalization on environmental well-being. We believe that environmental well-being is captured through health well-being, and we have

described those indicators in the first part of the paper. By associating environmental well-being with health well-being we made a philosophical assumption with which some may take issue. The assumption is that environmental well-being is viewed as an environment that does not adversely affect the health and safety of its *human* inhabitants. In other words, environmental well-being is grounded on what is good for humanity, not necessarily all living species on our planet. Future work may challenge our philosophic assumption of environmental well-being by conceptualizing and measuring environmental well-being from a different perspective and deducing new theoretical propositions based on the new perspective.

Part of our model is based on the assumption that trade globalization can be captured mostly through inflows and outflows of economic goods – imports and exports. One can argue that our definition of trade globalization is too narrow in that the outflows of economic goods are based on exports, not other forms of exchange such as foreign direct investment, setting up manufacturing facilities in the importing country, joint ventures, or strategic alliances between or among channel members. Future research should examine the role of exports *vis-a-vis* other forms of exchange in trade globalization and QOL impact.

8. CONCLUSION

One can argue that the rules governing economic globalization have been created through trade agreements, international law, and institutions dominated by industrialized countries. Examples of these rules include dropping tariffs, eliminating capital controls, enforcing intellectual property rights, privatizing public services, and weakening regulations that protect labor, health and safety, and the environment. It is time to study the effects of trade globalization in a comprehensive manner. The findings of such studies should allow international bodies such as the World Trade Organization and the United Nations to revisit public policies related to international trade and re-examine those trade agreements generated by the industrialized countries. Based on objective QOL assessments of international trade, public policy can be formulated effectively in ways to maximize the positive impact on a country's QOL while minimizing the negative impact.

We hope that future studies will test the many theoretical propositions of the model, develop valid and reliable measures involving its various constructs, and expand the model to identify conditions (legal, economic, political, etc.) that can help account for variations in positive and negative QOL impacts of trade globalization.

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