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WHY 'FREE TRADE' IS BAD FOR YOU (OR MOST OF YOU ANYWAY)

by Walden Bello

I am all for trade. But I am not for so-called 'free trade' because it's a bad idea and bad policy. 'Free trade' is in real trouble today. But its promoters brought this on themselves.

Their first sin is hypocrisy. 'Free trade' ideologues have enshrined the World Trade Organisation (WTO) as the so-called 'jewel in the crown of free trade and globalisation'. Yet, in its key agreements the WTO promotes mono-poly, not free markets. The Trade Related Intellectual Property Rights (TRIPS) Agreement seeks to restrict the diffusion of know-ledge and technology and reserve for giant corporations the fruits of technological in-novation by significantly tightening patent rules. The Trade Related Investment Measures

practise free trade. Wrong. In fact, whether it was Germany and the United States in the 19th century, Japan and South Korea in the 20th century, or China in the 21st century, they have protected their domestic market, subsidised exports, required levels of domestic content, regulated investment, taken and copied technology from foreign firms, managed currency and imposed import barriers, informally and formally, in order to achieve their current high levels of industrial development. (Yes, China's growth was export-oriented but China did not engage in free trade but in managed trade that included a healthy dose of creative currency management and tremendous export subsidies.) On the other hand, those countries that allowed them-

Free trade is simply a euphemism for the corporate capture of international trade.

(TRIMS) Agreement was intended to preserve and expand the markets of the existing automobile giants. It outlawed local content policies even though these policies had enabled developing countries like Korea and Malaysia to develop their motor vehicle industries — industries which had, in turn, been central to the comprehensive industrialisation of these economies. The Agreement on Agriculture (AOA) has been nothing but an instrument to pry open developing country markets to highly subsidised agricultural products from the European Union (EU) and the United States (USA).

The second sin of the promoters of 'free trade' is that what they promote is pure ideology. They say that countries that have successfully developed are the ones that

themselves to be fooled or were bullied by the missionaries of 'free trade', such as Mexico, the Philippines, and much of Africa, bit the dust.

The third sin of the 'free trade' ideologues is disseminating as true very questionable conclusions from bad research. There is, in fact, little or no evidence for the World Bank's claims that 'countries that used large tariff cuts to open their trade to the beneficial effects of globalisation have seen more poverty reduction than those that have not.'. Don't take it from me. Take it from the celebrated Task Force of top economists, co-chaired by Nobel Laureate, Angus Deaton, from Princeton. This group was formed to evaluate the research conducted by the World Bank on the impact of trade liberalisation and globalisation being. The Task Force wrote a

scathing review: ‘Much of this line of research appears to have such deep flaws that, at present, the results cannot be regarded as remotely reliable’. The Bank’s evidence, they said, was ‘chosen selectively, without supporting argument, and empirical skepticism selectively suspended’. Noting the dubious quality of World Bank research is important because most of the free trade lobby, including the WTO, has relied on it in their advocacy.

What does solid research reveal?

- Greater global integration through trade has greatly increased inequality among countries and, if you exclude the very exceptional case of China, increased inequality in the global population of households and individuals.
- Globalisation has created in both Global North and Global South countries opposition between domestic regions - between those that prosper from trade and those driven into greater poverty by trade.
- Globalisation has had differential impacts on the developing world. Some East Asian countries, e.g., Japan, South Korea and China, are benefiting because of their prior

protectionist policies and managed trade, but Latin America, Africa, and the Middle East draw little benefit or, indeed, suffer from it.

- ‘Free trade’, by encouraging more and more consumption, is a key driver of increased carbon emissions and so it more than wipes out whatever gains are made by greater energy efficiency.

Is the answer to withdraw from global trade? No, it is to go back to an earlier system like the General Agreements on Tariffs and Trade (GATT), which promoted trade but was flexible enough to allow countries policy space to develop and preserve their social contracts by preventing commodity dumping, environmental dumping and social dumping.

Like the ideologues of centrally planned ‘socialism’, the ideologues of ‘free trade’ are trying to impose a one-size-fits-all model on everyone.

Source: *Focus on the Global South*, 1 March, 2019, www.focusweb.org

FIVE TRADE PRINCIPLES AND LAUDATO SI ‘

As the world watches the almost daily chaos in Westminster around Britain’s exit from the European Union (Brexit), CAFOD (the Catholic Agency For Overseas Development in the United Kingdom), has outlined some principles and values aligned with *Laudato Si’* that should govern future trade relationships if they are to ensure that the world’s poorest people are at the very heart of UK trade policy. These are principles and values that other countries should also espouse and implement.

1. Strengthen democracy, by committing to transparent and open consultation, enhancing parliamentary scrutiny and subjecting all trade agreements to full democratic accountability. All agreements should support both the UK and developing countries in meeting international commitments.
2. Support small business by creating a level playing field for the world’s poorest people. The UK should offer immediate

non-reciprocal market access for the least developed countries (LDCs) and grant favourable access for all other poor countries.

3. Promote mutual benefit, by taking into account the potential benefits and costs of our trade agreements for third parties. The UK should ensure that no trade deal has an adverse environmental, economic or social impact on developing countries.
4. Uphold dignity of work, by supporting an economic and business model that centres on human dignity, protecting workers and their rights in the work place as well as supporting family and community life. The UK should ensure that all trade deals strengthen the existing standards for labour and human rights, encouraging ‘a race to the top’. ‘Work is a necessity, part of the meaning of life on this earth, a path to growth, human development and personal fulfilment.’ (*Laudato Si’*, #128)

- Care for creation, by integrating into economic policies and practices the objectives of social and environmental sustainability, in line with the Sustainable Development Goals (SDGs) and the Paris Agreement, and ensuring that all trade deals are bound by these national and international commitments.

It is interesting that principle 4 uses the terminology, ‘race to the top’, as the effects of current trade agreements are about a ‘race to the bottom’. Pope Francis said in 2013 that ‘the goal of economics and politics is to serve humanity, beginning with the poorest and most vulnerable’. In *Laudato Si’* #32, he states, ‘The earth’s resources are being plundered because of short-sighted approaches to economy, commerce and production’.

Pope Francis also warns that we are in danger of reducing everything simply to our need for consumption. He calls for a new kind of trade, growth and development, that will help us to

meet the global challenges we face. We have an opportunity now to take a fresh approach which places the economy at the service of all human beings to promote the common good. Seeking the common good requires us to consider how trade should contribute to the development of each individual person, humanity as a whole, and future generations. ‘Once we start to think about the kind of world we are leaving to future generations, we look at things differently.’ (*Laudato Si’* #159)

New trade agreements give us the opportunity to strengthen existing environmental, labour and human rights standards. *Laudato Si’* reminds us that history shows that increased trade and investment can support development, provided they are grounded in people-centred ethical principles. We must consider the effects of our trade policy on the well-being of all members of the human family and on our planet, ‘our common home’.

Source: *Trade principles from CAFOD*, www.cafod.org.uk, with additional comment by Mary Boyd.

TRAFFICKING IN PERSONS

It is generally acknowledged that there are five main categories of trafficking in persons:

- **bonded labour**, where a person is compelled to repay a debt and cannot leave until the debt is fully repaid;
- **forced labour**, where a person works for no pay, or very little, or under violent threats;
- **sex-slavery**, which takes many forms ranging from prostitution to pornography;
- **child slavery**, where children are forced to work in a variety of situations; and
- **domestic servitude**, where persons work in often hidden, hugely exploitative circumstances with no chance of escape.

There are two days specially designated in the United Nations Calendar to draw attention to trafficking in persons: 11th January, and the

World Day against Trafficking in Persons on 30th July. Former USA President Obama stated the rationale for these international observances: ‘From factories to brothels, from farms to mines, millions of men, women, and children in the United States and around the world are exploited for their bodies and their labour... In order to rid the world of modern slavery we must do everything in our power to combat these violations of human decency’.

Human trafficking is, with the arms and drug trades, one of the top three generators of the world’s illegal financial profits. It is estimated to generate \$150 billion annually.

Annual Report on Trafficking in Persons¹

One widely acknowledged instrument for assessing the progress, or lack of progress, in the fight against trafficking is the annual

¹ Those wanting to read what this Report has to say on their country may refer to www.state.gov/j/tip

Trafficking in Persons Report compiled by the USA State Department. While this Report is open to criticism for various reasons, it is a useful tool and other existing studies have their defects, too. The US Report classifies countries in four groupings, with a fifth category, Special Cases, which is normally reserved for countries caught in the grip of war and conflict:

- Tier 1 countries are those that fully comply with the USA's benchmarks under the Trafficking Victims Protection Act (TVPA).
- Tier 2 consists of countries whose governments do not fully meet the minimum standards of the TVPA, but are making significant attempts to do so.
- The third category, called Tier 2 Watch List, contains countries described in Tier 2 above that are also warned that the number of victims suffering severe forms of trafficking is very significant, or is significantly increasing.
- Tier 4 are those countries which do not fully comply with the minimum standards of the TVPA and which are making very little effort to do so.
- The fifth category, known as Special Cases, refers to countries in deep conflict, e.g., Yemen, Syria.

Some findings on South Africa

South Africa (SA) is recognised as a source,

destination and transit country for human trafficking.

According to the US Report, in the year 2017-18, SA slipped from Tier 2 to Tier 2 Watch List. The Report noted some positive aspects but justified the downgrading with the words, 'the [South African] government did not demonstrate increasing effort overall compared to the previous reporting period'. So the critical issue for grading is that of increased effort. The Report also notes that in South Africa the highest number of victims is in the field of labour, yet the government did not comprehensively monitor forced child labour and trafficked adults in the sectors of agriculture, mining, construction and fishing.

Conclusion

Trafficking in persons in SA will continue to destroy the moral fabric of the human family without serious government action in three directions:

- strengthening knowledge in all the sectors where trafficking is occurring;
- improving regulation and encouraging leadership; and
- promoting information partnerships.

Source: Peter-John Pearson, Director, Parliamentary Liaison Office, SA Catholic Bishops' Conference, Briefing Paper 471, February 2019. Sent by Loek Goemans.

'A human being is a part of the whole, called by us, 'Universe,' a part limited in time and space. We experience ourselves, our thoughts and feelings as something separated from the rest -- a kind of delusion of our consciousness. This delusion is a kind of prison for us, restricting us to our personal desires and to affection for a few persons nearest to us. Our task must be to free ourselves from this prison by widening our circle of compassion to embrace all living creatures and the whole of nature in its beauty. Nobody is able to achieve this completely, but the striving for such achievement is in itself a part of the liberation and a foundation for inner security.'

Albert Einstein

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