

Crisis of the Global Economy: Trade Conflicts and “Fair Trade”

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Global Research, April 05, 2010

5 April 2010

Region: [Asia](#), [USA](#)

Theme: [Global Economy](#)

Trade is now a favorite topic for many politicians and the media, especially between China and the U.S. Likewise, labor and progressive groups continue to delve deeper into trade issues, offering a variety of working class solutions. The far right, too, is obsessed with trade, using it to fuel nationalism and anti-China sentiment. No subject is prone to so much demagoguery combined with so little explanation.

Before one can offer a vision of “fair trade,” it’s helpful to understand what “trade” is.

A popular misconception of trade is that governments trade goods between themselves. The false implication here is that trade is a national issue, equally important to all that fall within the boundaries of certain countries. This mistaken premise — promoted by both media and politicians — leads to erroneous conclusions.

In reality, governments have very little to do with trade. Instead, giant corporations are the main actors behind global trade: multinational corporations produce goods — in China— and sell these goods overseas to other corporations — to Wal-Mart, for example.

The Chinese and U.S. governments basically do nothing. This is “free-trade” in action: goods and services — including investment cash and factories — freely flow between nations, unobstructed by government interference.

Free trade is negative for the international working class for numerous reasons. When labor and regulation costs are too high for competitive super profits in the U.S., for instance, corporations jump ship and leave the country to exploit the slave wages of poor countries, working with subjected foreign nations that limit labor and human rights to keep the poverty wages in place. Free trade also pumps cheaper goods into poor nations, wiping out their local agricultural and other industries, causing mass unemployment and migrations.

Under capitalism, corporations dominate the global economy, and governments are left with only one recourse if they want to intervene over trade issues: they can lower or raise import/export costs at the border. The U.S. government can raise taxes (called tariffs or duties) on Chinese goods, which have the effect of limiting Chinese imports, and giving U.S.corporations greater dominance over the U.S. consumer market. Raising taxes on imports — or keeping them out completely (an embargo) — is referred to as protectionism, which can and often does keep prices high in the domestic market.

Protectionism is still capitalism dominated by giant corporations at the expense of the rest of us, but unfortunately, many labor and progressive organizations believe that protectionism offers relief to the U.S. working class. They demand that the U.S. government

intervene in trade issues by keeping out foreign goods, thereby “protecting jobs.” This same solution is also advocated by the far right, including neo-Nazis — people who have not a progressive bone in their body.

The problems with protectionism are many. By simply keeping out foreign goods without attacking the power of U.S. corporations, protectionism merely strengthens U.S. corporations, who then have a monopoly on the U.S. consumer market. Of course, stronger corporations are a danger to U.S. workers’ standard of living.

Protectionism also increases international conflicts. The world economy is arranged in such a way — with U.S. government encouragement — that many countries are “export-based economies:” they are set up to export goods to countries like the U.S., the most valued consumer market on the planet. This global arrangement has “free-trade” at its foundation: if the U.S. erects trade barriers and keeps out foreign goods, export-based economies are adversely affected, and they interpret such an act as an “economic act of war,” with retaliation to be expected. History shows that economic warfare often leads to the military type of warfare.

More importantly, protectionism intellectually disarms American workers, who are naturally skeptical of U.S. corporations’ intentions. Protectionism attempts to bind workers’ interests with “their” corporations, in the same way that corporations attempt to use “profit sharing” to give workers encouragement to work harder, not form unions, and see their interests as entirely the same as those of their employers.

President Ronald Reagan attempted to do the same in his “trickle down” economic theory; the less we tax the corporations, he claimed, and the less we demand from them in wages, the higher their profits will be and the more happy they will be to share with workers. It’s a lie, of course. But such lies form the basis of protectionist policy; workers should team up with U.S. corporations against foreign companies, so that, presumably, more U.S. jobs will be saved.

The current recession has shown how eager U.S. companies are to save jobs. If corporations can make more profits with fewer workers who work longer with less pay, they’ll do it without a second thought. Likewise, if protectionist policies provide privileges to U.S. corporate monopolies, they’ll have only U.S. workers standing in their way to even higher profits.

A similar scenario played itself out a hundred years ago, when American unions teamed up with the “good” corporations who first allowed a unionized workforce. When the “bad” companies were defeated, leaving the “good” companies without competitors, the labor/company “partnership” was abruptly ended with corporate attacks on unions.

Today, this modern equivalent is manifest in the Alliance of American Manufacturing (AAM), an organization where giant corporations and U.S. labor unions come under one roof to advocate protectionist policies (most notably anti-China policies).

The AAM attempts to distract American workers away from their native corporations towards an overseas scapegoat. This unholy alliance will likely end if Chinese corporations are pushed out of the U.S. market, leaving workers and corporations to battle openly over wages vs. profits.

Distraction is an especially dangerous outcome of protectionism, and especially valued by U.S. corporations in times of recession. When workers are demanding that less money be spent for war and bank bailouts, and more for wages, job creation, education and social services, distraction becomes a crucial political ally. Corporate dominated governments will do anything to channel this energy away from themselves, and towards foreign governments and native minorities, especially immigrants. Trade offers corporations an invaluable resource to blind workers to domestic issues in favor of foreign scapegoats.

Recessions create yet another motivation for corporations to focus on trade issues. Since the global economy is interconnected, recessions create an incentive for them to push the negative effects on to the corporations inside other nations, called “beggar thy neighbor” policies. Thus, the U.S. is demanding that the Chinese raise the value of its currency, so that U.S. corporations can sell their goods cheaper in China. Such a move would indeed boost the profits of some U.S. corporations, but the more important consequence is the distraction offered to U.S. workers. The threats and bluffs coming from the Obama administration towards China are classic beggar thy neighbor tactics.

Any vision of “fair trade” cannot include giant corporations dominating the economy, since you cannot make fair what you do not own. The best example of fair trade between nations today exists in Latin America, inside the trade bloc, Bolivarian Alternative for the Americas (ALBA). Instead of “protecting” corporations from competition abroad, the ALBA countries have nationalized corporations, using them for public consumption and to trade with other nations who have nationalized goods and services. State ownership sets ALBA apart from free-trade agreements like NAFTA and the European Union, and decisively ends the never ending debate between capitalist nations: free trade or protectionism. Another vision of trade is possible, though not within the realms of corporate domination.

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