

Making the World over in America's Image

Free trade agreements are not about trade

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The paradigms a person uses (or assumes) while thinking about anything determines the conclusions reached. The choice of an incorrect paradigm usually renders the thought process invalid.

Free trade was practiced long before restricted trade. Restrictions were placed on trade to prevent the damage done to domestic producers by allowing free trade with foreign producers. The elimination of these restrictions on free trade has reintroduced the damage the restrictions had been introduced to prevent. A careful examination of paradigms would have avoided this malign consequence.

The basic paradigm of free trade is this: Country A produces products for domestic consumption, but it produces more than the nation can consume. The excess production is sent to country B where no similar product is produced to be sold there. Country B does the same thing with a different product. Both nations are enriched by the trade. The excess production is gainfully sold and each nation gets access to a product it did not itself produce. The earliest example of such trade is European trade with China. European made metal utensils were sent to China to be traded for silk cloth. Metal utensils for the Chinese, silk cloth for the Europeans-win win.

Trade carried on in accordance with this paradigm enriches both trading partners. When this paradigm is altered, however, malign consequences to the nations involved always eventually occur. If the Chinese had made metal utensils similar to those made by Italians, the trade between Italy and China would have resulted in competition that would have injured the producers in at least one of the countries unless the market for the products were increased enough to accommodate the additional supply. Such an increase in the market is impossible to insure. So to prevent the economic damage from such competition, restrictions (tariffs) on trade were introduced.

Free trade does not require international treaties. Free trade is the natural way of trading internationally. The current international attempt to define trade by means of trade agreements is a perversion of the basic idea and should be examined with some skepticism.

The basic paradigm cannot be used to explain what is happening today. Consider the paradigm currently popular with American corporations and economists: The manufacturer of some domestically consumed product in country A off shores its manufacturing to country B and then ships the manufactured products back to country A to be sold. Economists claim that the benefit the people of country A receive from this practice is lower priced products, but nothing in this paradigm compels the manufacturer to lower his prices. The claim lacks any justification whatsoever. In fact, there is nothing in the paradigm to keep the manufacturer from raising prices. The price of no product is solely determined by where it is

manufactured. After all, a free market is unregulated!

Furthermore suppose country A, for instance, is like Japan where kimonos and chop sticks are popular, traditional goods. Say the manufacturers of these products decide to off shore their manufacturing to the United States where kimonos and chop sticks are not traditionally consumed. Although this procedure is described as trade, nothing is traded. The cultures of neither Japan nor the United States are enriched. As a matter of fact, both economies are damaged. Japan gains nothing but loses the manufacturing jobs and all America gains is a few marginal, low-wage jobs.

Such is the situation American manufacturers have brought about by off shoring manufacturing. Kimonos and chop sticks do not become American products merely because they are manufactured in America. Kimonos and chop sticks are Japanese no matter where they are manufactured. And a hamburger does not become a Japanese product by being made in Japan. Hungarian Goulash is not American beef stew. An American product made in a foreign nation is still an American product. Bringing it back to America to sell doesn't make it a foreign import.

This paradigm is a total inversion of the basic paradigm that has governed international trade for thousands of years. Not only is it not a paradigm of international trade, it is not a paradigm of any kind of trade. It is merely a manufacturing paradigm.

But what if the products involved are generally consumed in both cultures?

Consider this paradigm: Germans decide to try to increase the number of German made automobiles sold in America. The competition between German and American auto manufacturers is fierce. Either the imported autos result in an increase in the number of autos sold in America or the Germans fail to increase their share of the American market or sales of American made autos decline. No other alternatives exists.

Now economists assume that the number of auto sold increases. They argue that the market is not zero summed. But they forget that it is also not infinitely expandable. Again, nothing in the paradigm compels an increase in the number of autos sold. Increase in supply does not necessarily cause a corresponding increase in demand. And when this paradigm is generalized to include more and more products, the limit to market increases will be reached for more and more products. The consequence is mass employee dislocations, exactly what has happened in America. Every country in the world cannot continually increase the production of products with the intention of selling elsewhere what cannot be consumed domestically. Americans cannot be expected to buy Japan's excess production of kimonos and chop sticks! Likewise, the rest of the world cannot be expected to buy whatever Americans want to sell. So the claim that trade agreements will result in a greater number of American exports is not true perforce. It might not lead to any increase in exports at all. That is the fallacy in Ricardo's sketches of comparative advantage which no economist seems to have recognized. Ricardo's example, if put to a test, might have resulted in the production of more and cheaper wine and cloth, but the wine produced might not have been potable. Somehow or other economists fail to realize that the number of items of a kind sold is not solely dependent on price. The sale of wine also depends upon its flavor.

Nations do not negotiate treaties to promote the interests of other nations. They negotiate

treaties to promote their own interests. NAFTA was not negotiated to promote the interests of Mexico. But it has not promoted the interests of the United States either. So why does the United States government persist in negotiating “free trade” agreements? Perhaps the purpose of such agreements is not trade. Governments lie!

Suppose Americans started wearing kimonos and eating with chop sticks. Suppose, too, that they started eating whale meat and rice instead of beef steak and potatoes. Suppose they started viewing sumo wrestling instead of football. You get the idea. The more Japanese products Americans adopt, the more America looks like Japan. There is, in fact, a principle here. The more one culture adopts from another, the more the cultures become alike. Specifically, the more products America exports to the rest of the world, the more the rest of the world looks like America. The free trade movement is a tool which is exactly like regime change. When America removes a native government and replaces it with an American friendly one, it is trying to make the world over in America’s image. That’s exactly what “free trade” is all about. Regime change and free trade are hegemonic instruments. And neither is working to America’s advantage.

America began negotiating so called “free trade” agreements in the 1980s. At the present time, such agreements exist with twenty other nations. And the American economy has boomed since then, hasn’t it?

Well no, it hasn’t. Since then wages in America have stagnated and the nation has experienced the worst financial downturn since the Great Depression. So much for the success of “free trade.” Astute people measure the success of policies by their results. America measures success by failures.

Regime change has also failed. All it has accomplished is the creation of conflict. But the failure of regime change is already well known.

Think of what the world will be like if it were made over in America’s image. Misery would abound! Thoughtful people everywhere already know of this impending calamity. America is disliked throughout the world for what it is trying to do, not for any other reason.

The world’s peoples do not want to abandon their cultures. The people of India, even after more than a century of colonization, do not want to be Englishmen. As de Gaulle recognized, the people of Algeria did not want to be Frenchmen and do not want to today after decades of living in France. Despite the American myth that everyone wants to be an American, unfortunately they really don’t, and they don’t want many of America’s products either.

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