

Corporate-sponsored globalization is not free trade

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There is a grand debate over international economic policy now raging, and the outcome will have profound impacts on how the world evolves over the next several decades. But don't be tricked into thinking this is a debate about "free trade" – the unhindered exchange of goods – because it is not.

The grand "neoliberal" transformations of the international economy over the past few decades are, first and foremost, about increasing international protection for intellectual property rights (patents and copyrights) and making it easier for financial capital and productive facilities to relocate anywhere they choose.

Those pushing for these changes want people to think the debate is about trade liberalization – mutual reductions in tariffs on imported goods – to distract people from what is really being done, which is to further empower multinational corporations at the expense of everyone else.

This includes setting up tribunals completely outside national judicial systems in which corporations can sue to stop governments from passing regulations their citizens favor to protect the environment and worker safety.

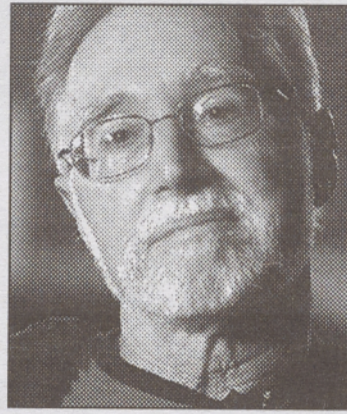
Trade liberalization has been the least important component of the neoliberal globalization process over the past 30 years.

The General Agreement on Tariffs and Trade did far more to reduce tariffs and promote "free trade" in the first two decades after World War II than the World Trade Organization (WTO) has done to reduce tariffs since its founding over two decades ago – giving lie to the claim that neoliberal globalization is primarily a push for trade liberalization.

Not only was trade liberalization the main mission of General Agreement on Tariffs and Trade, the emphasis under it was primarily to

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reduce tariffs in the more developed economies. This provided some leeway for less developed countries to protect their domestic industries through early stages of industrialization in what was referred to as an "import substitution" development strategy. It also initially advantaged the United States because unlike other, more developed, economies, the U.S. productive infrastructure had not been reduced to rubble during World War II, so that lower tariffs for all more developed economies boosted U.S. exports more than imports in the post-war years. More importantly for present purposes, the General Agreement on Tariffs and Trade negotiated reductions in tariffs without forcing countries to acquiesce to "trade related investment



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measures" (TRIMS), and "trade related international property rights" (TRIPS), whereas the WTO has made acceptance of these provisions a requirement for membership. TRIMS is techno-babble for outlawing regulations on direct foreign investment and TRIPS is techno-babble for extending coverage and enforcement of patents and copyrights to all countries. What is important to know about this is that no country has ever succeeded in achieving economic development without sometimes placing restrictions on foreign investors and without being able to adopt technologies developed elsewhere at low cost. So don't be distracted by talk of "free trade." Instead, ask yourself whose interests are served by protecting international property rights and liberalizing both direct foreign investment and international financial investment (IFI, or portfolio investment), and whose interests are harmed. The answer to who benefits is obvious – multinational corporations. Here is the answer to who has been harmed:

1. In more developed economies, less skilled industrial workers have been hurt first and foremost by liberalization of direct foreign investment, as their employers both threaten and do move their jobs to less developed countries where wages are much lower and working conditions are much worse. Combined with a decline in unionization, liberalization of direct foreign investment has led to a dramatic deterioration of employment and wages of less skilled workers in more developed economies. After 30 years of this, it is hardly surprising that many less skilled workers in the "industrial heartlands" of more developed economies have rebelled against the political establishment that presided over this grand transformation, and voted for Brexit in the U.K., Sanders over Clinton in the Democratic primaries, Trump over a field of establishment Republicans in the Republican primaries, and finally Trump over Clinton in the general election.

2. In less developed countries, the effects of financial liberalization was disastrous, as currency crises triggered deep recessions

which took years to recover from in Mexico (1995), Thailand (1997), Malaysia (1997), Indonesia (1997), South Korea (1998), Russia (1998), Brazil (1998), Turkey (2001) and Argentina (2002). And since neoliberal globalization threw more peasants off the land in less developed countries than it added new jobs in labor intensive manufacturing, there was often little or no increase in less developed countries wages.

3. For decades the ill-effects of international financial liberalization were confined to less developed countries. But in 2008 the biggest financial crisis since the crash of 1929 hit the United States and the European Union harder than elsewhere. When establishment political parties in more developed economies bailed out the banks but not the victims of foreclosures, and allowed unemployment to linger far longer than necessary, conditions were ripe for political rebellion.

Both center right and center left Establishment political parties in more developed economies have suffered huge electoral losses everywhere as they struggle to maintain power.

Sometimes the populist revolt has been led by progressive forces, such as Syriza in Greece, Podemos in Spain, Uncut and Jeremy Corbyn in the U.K., and Occupy and Bernie Sanders

in the U.S. But unfortunately the right-wing rebellion against the establishment has more often been led by right-wing politicians such as Marine Le Pen in France, Nigel Farage in the U.K., Geert Wilders in the Netherlands, and most spectacularly, Donald Trump in the United States. Right-wing populists scapegoat immigrants and refugees from wars and poverty caused in no small part by havoc unleashed by neoliberal globalization, denounce all international economic treaties and organizations and threaten to raise tariffs dramatically. It remains to be seen how much of their pre-election rhetoric is a program with concrete substance and how much is pure demagoguery.

Over the past three decades progressives honed a compelling critique of neoliberal globalization. More recently progressives have forthrightly denounced racist campaigns by right-wing populist forces against immigrants, refugees, Muslims and people of color as little more than vicious scapegoating. But progressives have struggled to present an attractive alternative to both neoliberal globalization and right-wing populism. I will try to fill this gap and describe what a progressive alternative might look like in my next article.

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