

Alternatives to Free Trade: Fair Trade and Beyond

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The global debate around free-trade and its consequences has evolved tremendously in recent years, from tiny circles of leftist critics into a broad international protest movement. Although the movement began to bloom in response to the policies of the World Trade Organization (WTO), the biggest demonstrations have been in response to the now-popular “bi-lateral” free-trade agreements that economically powerful countries sign with poorer nations. Once one has become conscious of the problems created by free-trade agreements, whether they are international or regional, an immediate task presents itself: finding a feasible alternative.

Yes, the trade policy advocated by most big business politicians is “free-trade,” and yes, this policy has had devastating consequences for working and poor people worldwide, while filling the already-full bank accounts of the rich. But the issue of “free-trade” alone isn’t sufficient to fully explain the vast social problems that plague so many countries.

For example, many progressive-minded people come to the seemingly common-sense conclusion that, if free-trade is bad, then its opposite, protectionism, must be good. However, this is not the case, as we will explain below. The search, therefore, for a real alternative, has led some to attach themselves to the notion of “fair trade.” This term means different things to different people, as there is no strict definition as to what fair trade is, or what it would look like if actually implemented. The ambiguous definition has attracted a wide range of adherents, from the honest progressive to the dishonest reactionary. Though there remains no concrete political program, there are sections of the fair trade movement that have some ideas as to what they want, but not how to get there, as shown by the Alliance for Responsible Trade:

“This enormous, unified movement is one of people telling those political leaders, financial speculators and the transnational corporations who promote neoliberal policies that their agenda is unacceptable. It is a movement of people demanding their very humanity. They do so by stating that nutritious food, a comfortable place to live, a clean and healthy environment, health care and education are human rights.”

There is much progressive content in this quote that should be encouraged. But there is something crucial lacking as well. For instance, one might ask, “What exactly is trade, and how do we make it fair?” Ultimately, one can not “trade” what one does not own. What trade under capitalism really means is that companies produce, buy and sell commodities on an international level, not for socially useful purposes, but for profit. At bottom, what is “unfair” is that unelected individuals or small groups of individuals own these corporations – the entities that control society’s vast wealth. And with that wealth comes powerful political influence; i.e., laws are passed to protect the interests and profits of the corporations. Understanding trade must begin here, at the foundation, so that proposed solutions don’t

merely address the effects of the world economic structure, but its cause. A brief outline of the history of the fair trade movement, along with its various challenges and limitations, will help us gain a better perspective on possible solutions to a problem that goes far beyond trade.

The origins of the fair trade movement had little to do with politics. The NGO's and religious organizations that founded the movement in the 1940s viewed the issue from a humanitarian, philanthropic perspective: third world countries were horribly poor and something needed to be done to help them. The solution the fair-traders devised came from a stark economic fact: workers and small farmers in poor countries seemed to be getting unfairly compensated for the goods they were producing. A hypothetical example is a blanket that took 10 hours to weave, but fetched only three dollars on the world market. To combat this inequity, fair trade organizations created shops where one could buy handicrafts and culturally unique goods at "fair" prices. The above-market price offered was considered a donation of sorts, and there remain segments of the fair-trade movement that retain this perspective and limit their focus accordingly.

The example of the blanket weaver can be used, on a small-scale, to explain a crucial economic law that keeps both blanket weavers and poor nations impoverished.

For example, a blanket that previously sold for \$10 may now only fetch three dollars on the international market because machinery was used to reduce the amount of labor time required to produce it (in economics this is reflected in the Labor Theory of Value). In other words, if a producer is the first to invent a new machine that can make the same product more efficiently while investing less labor time in it, and the blanket can then be sold profitably for say, two dollars instead of three, a new standard is created internationally. Therefore, when two producers with unequal machinery compete on the world market, the technologically inferior producer must invest more labor time to create the same product, but can still only charge as much as the international standard set by the most efficient producer. Since labor, in combination with nature, is the source of all wealth, countries that have better machinery can undercut and out-compete poorer countries.

There can therefore be no "fair" trade where vast inequalities in productivity exist, especially when rich nations have such an immense productivity advantage in technology, due to the tremendous wealth they've accumulated over previous generations through colonialism, slavery, and more recent imperialist military interventions. Advanced technology is one example of how this accumulated wealth serves only to further distance the rich and poor countries through competition on the world market.

Once a nation has a productive advantage over the majority of other nations, it becomes a champion of free trade, so that its cheaper commodities may dominate the international market, economically invading the less-developed countries and destroying their domestic industries. It was these "deeper causes" of inequality that the founding fair-traders were oblivious to, eventually leading activists to seek out new ideas.

The "2nd wave" of the fair-trade movement began with a deeper political analysis than its predecessor. An understanding of the international system of trade was developed, including the global financial and trade institutions that help maintain the unequal status-quo. In fact, an overemphasis was developed towards these organizations, ignoring the above-mentioned structural and economic factors that inevitably make "fair trade"

impossible under capitalism.

The movement's focal point was Europe, where a variety of progressive organizations worked in conjunction with a coalition of third world nations known as "The Group of 77" in an effort to reform the institutions that govern the capitalist system. The high point of this movement was its formal recognition by the United Nations, which adopted the slogan of "Trade not Aid," at the United Nations Conference on Trade and Development. However, it amounted to naught. The rich countries that control the UN eventually derailed the movement, through a policy of pitting the poor countries against each other through bribes, concessions, and threats.

This defeat led to the demoralization of the rank and file activists, who, burned by their attempt to reform a major institution of capitalism, chose to refocus their efforts on the more "practical" grassroots work of "market access." But even this less-grandiose strategy soon encountered resistance. Not only do large corporations own most of society's wealth, but also the means to transport it. Producers in poorer countries who sought to continue their way of life found it increasingly difficult to market the already-decreasing value of their goods. This was typically limited to agricultural goods, since most small-scale manufacturers had already been destroyed by the "invisible hand" of the market.

The large corporations that dominate agricultural production did not want competition from smaller outfits, and used their connections to the corporations that owned the ports and railways - often it was one in the same - to effectively exclude the unconnected. The fair-trade movement focused on the grass-roots buying and selling of goods produced by non-corporate groups, villages, or collectives, who were striving to stay alive in a world dominated by large corporations. Many segments of the fair-trade movement continue to align themselves with this approach, but ultimately, the perspectives for these tiny islands of "fair trade" are limited, surrounded as they are by a sea of imperialism and giant multi-nationals.

As of December 2006, 569 producer organizations in 58 countries were fair trade certified. The fair trade label has now found its way into the supermarkets owned by the mega corporations. The availability of these products - once again, usually above-market prices - has been enthusiastically received by those able to afford them. An entire political philosophy has evolved from the buying of "socially just" products, known as "consumer activism." The preachers of this philosophy are of course mainly from the middle-class, and have been largely unable to expand their efforts beyond select clothing and agricultural goods. Once again, those who considered the concept of fair-trade to be worthwhile were forced to search for new ideas that could take them beyond the obvious limitations posed by consumer activism.

Currently, the fair-trade movement has grown to encompass new layers with a consistently widening perspective, most notably, the involvement of labor unions. This came as a result of an accelerated process of global economic integration that capitalism required to maintain its existence, commonly referred to as "globalization." The most crucial aspect of globalization involved the working class of the world: world capitalism created a situation where the majority of the earth's population lives on virtual slave wages; the corporations of the rich countries, constantly bothered by "their" workers' demands for higher wages, fled to the third world where wages are lower and as a consequence, profits are higher.

This "corporate flight" in search of ever-lower wages has in turn lowered the wages of

workers everywhere. A corporation in the U.S. paying unionized workers cannot compete with one in China paying a dollar a day. Jobs and facilities were shipped overseas, union membership sank to new lows and the once mighty political power of the unions dissipated. This is how organized labor in the rich countries was drawn into the fair trade movement: out of necessity.

But “fair-trade” to the bureaucrats who control the unions is merely protectionism dressed up in radical-sounding clothing. Protectionism is the extremely limited, nationalistic solution they offer to the outsourcing of jobs and facilities. On the surface, this might seem like a common-sense solution: if a company produces a commodity that cannot compete with a foreign company, and the workers wish to keep their jobs, the company’s “competitiveness” seems like a priority. And if your political perspective is strictly bound to the confines of capitalism, there really is nowhere else to go. It is this slavish submission to the market economy that is proving debilitating to workers, when what is truly needed is a much broader, internationalist, working class solution.

The “company first, workers second” approach of worker-management “partnerships” has been used to destroy the wages and benefits of workers, setting the union movement back decades. The intent of the “partnership” approach is also used to foment nationalism and aims at fooling workers into thinking that the enemy is not at home, in the plush homes of the stockholders, but abroad: the companies and workers of foreign countries.

This nationalist ideology not only divides workers, but disempowers them, and instead links their fate to governmental policy. If a union’s strategy is to beg Congressmen to erect tariff barriers to protect them from cheap Chinese goods, dangerous waters are being entered. The mega-corporations that own these politicians end up asking for the same thing: they view China’s rise as a threat to their “strategic interests,” i.e., profits. And as history teaches, economic threats are often solved by military means.

Already many countries are developing protectionist tendencies similar to those that erupted before WWI and WWII. After WWII, capitalism experienced a prolonged boom, leading to increased free-trade cooperation in the WTO, dominated by the most powerful countries.

Despite the rise of powerful multi-national corporations and institutions, the nation state is still the basic unit of the capitalist system, and these nation states have opposing interests (since all multi-nationals have a “home base”). The irreconcilability of national interests under capitalism will always lead to contradictions, even within small trading blocs. The virtual collapse of the WTO is itself an expression of this. The boom is now over, and an “everyone for themselves ” protectionist mentality has taken over. The rich countries are done cooperating in the WTO and are instead opting for regional trade agreements where they can secure the resources and trade leverage desired with poorer countries. These trading blocs are dominated by specific imperialist powers, such as the European Union (Germany), NAFTA (U.S.), CAFTA (U.S.), PARTA (Australia), ASEAN (Japan), and UNASUR (Brazil). History teaches that trade blocs invariably turn into military blocs.

Throughout its history, fair trade has failed to define the clear political principles needed for developing a strategy capable of achieving its goals. Generally speaking, fair-trade has sought to transform capitalism into something it cannot be. This requires a new perspective that can break through the above, inevitable restrictions one encounters while trying to reform the market economy. Capitalism cannot be reformed. In the dog-eat-dog world of

profit-making and competition, “fairness” plays absolutely no role. Nor can it. If workers’ rights, the environment, health care, or human rights restrict profit-making, they will be paid lip-service to but ignored nonetheless.

The wealth-producing functions of the giant corporations can be transformed into socially useful enterprises and run on a democratic basis by the workers themselves, as opposed to the undemocratic economic / political domination that exists under private ownership. Running society should be a social task, where everybody has a say as to what is produced and how. The political philosophy that best reflects this idea is commonly referred to as socialism, and is the starting point for anyone who wishes to create a truly fair society.

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