



Free Trade's Little Secret

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President George Bush's decision to impose tariffs up to 30% on imported steel has led to a flurry of pundits' political and economic analyses and an infuriated response from many key U.S. trade partners threatening retaliation. Accusations of protectionism and political expediency abound, both of which are true if one accepts the current free trade rhetoric. However, more importantly, the decision reveals free trade's little secret: it does not exist except in economic theory. Most people don't believe in it. And more importantly, most people don't want it implemented. It is a myth, an economic ideology. And it is doing great harm to many small and developing economies.

Despite its consistent rhetoric and advocacy of ever greater trade liberalization and the free play of the market, the U.S. has always maintained protectionist policies for key industries. It has developed an arsenal of U.S. trade laws including Section 301 of the 1974 Trade Law, Super 301 and the Generalized System of Preferences to wield its will among trading partners and protect its industries and sectors. U.S. agriculture is among the most heavily subsidized in the world. The U.S. Government has been following the letter but not the spirit of the Uruguay Round agreement to phase out quotas on clothing and textiles. The Administration promised to protect the sugar and citrus industries from free trade in order to secure the votes for Trade Promotion Authority (Fast Track) in the House of Representatives. Other examples lie hidden in the back room promises made.

Nor is the U.S. the only country that maintains protectionist measures. Agricultural subsidies in Europe continue to be a major dispute within the WTO. Many of the countries in Europe continue to have import quotas on clothing and textiles.

However, finger pointing is not the issue. The issue is that free trade simply does not work. Each country has legitimate economic, political and social reasons for protecting and subsidizing domestic industries and sectors. The U.S. Administration and Congress recognize this fact for the U.S., but they do not admit that all countries have similar needs to protect and subsidize essential industries and sectors. In developing trade agreements at the WTO, in the FTAA process or in bilateral situations, the U.S. consistently negotiates against protectionist measures, safeguard measures and subsidies. The contradiction, some call it hypocrisy, is striking. But the outcomes can be devastating to the well-being of workers, communities and nation states.

The solution is not to use the flawed WTO Dispute Resolution Mechanism, which the EU has already put into motion to contest the Bush decision. Or for strong trading partners to

engage in a trade war, leaving the poorer and weaker economies to pick up the costs that are in no way related to their trade needs or agenda.

The solution is to face the reality that "free trade" ideology is flawed and needs to be rejected. The economics of global trade demands a rethinking of both the theory and the practice of trade liberalization. The solution is not more free trade but a working system of managed trade.

The mantras of free traders on winners and losers and the mythical level playing field must be replaced with a coordinated global effort to manage trade to reduce the disparities between the winners and losers and to redirect trade policy. Efficiency and competition as the primary driving forces behind trade negotiations need to be tempered by countries' national development agendas of poverty eradication, employment, strong local industries, sustainability, participation and transparency. The U.S. is protecting these goals for its national development well-being. Other countries, particularly the least-developed and developing countries must be guaranteed these prerogatives as integral to trade negotiations, not as limited and compensatory special and differential treatment mechanisms.

To reverse the current fraudulent game of "free trade" politics will demand a full-scale rewriting of current trade rules at the WTO and in the multitude of other trade negotiations fora. While the task would be massive, the greater challenge is political. The powerful nations are the primary architects and beneficiaries of the current global trading system so they must be convinced that to continue in this direction is not in their long-range self interest. The first step in that long process is to unmask the current gigantic lie - that "free trade" is the real goal - and to begin laying the foundations for a more equitably managed global trading system, theoretically, economically and politically.