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The myth of free trade

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## The myth of free trade

Kalim Siddiqui

dominant season in the on-going economic raises in the Tind World. The dominant season institutions namely from the Tind World. The dominant season institutions namely from the season institutions namely from the season in the subgesting means the greater increase in weath and of the south that the season in the south season in the south season in the south that only pramid But historical experiences in the trickle down for the poor people in the raise of under conditions was somewhat on the season of under conditions was concentrated for internation unmarkets, while the cultivation of locally concentrated to the season of t of locally consumed food was neglected.
Our experiences show that increased foreigh trade dominated by a handful of TNCs

briggs more extremental problems, replace more of indigenous people, uncertain employment, widening gap between the rich and poor, both within the countries and between different countries. Free I rade is generally described as being opposite to 'protectionism' are ideologies which have benefited the powerful and the rich.

The recent call for so-called 'free trade' AINSIDE V The uneven development of the world system has been gathering momentum for at least 400 years. In the year 1600 before the colonisation of America, Africa and Asia, the

variation in living standards in different parts of the world was not very great although with meach country the gap between the rich and poor was wide. Since sizes trade accompliate poor was wide. Since sizes trade accompliate poor was wide. Since sizes the rich got richer, Further, since lest decade the gap once again is widening dangerously. Are the West helping the people in the grow eash cross for western encouraged to grow eash cross for western extra the visit point in the grow eash cross for western extra the visit point in the grow eash cross for western extra the visit point in the visit of such gross exploitations of peasants are subject to such gross exploitations, and are subject to such gross exploitations of the world enjoy offee, cocca, ite, to bacco, subject to such gross exploitations of the sea of the result of the producing for the world enjoy offee, cocca, ite, to bacco, subject to such gross exploitations of the sea of the result of the producing for the world of these of people shrabated in the Vest live so well? population that events, many in the South the world so in the North, the developed country tries and on the dross, many in the South the south of th

represents a tendency towards reestablishment in a more complex of 19th century pattern of if the trade and free capital a
movements which was responsible for generating underdevelopment, familie and mass i
poverty in the first place, indeed, the soconcluding the process of o
centralisation of capital at an international level and will once again leave the growth of the
poor countries open to the vagaries of intertinational capital. Even then if capital moves
to make the process of the process of the countries open to the vagaries of intertinational capital. Even then if capital moves
to mind to poor countries, it would leave the to not only population growth but also the labour displacement consequent upon the growth of capitalism in agriculture (also known as green revolution) and labour saving technology. problem of labour utilisation and poverty untouched. The problem of poverty, which is becoming more serious in the Third World owing

struggling to escape

The surgeling to escape

The experience of early industrialisation in European countries show that the national secondary of the structure of early industrialisation in European countries show that the national secondary of the structure of the surgeling o

It soon evolved into capital investr

for European market, with all processing transportation and marketing being kept under European control. The most well known example of this relationship was British colonial under in India, where cotton, Jule, Indigo, teal etc. were grown for export, often at the expense of food crops for the people, Further, not only indian people were forced to rely on ups and downs of foreign markets and prices, but Indian handicrafts were destroyed to create market for British goods. India offered the largest markets of British goods, India offered the largest markets for British goods, India offered the largest markets for British goods, India offered and salver and of soldiers for the imperial amiles. British was successful in establishing world-wide empire fifet and was followed by French, Dutch, Procupally in the footbase of the properties and United Share established by expanding its frontiers. This established by expanding its frontiers. The As Britain established her industrial superi-rity, the whole world was opened up by the Britain trades to provide markets for her manufactures and source of raw materials for her industry. Britain's imperial expansion was determined by the Britain navy superiority over the high seas. Under emptie, first the interest of merchant capital dominated, where traders howely them.

Pakistan has numreous things to attract tourists, (See Page 8)

were described by Robert Cive in 1757 as G
just as extensive, popular and rich as the city of
London. The set illed with a different so of
Engal exponitions of pound worth of in
cotton poods each mile. It within tew years
after British occupation it heir exports had
ceased and india began to their exports had
ceased and india began to their exports had
ceased and india began to their exports had
british. British neither had my ortion nor
traditional experience in cotton manufacturtry became a feading doth exporter of the puworld. The that tamine van exporter of the pugail in 1770, as repc. ed by British Governor w.

General. The bones of the weavers were bleaching the plains of India. The jungle and malaria are tast encroaching upon the towns inhabited only by wild beasts:

is As a consequence, colonial policios result and ed in a very uneven development. Once Euler or copean conquerors had spirared across line or world and land were 'rose-ten in backly' in red to be eight of trade by British navy, the chus print hackly in goods drive out the handlers had been part of the world. The colonial countries were not careed in a capitalist system of world trade, where they were assigned his role of production.

ing the primary raw materials for Europeans process and refine and make up into finished goods. Local handicrafts were destroyed by the competition of cheaper British manufac-

tured goods.
 This is how the world had been divided into the developed, rich, and the proposed and underdeveloped, rich, and proposed and proof, producers of manufactured goods and primary producers. The Third World popple who were not laken as steeped on your laken as the proposed and primary producers. The Third World popple who were not laken as steeped on your laken as the proposed of the proposed

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Harris .

oil and gas and minerals and forests. the whole globe and most particularly the non-renewable resources of the Third World beyond their control. This was essence what velopment of the North which has plundered ture. The fact is that it is the economic detoday can be expected to change in the fution is how far the trading relations that exist came to be called 'free trade'. Now, the quesfor their markets on colonial powers that were

their continuing dependency rent debts of these countries are reminder of ing, not in manufacturing. The massive curproduction like mining, plantations and ranchvested in ed States and Britain, which were being intell under economic power of capital of Unitfreed themselves from Spanish rule, but they Although the colonies of Latin America these countries in primary

swana and Paraguay, Banana from Honduras and Guetamala. As a result there are coun- ia. Many of these countries the proportion of over 60 % of their export earnings on agriculparticularly Africa countries, is that they have nothing else to offer on the world market exwhich have poisoned the land and rivers. ers have been used together with pesticides have frequently been grown without thought for the condition of the soil. Chemical fertilizdevoted to export crops. And export crops often most productive and irrigated land, is tries where over a third of the cultivated land Sudan; cocoa from Ghana; beef from Botfrom Ecuador; tea from Sri Lanka; cotton from gar from Jamaica, Cuba, Fiji, 80 % and only one crop was involved — suagricultural products in their exports was over Sub-Saharan African countries except Niger-Amorican and Caribbean countries and for all ture products. try. Most of the Third World countries rely for and often only one product from each councept products of the land, including minerals, The problem for most of the Third World This is true for all Central Mauritius; coffee

no riutrition value, but others like banana, Third World, like coffee, tea and cocoa, have Some of the products exported from the

> food. The result is serious protein shortages in the diets of many Third World people. Acpineapples, and various tropical fruits, palm oil, coconuts, ground-nuts, soya, sugar and calories in 1993. cording to WHO, about 60 % are said to be own people and yet they are net exporter of grains that are imported from the industriamany tropical fish are important sources of both calories and protein. It is mainly bread short of protein and 20 % to be short of have inadequate supplies of food for their ised countries. Many Third World countries

that foreign trade is an 'engine' of economic growth. But what is overlooked by them is and Hong Kong. It is true that world trade has countries - South Korea, Taiwan, Singapore supplied mainly from the new industrialising products from the Third World has increased the global eco-system. renewable resources and the destruction of its unevenness and to the squandering of nongrown at a rate faster than world production this is still very low and most of these were from 6% in 1970 to nearly 16 % in 1992, but hat the question of benefit of this growth and <sup>z</sup>or this reason neo-liberal economists argue Although, the export of manufactured

the same volume of manufactured goods.
The unequal trading relations between ans today the Third World have had to supin terms of manufactured products. This memanufactures; and today they are only 65 % products prices dropped down to 73 % of the up and down more sharply during the same period. For example, in the 1930s the primary have also risen slowly, but they have moved risen fairly consistently over the last 100 ply twice the volume of primary products for years. Although the primary product prices World prices of manufactured goods have

large TNCs, whose size and importance have steadily increased in last decades. The entering international trade, provides the exdominant position of manufacturers and primary producers have trol over both buying and selling of the goods throughout the Third World, with their conbeen incorporated into the operations of the these companies

> planation for the weakness of the millions of back to the North and it is they not the third World that capital accumulates. The money sources of capital. For the poor countries it small Third World poducers in the world marproduction others and determines the growth path of companies. These giant companies not only from the accumulated profits of the giant that is being lend to the Third World comes ital is supplied from the North, the profit flows is a victous circle of indebtedness. Since capson for their growth, lies in control over ket. The strength of the TNCs and the rea-This gives them a competitive edge over all have capital but also have latest technology.

cases only 6 giant TNCs accounted for nearly the whole of the market. In some markets keted by the 15 largest TNCs ranged between 70 % and 90 %, and that in most major commodities entering world trade in 1980, the proportion of total which was marously quite easy for them to act in collusion. dominating the market. It is in that case obvithere are just two are three giants firms the prices or flooding the market to lower the They can therefore manipulate the market, squeezing' it by withholding supplies to raise

false information, the second was to corner the market. All that this requires, observed a former vice-chairman of the Chicago Mercantille Exchange, is a great deal of money way.' He was testifying at the hearings into and brokers who are willing to look the other of manipulating prices: one was to spread also involved. General Foods, for example, Third World countries is shown by the fact that, for example, a third of Guatemala's widespread speculation and US in 1983 stated that there were two ways the Congressional Research Service of the quarters of the coffee markets. A report from which along with Nestle controls three-UK. The giant manufacturing companies are coffee crop is exported by Aron to the US and Dalgety controls Ghana's exports of cocoa to What this means manipulation the

A study by UNCTAD has shown that for

their overthrow in 1979, owned a quarter of all land, a third of industrial and commercial capital and nearly all the mines and off-shore tween the big domestic landed families in the Third World and TNCs of the North were stitute the ruling political dynasty. Links benation's wealthiest families, which often conmost coffee plantations are controlled by the fishing rights. Elsewhere in Central America Somoza family in Nicaragua which, before nored. An outstanding example was domestic landed families also must not be ig-In the Third World countries, the role

the rich and poor countries. food shortages, increased foreign exchanges the mercy of import dependency and chronic of the Third World countries and put them on called free trade, will undermine sovereignty different amount of capital those born rich will all capitalist markets. If people start with kets and the profit motive, the aim to accumulate capital, that provides the driving force of forged in the colonial periods. Capitalism could not operate without marcrisis and thus will broaden the gap between have an advantage which becomes cumula-The current GATT agreement on so-

result of manipulative practices. of one month in 1973, which he said 'was the which had led to a jump in soya bean prices from dollar 3.31 to dollar 12.90 in the course It is the cultivators, especially small grow-

that the grower's share in the coffee prices in the US, for example, varied from 35 % in share is rarely more than a tenth, and coffee ers, who suffer most from these swings, gaining little from the upswings and often heavily bananas goes back to the plantation workers and only 5 % goes to the farmers of the Third less than 2 % of the price consumers pay for don based charity Christian Aid shows that coffee. In addition, a recent study by the Lonfour cents in the dollar of the retail price for workers on the estates receive no more than in the US, for example, varied from 35 % in 1972 to 16 % in 1980. Today, the growers on the downswings. It is worth noting here freight companies and retailers. the food chain — importers, wholesalers, World. Nearly 90% goes to intermediaries in

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