

THE PROGRESS REPORT

## **True Free Trade is True Fair Trade**

By Fred E. Foldvary

There has a lot of talk regarding the meetings of the World Trade Organization in Seattle of "fair trade" versus "free trade." The concept of "fair trade" as distinct from free trade is old. Henry George in his book *Protection or Free Trade*, written in 1886, wrote that the British protectionists had assumed the name "Fair Traders" (p. 149).

So "fair trade" became a euphemism for trade limitation, since it sounds better. But any implication that true free trade is unjust or unfair is false, or else meaningless. True liberty and justice are not only compatible, but derive from the same source, a universal ethic that endows humanity with natural rights.

The WTO is an independent international organization, legally distinct from its predecessor, the GATT or General Agreement on Tariffs and Trade, international trade treaties that have lowered trade barriers since 1947. Its charter can be found in its web site, <http://www.wto.org> under the category "legal."

As indicated in several articles in *The Progress Report*, the WTO is not just about lowering trade barriers, but also protects privileges and limits national and local democratic governance. Protesters in Seattle have quite rightly denounced the anti-environmental aspects of WTO policy.

True global free trade requires an international environmental standard. The ideal policy would require anyone who destroys the natural environment to compensate the affected society. In many cases, pollution charges would be passed on to the consumer, who would rightly pay the cost that includes the pollution damage. The higher price of such goods would both reduce the amount bought, thus reducing the associated pollution, and also induce the polluter to prevent the pollution, to avoid the charge.

Protesters also claim that WTO enforces unfair labor practices. Abusive practices such as harsh child labor and forced prison labor should be globally abolished. But low wages as such are not caused by trade, and protectionism will not help to raise wages, as George argued in his book. Trade limitation can preserve some jobs, but at the expense of the rest of the economy, and workers as a whole would benefit from true free trade.

The remedy for low wages is true free trade. Genuine free trade requires domestic free trade with no barriers such as taxes placed on labor. True free trade also requires the equalization of the benefits from land, rent benefits which increase with the productivity that comes from trade. That way, the benefits of trade are shared by all rather than going to a privileged few.

Unfortunately, the message of the protesters in Seattle was marred by violence, which the press focused on. According to some reports, the initially peaceful protesters were attacked by the police, who deliberately provoked violence with pepper gas and rubber bullets (see

<http://www.emperors-clothes.com> under "Collateral Damage in Seattle"). Evidently the authorities tried to discredit the protests by instigating the violence.

The WTO was set up by the Marrakesh Agreement of 1994 in Morocco. It is now an international government, like the United Nations. Country members may secede from it, but would then be subject to unfavorable trade terms. China seeks to join the WTO because of the trade advantages. Many country members do not like many of the terms of the WTO, but are pressured to agree to them, just as the authorities of these countries are pressured to agree to terms of the IMF in order to obtain loans (see <http://www.emperors-clothes.com/articles/chuss/seattle.htm>).

In 1983, Guatemala passed a law to require infant formula to include labels saying that breastfeeding is nutritionally superior and to exclude pictures of healthy babies. The law also prohibited free samples, since the mother may stop lactating if she stops breastfeeding. According to "Rachel's Environment and Health Weekly, #677, Nov. 18, 1999; <http://www.rachel.org>), a baby food manufacturer objected to the law and, in 1995, threatened to challenge the law before a WTO tribunal. The Guatemalan government caved in and changed the law.

True free trade does not imply that countries and communities may not enact their own laws protecting the environment, health, and safety. Maybe the WTO can be transformed into an institution that reduces trade barriers without protecting the privileges of governments and commercial interests under the guise of free trade. True free trade implies not having such privileges. If the WTO cannot be reformed, then it may be best to scrap the organization before it becomes an even more powerful global tyrant.