

A large container ship is docked at a port. A massive green gantry crane stands over the ship. The ship's hull is dark blue with white text that reads "WY ANDROMEDA". The ship is secured to the dock with several thick ropes. The sky is overcast with grey clouds. The foreground shows the concrete dock with yellow safety lines.

Occupy Economics Toronto

**International Trade under
Corporate Globalization**

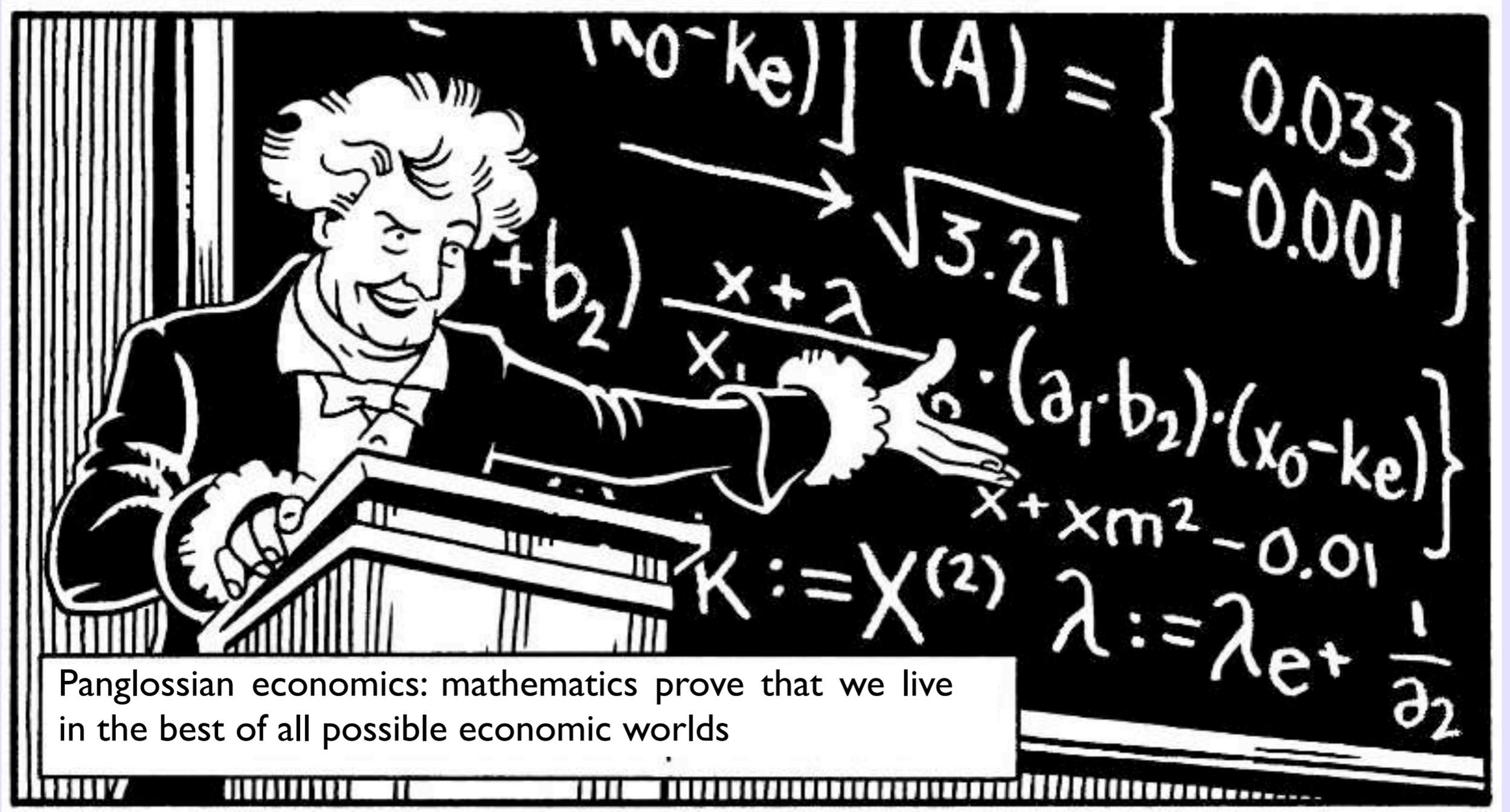
Workshop May 7th, 2013

Facilitator: Dix Sandbeck



Ricardo, an early classical economist, is known for his discovery of the principle of comparative advantages.

Comparative advantage was the discovery that in order for trade to be profitable absolute advantages is not necessarily required: it is enough that opportunity costs, or relative costs, have favourable relations. Upholding this principle under the standard assumptions of competitive markets peopled with rational agents, modern economics considers trade always to be a positive good.



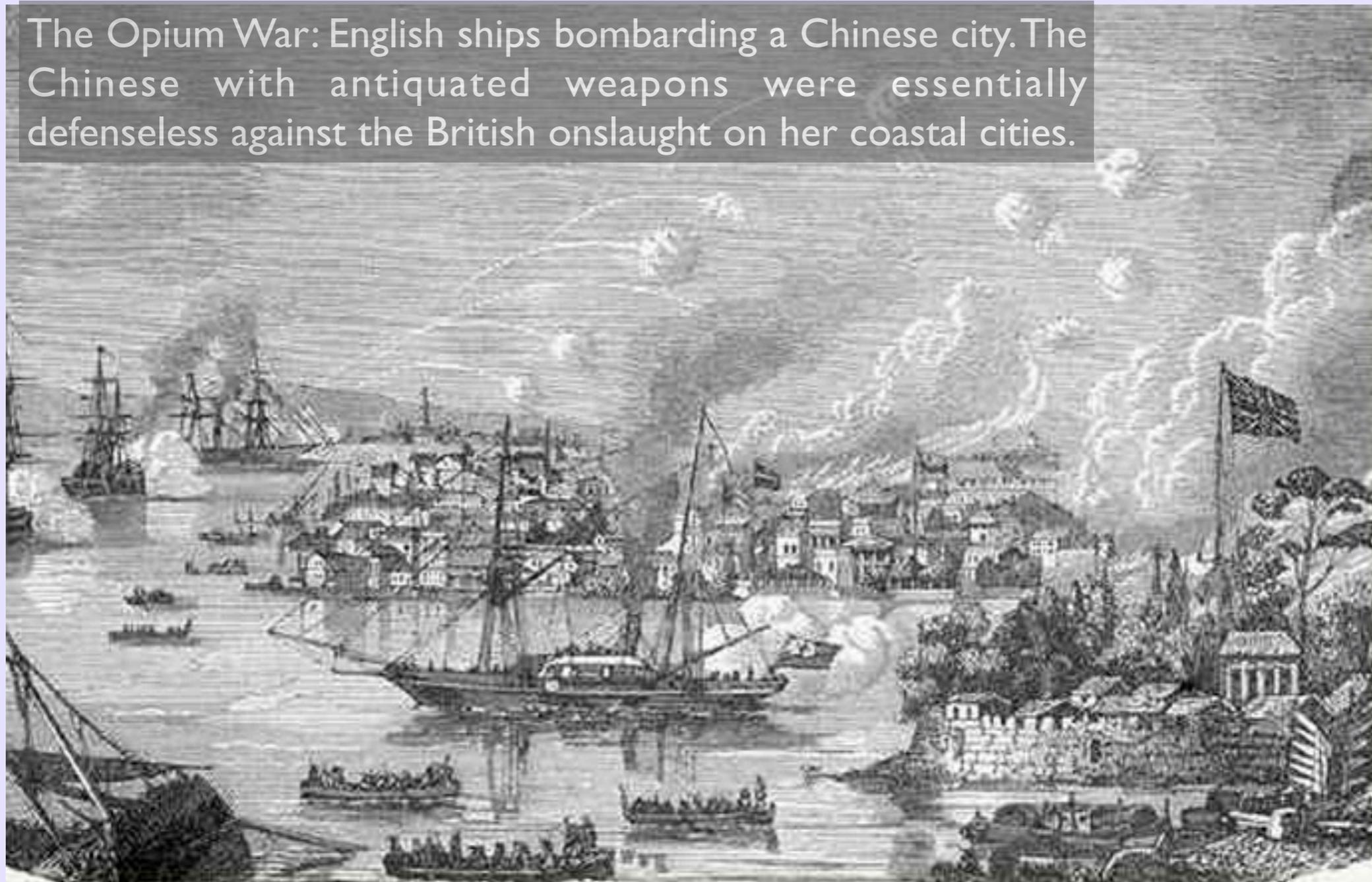
In the 1930s, the Heckscher–Ohlin general equilibrium model of international trade was developed. Building on Ricardo and incorporating the standard neoclassical fantasies of perfect market conditions, it cemented the view that free trade always is the desirable conditions of international economic relations.



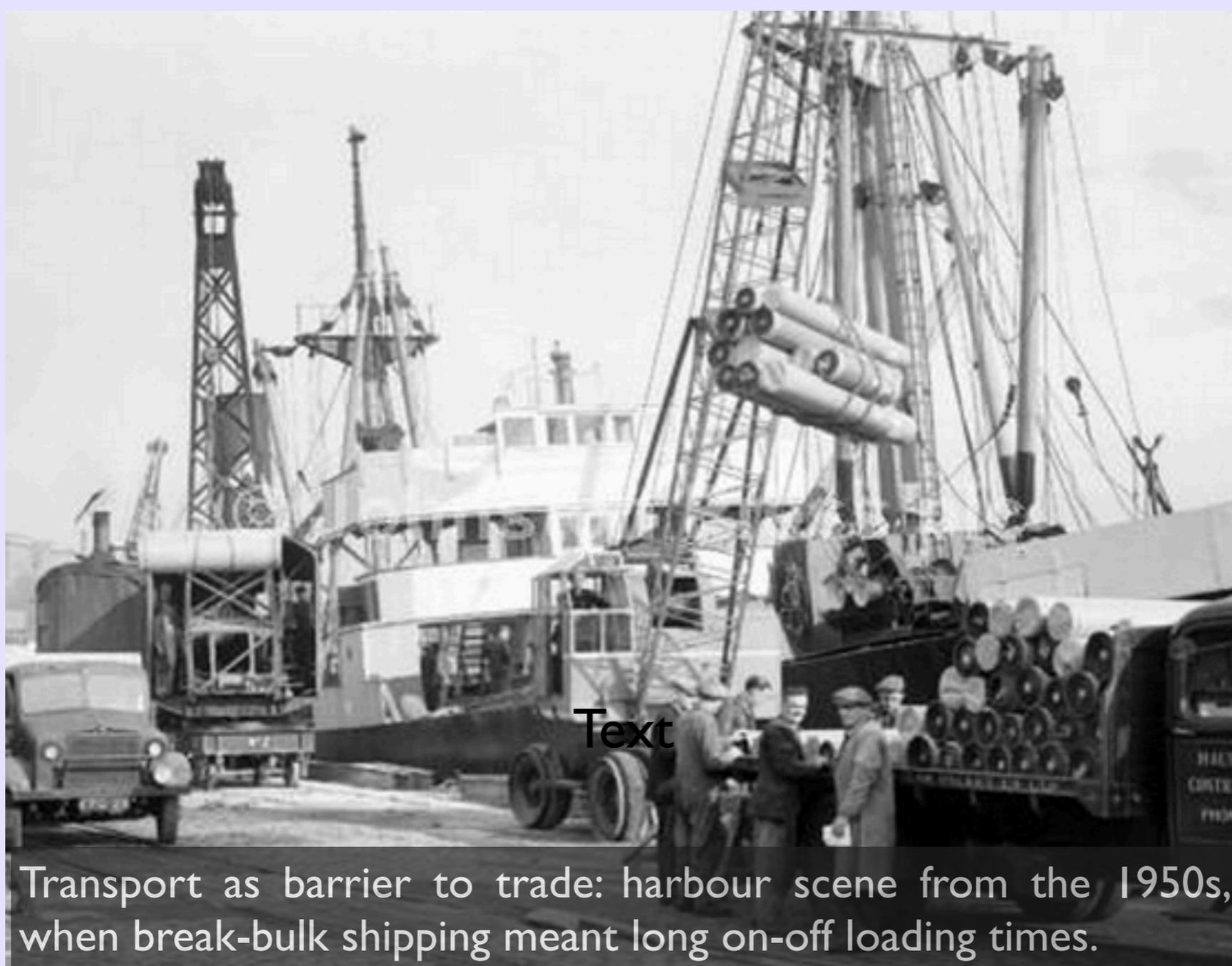
Vikings as traders, but the weapons are ready.

The neoclassical mythology ignores the tight relationship between trade and power relations often is seen in history. We saw how the Vikings switched forth and back between being peaceful traders and violent robbers. This mixture of commerce and predatory dominance is a theme that continues to be played out in modern times, a case being the recent U.S. invasion of Iraq that clearly had objectives eyeing the iraqi oil, and perhaps in particular Saddam's decision to switch to pricing Iraqi oil in Euros.

The Opium War: English ships bombarding a Chinese city. The Chinese with antiquated weapons were essentially defenseless against the British onslaught on her coastal cities.



As Ricardo was penning his theories of trade as examples of rational economics, his countrymen were busily engaged in a brutal campaign of conquest and economic expansion. One main profit activity had become selling opium, grown in British India and sold to China. When the Chinese tried to stop this, the British response was the Opium War.



Until the advent of container shipping, international transport was slow and time-consuming. Normally, things would be packed in wooden crates, that had to be on- and off-loaded at all trans-shipment points, from truck to railcar, from railcar to small ship, and from small ship to ocean going ship, and then the reverse steps at the destination region. This all took so long time that it constituted cost-time barriers to trade on top of eventual tariffs.



The game changer of container transport

Development of container transport changed trade patterns dramatically and was a key precondition for the rise of the current globalized economy. Containers can be loaded and unloaded quickly in harbours and at all transfer points. This not only lowered costs of intercontinental shipping, but also, equally important, made delivery schedules very reliable, allowing for just-in-time inventories and precise shelf-life management.



Institutions protecting corporate property rights are central to the modern neoliberal states. Shelly Frey, 27 and a mother, was shot to death when she tried to drive away after shoplifting a few cheap items in a Texas Walmart.

During the heyday of European mercantilism, the nation state took the lead in developing of the period's power structures. The nation state remained in a strong role well into the middle of the twentieth century. However, the political economy of globalization have changed power structures and put the upper crust of international corporations and financial entities at centre stage. By using their power to chose the most friendly jurisdictions to incorporate, they force the regulative and legislative political institutions of the nation states to play the game of the lowest common denominator.

Behind the trade acronyms

WTO - World Trade Organization

The premier international organization for settling trade disputes. An anchor for enforcing the neoliberal doctrines of 'free' trade.

NAFTA - North American Free Trade Agreement

Trade agreement from 1994 between U.S.A. - Canada and Mexico.

ACTA - Anti-Counterfeiting Trade Agreement

Multinational treaty for the purpose of establishing international standards for intellectual property rights enforcement. Encountered a roadblock when the EU Parliament rejected it.

CETA - Comprehensive Economic and Trade Agreement

Canadian - EU trade agreement under negotiation. Contains ACTA-like elements and could speed up privatization of public utilities under international tender rules.

TPP - Trans-Pacific Partnership.

A treaty with focus on investor protection. Originally signed by 4 small economies, but the U.S. joined the process after seeing its value as vehicle for breaking down nation state obstacles for corporate operations. Canada joined the negotiations in 2012.

FIPPA - Foreign Investment Promotion and Protection Agreement

This agreement between Canada and China will give China's internationally operating corporations (mostly under state control) unprecedented power to challenge legislation impeding their interests. See Leadnow on FIPA: <http://www.leadnow.ca/stop-fipa>



WTO Trade Negotiations Committee, Geneva - captured by corporate interests

Today, the main international structures is a corporate neo-mercantilist system. The nation state - still important as the system's administrative units - have become subordinated to relationships controlled by the large multinational corporations, whose vast resources of money - and with what that flows from it - allows them to capture both national legislative and regulative institutions, as well as the bodies of international superstructures.



NAFTA - broken promises on the wrong side of history

The 'free trade is always good' meme are constantly hammered into our heads. It has formed the public doxa and been incredibly effective in obfuscating that the practical meaning of 'free' in this connection is to give the corporations a 'free ride' to exploit the world's economic differences to their advantages. The meme touted NAFTA as a job creator, a vehicle for accelerating economic growth, etc. The reality has been rather different.

1960's	5.4	PCT.
1970's	3.8	PCT.
1980's	3.1	PCT.
1990's	2.3	PCT.
2000's	1.4	PCT.

The numbers of slowing growth. The promise of free trade and deregulation as growth accelerators is busted.

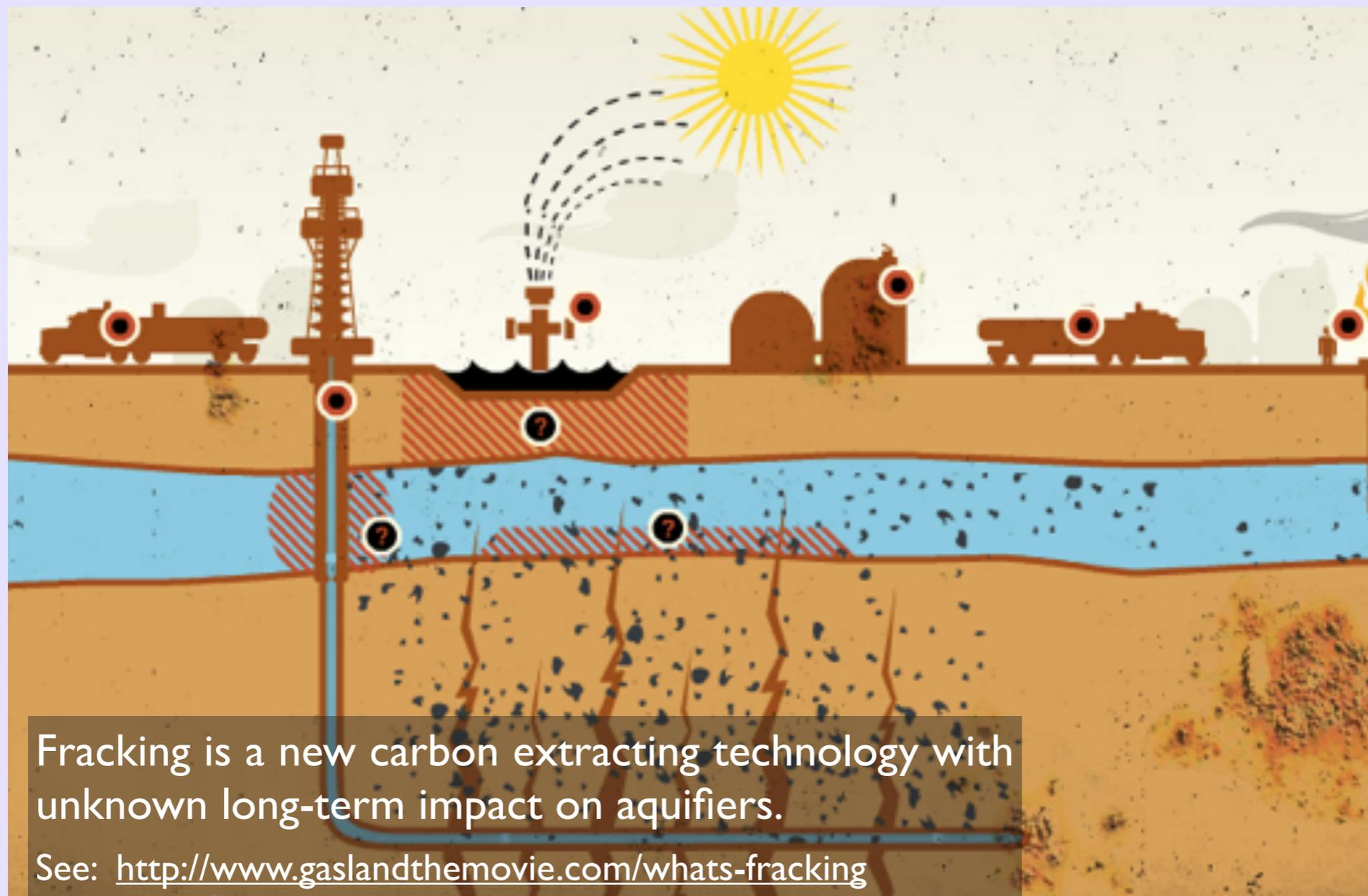
When expanding trade under corporate globalization raised profits in tandem with politics that lowered the rates that profits were taxed at, the consequent over-accumulation of wealth gave rise to neoliberal capitalism's growing wealth divide, and to a new class of aggressive wealth management entities - hedge and equity funds - which have emerged as the key players that increasingly set the corporate anti-labour agenda and fund the lobbying activities that ensure friendly governments.

By approving a Chinese state corporation's take-over of Nexen and its tar sands resources, Harper showed his policies are driven by resource interests. Behind the Orwellian tag of 'a strong Canada' Harper's road leads to the opposite: a weaker and dirtier Canada.



A STRONG CANADA

On a government website explaining FIPPA, it says “The investor-state dispute settlement mechanism in FIPPA allows an investor, on its own, to pursue a claim against the host government.” Even if one supports free trade, it is naïve to believe that Canada will not be bullied by the assertive and rising Chinese superpower eyeing Canada’s vast carbon resources. But FIPPA will spur Chinese investments in the oil sands, ensuring that Harper’s political home province of Alberta will continue its economic flush.



Fracking is a new carbon extracting technology with unknown long-term impact on aquifers.

See: <http://www.gaslandthemovie.com/whats-fracking>

The trouble with the neoliberal trade agreements is that they open the door for corporations to challenge sensible regulations and policies. This will keep environmental policies hostage to corporate interests. We saw above how Ontario's Green Act was shot down by WTO. Or, when the Quebec government put a moratorium on fracking it was sued with reference to NAFTA. Or, the Australia government being sued by big tobacco for tightening tobacco laws. The list goes on.



Cars ready for shipment to North America in an East Asian port.
Other cars are sent in the opposite direction.

The deeper problem with the neoliberal economy and its trade structures is: do we really need all this trade? Much of current trade is corporate products with low social values manufactured in low cost countries under deplorable conditions so that profits can be maximized. Or functionally identical products shipped forth and back across oceans due to demand for versions mainly differing in corporate brand and design.

The Bund, Shanghai's river promenade, engulfed in thick smog. Trade under corporate globalization lead not to comparative advantages, but to comparative disadvantages



In an international economic order based on social values, much of the the demand that drives current international trade will fade away, and the production of the remaining socially necessary products will revert to taking place near the location of demand; in the process also leading to a sharp reduction in carbon burning and consequent CO₂ emissions.

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See you next time

