

# workers' liberty

reason in revolt



*A women's cooperative from Chiapas, Mexico protests the North American Free Trade Agreement*

# Fair trade, free trade and socialism

**By Paul Hampton**

**T**RADER is a vital part of the neoliberal economic, political and ideological regime that now dominates the world economy and most national states.

At various summits in recent years the world's most powerful governments have promised to introduce a better deal on trade, aid and debt for the world's poorest countries, especially in Africa.

At the same time, there are many charities and NGOs making proposals to make trade fairer. A number of organisations came together in 2006 in the Make Poverty History coalition, call for trade justice. Others advocate buying only goods with the fairtrade mark or concentrating on local, more sustainable production.

The Alliance for Workers' Liberty (AWL) rejects both these approaches. We reject the self-serving hypocrisy of the G8 and the capitalist magnates that stand behind them, whose only interest is profiteering and exploitation, whatever warm words they offer. We don't believe they will unshackle the poorest countries of the world from the chains of debt and imperialism, unless they can make money from doing so. We know they enforce privatisation wher-

ever they can get away with it.

But nor do we advocate alternatives that turn the clock back on global integration or offer small scale versions of the current big capital-dominated world order. The problem with global capitalism is capitalism, not its international scope. Our alternative is international socialism, the free association of producers, democratically organised and producing for need.

The AWL is active in the global justice movement, fighting against the imposition of neoliberalism on the peoples of the world, including on working class people in Britain. We play an active role in the No Sweat campaign, which organises solidarity with workers across the globe, from Mexico to Indonesia, from Haiti to Iraq.

In this pamphlet we try to grasp the essential features of the world economy, especially relating to trade issues. To orientate in today's conditions, socialists have to base ourselves on the facts about world trade. But we make an assessment about the shape of the world trade system in order to change it. The pamphlet also evaluates the political responses of different organisations with the movement and sets out the Marxist approach.

Our solution is for workers to change the world. We want solidarity between workers across the globe, as a step towards workers overthrowing capitalism and creating their own socialist economy. If you agree with the ideas in this pamphlet, join our struggle for workers' liberty.

# Free Trade

WHETHER you live in Mexico or Morocco, South Korea or Spain, you can buy food produced on the other side of the world. Toys made in China, jeans in Guatemala, trainers in Indonesia and cars made in Brazil are sold thousands of miles away. This is the golden age of world trade, if nothing else.

## The world trade order today

BY 2000 world trade was 20 times larger than it had been in 1950 — far outstripping the growth in world output (GDP), which had grown nearly seven times over the same period. Trade has grown especially fast since the late 1980s, twice as fast as output.

This is not the first period in which international trade has grown dramatically. From 1815 until 1914 world trade also expanded rapidly. In 1800 world trade accounted for 3% of world output. By 1913 it was 33% — about the same as it is today.

After the repeal of the Corn Laws in 1846, Britain, then the dominant industrial power, pursued free trade — no import controls, no tariffs. Around the 1860s free trade briefly became widespread. Then the USA, Germany, and other rising powers increased tariffs. Trade continued to grow. The world continued to have a relatively open trading system, based on the gold standard (gold, and the British pound firmly pegged to it, as the standard of world trade). Before 1914 agriculture dominated the trade in raw materials but during the early 20th century minerals such as oil became more important.

After World War One, the gold standard collapsed. Tariffs grew. Especially in the 1930s, trade imploded, retreating into a series of imperial or regional trading blocs. Only in 1968 did trade reach the level it had in 1913.

After World War Two the US dominance of world trade peaked, with a third of world exports. Japan's importance grew during the boom, producing 15% of world exports by 1987, compared with 3% in 1950. During this period the global trade in goods shifted towards manufactured goods and away from raw materials. Today around three-quarters of world trade takes place between rich countries.

Since World War Two, under US hegemony, the richer capitalist countries have reduced tariffs slowly but steadily. The USA's total import duties as a percentage of total imports went down from 10% in 1946 to 2.3% in 1996.

Former colonies that won independence usually imposed high tariff rates to protect their infant industries. India, for example, still had an average tariff rate of 100% in 1988.

In the 1990s, however, ex-colonies and poorer countries have also reduced their tariffs. India's average rate was 31% by 2001. "Low-income" countries reduced their average rate from 43% in 1991 to 15% in 2001; "middle-income", from 20% in 1991 to 11% in 2001.

Trade is freer now than at any time for 90 years — and quite probably freer than it was in the previous heyday of free trade, the

1860s. According to *The Economist* magazine, in the 1940s developed countries' tariffs on manufactured goods averaged around 40%. By 2000, that average was less than 4%. Though these figures mask wide differences between different countries and different industries, they still indicate an overall trend.

And the pattern of global capital flows has also changed over the past two hundred years (see box).

At the end of 2004, the Multi-Fibre Arrangement of quotas that governed world trade in clothing and textiles expired. The US government is pushing for a Free Trade Area of the Americas, stretching across the whole continent, and governments large and small, weak and powerful are concluding their own trade pacts, spinning a vast web across the globe.

Since 2002 the EU has been negotiating Economic Partnership Agreements (EPAs) with countries in the Africa, the Caribbean and the Pacific. EPAs are essentially free trade agreements. They require developing countries to rapidly open up their markets to European corporations — threatening jobs, industries, government revenues and public services in some of the poorest countries in the world.

Since the 1960s and 70s patterns of trade have become more varied and apparently less uneven. Before then the basic pattern was one of richer, mostly European, countries exporting manufactured goods, while poorer countries exported raw materials, very often being entirely dependent on a single commodity export (Chile's nitrates, some Central American countries' bananas, and so on).

Now many poor countries export mainly manufactured goods. The main world centres for export of some high-technology

**Even at its best, free trade is a destructive and inhuman system. Who would even dare to advocate pure free trade in health care, for example? It would mean the rich got more medicine than was good for them, while the poor died early or lived with pain or disability.**

goods are in Asia (Taiwan, Singapore, South Korea, Singapore). The USA, the world's richest country, imports more manufactured goods from the ex-colonial world than it exports to it.

The USA and Europe are the biggest exporters of bulk agricultural products, while Third World agriculture has increasingly turned to export of higher-value products, flowers, fruit, etc. Very few poor countries have their foreign trade completely dominated by one rich country in the fashion that most colonies, and even some independent countries like Argentina (then trading mostly with Britain), suffered a hundred years ago.

## Free trade: myth and reality

THE capitalist class and its ideologues argue that free trade makes all economies grow faster. They say everybody gains.

The argument runs as follows: if countries specialise in what they produce most efficiently, and import what they don't produce, then both sides gain. This theory, known as the theory of comparative advantage, and first developed almost 200 years ago by David Ricardo, is said to work even if one country is more efficient in producing all goods. But there are both theoretical and practical problems with the theory of comparative advantage.

**Inequality:** One consequence of the modern free trade regime is growing inequality between different states across the globe — in other words not everyone gains. According to an OECD study by Angus Maddison, the gap between the richest and poorest regions of the world, measured by per capita income, has grown substantially over the last 130 years. In 1870 the ratio was 5:1, but by 1950 it was 15:1. In 1973 the ratio was 13:1 — but by 1998 the gap was 19:1.

According to *Guardian* journalist George Monbiot: "The wealthiest 5% of the world's people now earn 114 times as much as the poorest 5%. The 500 richest people on earth now own \$1.54 trillion — more than the entire gross domestic product of Africa, or the combined annual incomes of the poorest half of humanity." (*The Guardian* 2 September 2003)

The poorest countries of the world owe \$2.5 trillion in debt. Sierra Leone spends 6.7 times more on debt interest payments than it does on primary education. In sub-Saharan Africa, half of its 700 million people subsist on \$1 or less a day.

Freer trade creates growing inequality between countries. And the policies imposed on poorer countries to fit them into the world market create growing inequality within those countries.

**Jobs and wages:** Advocates of free trade argue that it improves the employment prospects and wages of workers in those countries that are involved.

A useful test of this argument is the North American Free Trade Agreement (NAFTA) between the United States, Canada and Mexico that began in 1994, which was hailed as a model for the rest of the Americas. In the first decade after NAFTA, net

foreign investment in Mexico trebled while Mexican exports to the US more than doubled.

Although not quite the "giant sucking sound" anticipated, some studies estimate that between 1994 and 2001 766,000 jobs were lost in the US because of NAFTA. The US Department of Labor has issued over 400,000 workers with benefit payments related to job losses caused by NAFTA. And the real wages of unskilled workers in the US have stagnated or fallen over the last decade, in fact over the last thirty years.

In Mexico, the number of maquiladoras (export processing factories) — producing everything from car parts, chemicals, shoes, food and drink and toys — expanded after NAFTA was signed. By 2000 there were around 3,700 maquiladora factories employing 1.3 million workers, compared with just over half a million workers in 1994.

However in 2001 after the US recession and competition from China around 300,000 of those maquiladoras jobs were lost. Although Mexican manufacturing productivity has increased rapidly, the average wage in manufacturing industry has dropped by more than 20%. The number of Mexicans living in poverty has increased from just over half the population to nearly 60% over the last decade.

## Structural adjustment

FREE trade has also chimed in with creed of neoliberalism after the world economy went into recession in 1973. The International Monetary Fund (IMF) and the World Bank have consistently imposed a "one-size fits all" neoliberal policy of "structural adjustment" on weaker economies — in most cases exacerbating their problems. The IMF's standard formula is that governments should restrict the money supply and credit, open the door to foreign capital, cut public spending and privatise nationalised industries.

Joseph Stiglitz, former chief economist of the World Bank, argues that in Thailand, South Korea and Indonesia in 1997, Russia in 1998 and Argentina in 2001, IMF policies greatly worsened their economic crises, impoverishing tens of millions of people.

The same IMF medicine shattered the Hungarian economy. In 1990 the IMF told Hungary that it was undergoing an inflationary crisis. So between 1990 and 1996, the central bank halved the credit made available to businesses. To ensure that Hungary serviced its debt, the Fund demanded that it cut every possible public service, and privatise every possible state asset. As George Monbiot puts it: "Entire economic sectors were flogged swiftly and cheaply, with the result that foreign corporations acquired complete market control." (*Guardian* 19 August 2003)

The result was that "the Hungarian economy artificially plunged into its greatest ever depression in peacetime". Between 1990 and 1993, its GDP fell by 18%. One and a half million people (almost 30% of the workforce) lost their jobs. The incomes of those who stayed in work declined by 24%; pensions fell by 31%. By 1996, most people were living on or around subsistence levels. And, far from curing inflation, between 1993 and 1996, prices rose by 130%.

Between 1992 and 1997, Zambia's trade barriers were drastically cut or abolished as a condition of getting an IMF loan. During the period, manufacturing employment almost halved, the economy shrank, imports rose and exports fell.

Even at its best, free trade is a destructive and inhuman system. Who would even dare to advocate pure free trade in health care, for example? It would only mean that the rich got more surgery and medicine than was good for them, while the poor died early or lived with unnecessary pain or disability.

Pure free trade means that workers in a vast range of industries in Eastern Europe, for example, get thrown out of jobs by the competition of exports produced with more advanced technologies. The mainstream economists mutter that "in the long run" it will all even out because Eastern Europe, with lower wages, will develop and attract new industries. When will the "long run" come? And how will those workers and their children survive in the meantime?

Despite its apparent evenness, even the most perfect free trade also has mechanisms built into it that increase inequality.

The theory of comparative advantage assumes that all the economic advantages of one country over another are the "static" advantages of climate, mineral resources, and so on.

In fact, the USA, for example, has many advantages over, say, India, of a quite different order.

BRITISH foreign investment was "a steady trickle" in the first half of the 19th century, but by 1870 it was three times what it had been in 1850 and by 1900 it was eleven times its level of 1850;

- In 1914 Britain still accounted for about half of the world's foreign investment;
- From the 1920s the US became not only the dominant trading power, but also the dominant financial power — by 1960 US foreign investment was three times what it had been in 1938;
- The US decision to go off the gold standard in 1971 and the subsequent relaxation of capital controls opened the doors to a "new world casino economy" — from US\$20 billion exchanged every day in 1970 to over US\$2,000 billion today;
- In the 1980s the US became the world's largest debtor, with Japan the dominant capital supplier to the world;
- Up to 1960 about half of all foreign investment went to the "Third World" when most countries there were colonies — but this fell to 20% by 1990, before rising again to 30% by 2000. But most goes to China, Indonesia, Mexico, Argentina and to Eastern Europe — the poorest 45 countries get 0.5% of all foreign investment.

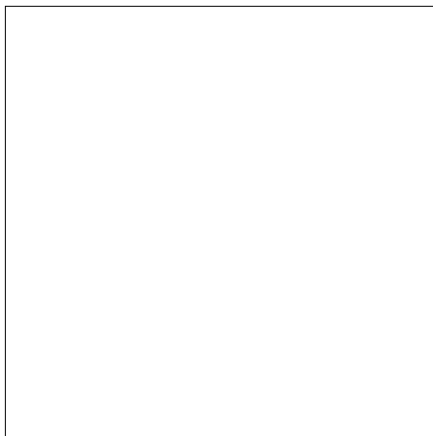
Source: Gary Buckman, *Globalization* (Zed 2004).

## Workers' Liberty pamphlets

- Marxism and religion (Jan 2006)
- Taking socialism onto the shop floor Communist Party factory bulletins (March 2006)
- Nine days that shook Britain — The 1926 General Strike (May 2006)
- Iran — revolution and counter revolution 1978-9 (June 2006)
- The betrayal of the Spanish workers' revolution 1936-7 (Sept 2006)
- What is the Third Camp? (Oct 2006)
- The other history of American Trotskyism (Nov 2006)
- For a workers' voice in politics — John McDonnell for Labour leader (Dec 2006)
- The 1707 Act of Union and the rise of the Scottish working class (Feb 2007)
- What Trotsky on Mexico can tell us about Venezuela and Chávez (March 2007)
- 1917: Revolution for freedom and equality (April 2007) £1
- Solidarity, yes! Boycott, no! Why supporters of "two states" should not join the "smash Israel" boycotters (June 2007)
- Trotskyists and the creation of Israel (July 2007)
- Trotsky, the Spartacus of the 20th Century (August 2007)
- How can we best help the Palestinians? (September 2007)
- Marx's Telescope — The Grundrisse (December 2007)

50p per issue unless otherwise stated, post free. £6 for all thirteen issues.

Write to PO Box 823, London, SE15 4NA. Cheques payable to "AWL".



American cartoon, 1941 — capitalists weren't always in favour of free trade...

It has better infrastructure: transport links, communications, power supply. Factories or offices sited in the USA can easily acquire a vast range of supplies and repairs, and draw on a vast range of skilled and healthy labour and of scientific research.

The corporations based in the USA systematically reinforce those advantages, drawing in profits from around the world, and building up their core functions in the USA while subcontracting bits of their production processes elsewhere.

Capitalists based in poorer countries suffer continuing disadvantages, even under the freest trade, because they have to acquire dollars or other rich-country currencies in order to buy advanced technology.

Even perfect free trade is a trade between unequals. Corporations with large advertising budgets, well-known brand names, and strong "home" governments and large slush funds to give them advantage in gaining big contracts, win out even if there are no tariffs or import controls helping them.

### The multinational vampires

FREE trade also means that multinational corporations dominate the world economy and make the key decisions about what to produce, how to produce it and who gains. The United Nations calculates that there are 60,000 multinational corporations, with half a million affiliates. According to the World Bank, these multinationals control 70% of world trade. Around a third of international trade takes place within the multinationals themselves.

The 200 largest multinationals control half of the global trade in goods. The three largest auto companies, General Motors, Daimler-Chrysler and Ford, have sales larger than the national income of Indonesia — the world's fourth most populous country. Wal-Mart (owner of Asda in the UK) is three times richer than Bangladesh, the eighth most populous country. IBM is richer than Egypt or the Philippines (see box).

Companies such as Philip Morris, Cadbury Schweppes, Nestlé and Hershey dominate trade in many primary commodities. The top five companies have 77% of world cereal trade. Chiquita, Dole and Del Monte control 80% of world banana trade and the biggest three cocoa companies have 83% of the world cocoa trade. The biggest three companies control 85% of the tea trade and the biggest four companies have 87% of world trade in tobacco.

Real world trade patterns are shaped more by the strategies of corporations than by differences of climate or mineral resources between countries.

For example, Canada is the biggest trading partner of the USA. That is not mainly because Canada has nickel which the USA hasn't, or the USA has oil which Canada hasn't. It is because US corporations have the power and will to conquer some of the Canadian market, and Canadian-based corporations have the power and will to conquer some of the US market.

More than half the exports of France, Germany and Italy go to other European Union countries. And these countries sell similar things to each other. Germany and France both import cars from the other.

### Free capital, unfree labour

THE destructiveness of free trade is increased by its freedom of movement for goods, services and capital being combined with extreme unfreedom of movement for labour. Not that a universal free-for-all would be an ideal world: even if unemployed workers in Indonesia were at all times free to "get on their bike" and go to the USA to find jobs, in the first place, how would they afford it and, in the second place, what if they wanted to remain among friends and family and bring up their children in a stable environment?

But migration controls keep many countries as pools of ultra-cheap labour (often siphoning off only their most skilled workers, doctors and nurses, for example, as permitted migrants to richer countries). They facilitate the "race to the bottom", whereby US workers can be blackmailed by the threat of cheaper labour in Mexico, Mexican workers by the threat of cheaper labour in Indonesia, Indonesian workers by the threat of cheaper labour in China, and so on.

Actually, since the world order of today is shaped not by professors of economics pursuing their theoretical ideals, but by the interests of the big capitalist corporations and the governments that serve them, "free trade" is highly imperfect, and imperfect in a way systematically biased against the poor.

### Rich country protectionism

WHILE free trade has been imposed on the weaker economies since the debt crisis of the 1980s, the strongest still protect their industries from competition.

Richer countries still have huge subsidies to certain industries, especially agriculture in the European Union (EU) and Japan. The average farmer receives a subsidy of \$17,000 in the EU and \$15,000 in the US.

World Bank President James Wolfensohn admitted in May 2003 that: "The average European cow receives more subsidies than the entire average income of a person in Africa." Two billion people worldwide live on \$2 a day — the same amount the average European cow receives every day in government subsidies.

A report by Oxfam published in September 2003 shows that poorer countries tend to pay higher rates of tax in order to export their goods. The United States imposes tariffs of between zero and one per cent on major imports from Britain, France, Japan and Germany, but taxes of 14 or 15% on produce from Bangladesh, Cambodia and Nepal.

The British government does the same: Sri Lanka and Uruguay must pay eight times as much tax to sell their goods in Britain as the United States.

According to the World Development Movement, the poorest countries' share of world trade has dropped by almost half since 1981 and is now just 0.4%. Sub-Saharan Africa, where many of those poorest countries are located, has gone backwards economically over the last 20 years.

### The absence of democracy

THE institutions that define "free trade" and acceptable departures from it are dominated by the governments and corporations of the richer countries.

The IMF and the World Bank were established in 1944 as part of the post-war order, when the US became the dominant world power. These organisations were set up to lend money to governments for particular projects, or to help them stabilise their exchange rates and finance their debts.

The IMF and the World Bank are not benevolent organisations. They both require an 85% majority to make decisions, and votes are allocated according to each country's contribution to the funds. The eight most powerful countries (G8) have 49% of the votes at the IMF, and 48% at the World Bank. The US alone possesses a veto over both bodies, with 17% of votes in the former, and 18% in the latter. Both organisations are based in Washington, and are led by rich world bankers.

The World Trade Organisation (WTO) was founded in 1996, though its roots go back to the General Agreements on Tariffs and Trade (GATT) established in the 1940s. The WTO is the main international body that decides the rules that govern international trade and currently has 145 members. It appears to have a more democratic structure, with each member country having one vote. But, in practice, this is bypassed by the "Green Room" meetings, which are organised by the rich nations, corporate lobbyists, and their corporate lawyers to "resolve" trade disputes. Poor countries are hard-pressed even to maintain a representative at WTO meetings, let alone keep up with the lobbying and pressurising from the richer countries.

The WTO has expanded its remit with the General Agreement on Trade in Services (GATS), which covers everything from schools and hospitals to postal services, transport and rubbish collection. Many of the colourful acronyms, such as TRIMS (on foreign investment) and TRIPS (intellectual property rights) mask a fundamental privatising agenda that effectively does away with the concept of "public services".

So, for example, at the failed WTO summit in Cancun, Mexico in September 2003, the UK and other powerful governments tried to force an agreement on investment, competition policy, government procurement and trade facilitation. This would have meant governments having less power to regulate foreign investment in agriculture, mining and manufacturing industries, and the opening of the public sector to multinationals.

The British government, the EU and other big powers continue to promote privatisation, service liberalisation and GATS wherever they can get away with it.

What is the answer? Many people campaign for the richer

countries to be consistent and open up their markets fully to exports from poorer countries. But that would not remedy the drives towards increasing inequality inherent in free trade itself.

Many condemn the WTO, the IMF and the World Bank. But a capitalist world without central institutions of regulation, with trade agreements negotiated only country-by-country, would probably be no better than the current regime.

## Fair trade

MANY of the young people, NGOs and unions who mobilised for the big demonstrations in Seattle in 1999, or in Edinburgh for the G8 summit, argue that the alternative to the neoliberal, free trade agenda of the multinationals, the big powers and the WTO is some sort of "fair trade". Three million people have signed Oxfam's petition to "make trade fair".

Few opponents of free trade argue that trade per se is harmful, although the localisation school emanating from green politics certainly appears to do so. Instead most charities and NGOs want the rules of the game changed.

### "Fair trade" and fairtrade

ONE approach is to get new and existing businesses to agree to abide by fair trade standards, and to label all products that follow the code so that consumers can choose to buy them.

The Fairtrade Foundation, which certifies and promotes fair trade products in the UK, defines fair trade as "a trading partnership which aims at sustainable development for excluded and disadvantaged producers. It seeks to do this by providing better trading conditions, by awareness raising and by campaigning".

The Foundation has certified more than 300 products, with the green and black fairtrade mark, which it says represents standards of fairness for pricing, sustainable development and employment rights.

Fair trade products have developed significantly since the launch of Green & Black's chocolate, Clipper tea and Cafédirect coffee in 1994. The Fairtrade Foundation says annual sales of products carrying the fairtrade mark now exceed £140 million and are growing at over 40% a year.

Fair trade now accounts for 18% of the UK roast and ground coffee market, and over 3% of overall coffee sales. Four per cent of UK banana sales are now fair trade — or nearly two million bananas a week. And the British public drink around three million cups of fair trade tea, coffee and cocoa each day.

The UK is now the world leader in fair trade purchasing, having recently overtaken Switzerland as the largest market for fair trade goods. According to the fair trade international body, the Fair Trade Labelling Organisation international (FLO), last year global sales of fairtrade goods surpassed £500 million.

Supermarkets Tesco, Asda, Sainsburys and Morrisons, who together command over three-quarters of UK grocery sales, are all now selling fair trade products, including some of their own brands. The Co-op is the UK's biggest fair trade retailer, stocking more than 90 items with sales of £21 million a year.

The Fairtrade Foundation says 70 local councils have agreed to promote fairtrade products, and firms such as computer giant Microsoft, mobile phone company Orange, the Nationwide Building Society and Thames Water also do so. Popular coffee shops such as Starbucks, Costa and Pret A Manger all offer fairtrade coffee. And government departments such as the Department for Trade and Industry offer fair trade tea and coffee in their offices.

Some trade unions have also begun to promote fair trade as part of international solidarity campaigning. Usdaw shopworkers' union has carried a motion which "encourages all Usdaw members where family finances allow to buy fairtrade products where possible and to campaign for fair prices to be paid to farmers for tea, coffee, bananas, etc".

UNISON public services union passed a motion at its conference that endorsed the fair trade standards set up by the Fairtrade Foundation and urged members nationally and locally to get fair trade tea and coffee at work. And the PCS public and commercial services union has promoted Fair Trade Fortnight.

### The arguments for fairtrade labelled goods

THE arguments for promoting fairtrade labelled goods seem simple and persuasive. Market prices paid for commodities such as coffee, tea and chocolate have not risen in real terms for decades, whilst the value of imported fertilisers, pesticides and machinery has increased substantially. The market price of commodities frequently drops below the cost of producing them. Consequently many of the people who grow these crops have to work harder and longer for less money.

The low price of coffee in the early 1990s had a catastrophic effect on the lives of millions of small farmers, forcing many into debt and others to lose their land. According to trade body the International Coffee Organisation (ICO), coffee prices fell to 48 cents (27p) a pound in 2001.

The Fairtrade Foundation says that the global price of tea has dropped by nearly a half in real terms since the 1970s, while the real banana price has fallen by 35% since the mid-1980s — with catastrophic effects on banana workers living standards.

## World's largest multinationals

Rank by sales	Multinational	Country of origin
1	General Motors	US
2	Wal-Mart (ASDA)	US
3	Exxon-Mobil	US
4	Ford	US
5	Daimler-Chrysler	US
6	Mitsui	Japan
7	Mitsubishi	Japan
8	Toyota Motor	Japan
9	General Electric	US
10	Itochu	Japan
11	Royal Dutch/Shell	NL/UK
12	Sumitomo	Japan
13	Nippon Telegraph	Japan
14	Marubeni	Japan
15	AXA	France
16	IBM	US
17	BP Amoco	UK
19	Volkswagen	Germany
20	Nippon Life Insurance	Japan

Source: The Economist Pocket World of Figures 2002.

Instead of this free-market madness, fair trade offers a practical alternative. Companies carrying the fairtrade mark have to pay a minimum price for the product that guarantees growers a profit. For example the fair trade minimum price for Arabica coffee is \$1.26 (70p), and hasn't changed since 1988.

According to Cafédirect, this means farmers receive 52p from a 100g jar of fair trade coffee, compared with 11p for normal instant coffee. The FLO says that over 800,000 families of farmers and workers (about 5 million people) in over 48 countries in Africa, Asia and Latin America benefit from fair trade purchasing.

In addition, firms using the fairtrade mark pay a social premium to communities where the products they buy are grown, to pay for local projects and services. The Co-op says it returns £1.25 million each year in fair trade premium to growers in developing countries while Cafédirect says it put 70% of its pre-tax profits back into growers' associations last year.

### The arguments against fairtrade

**R**IGHT-WING think tanks such as the Adam Smith Institute dismiss fair trade as at best a "well-meaning dead end" and at worst "economic illiteracy" that could end up making the situation worse. Other critics argue it is a niche market that is now being exploited by rapacious multinational firms eager to promote a socially responsible image.

A socialist critique starts from the reality of fair trade, especially for capital and for workers. Sales of products carrying the fairtrade mark are tiny in comparison with total consumer spending. Total UK food sales were around £100 billion a year, meaning that fair trade food accounts for just 0.1% of sales. Figures like these barely dent the market, and only a small number of the world's two billion small farmers stand to benefit.

However big companies are now jumping on the bandwagon, either to exploit ethical consumers' willingness to pay more for fairtrade goods by increasing profits and by using fair trade to enhance their image as ethically and socially responsible employers. Nestlé has recently jumped on the fairtrade bandwagon. Companies like Asda and Starbucks have poor records on union recognition and the suspicion is that they are using fair trade as a means of improving their image.

Even if we could persuade more of the well-off who have more market power to be more ethical, almost everything we buy has been bought at least once already by the time it reaches us, passing along a vast transmission chain that is difficult to trace, never mind influence, so their ethical purchasing signals will become lost in the general market noise. Ruthless corporations may feel obliged to do more PR, or clean up this or that corner of their business, but they are not going to be turned into benevolent institutions.

Fair trade purchasing might encourage good practice and help a few impoverished farmers, but it does not stop bad practice. Not buying cocoa produced by slaves does not bring the slave trade to an end, nor does it prevent others buying cocoa produced by slave labour.

And the whole approach is fundamentally mis-focused. As journalist George Monbiot argues, some people have more dollars than others, and those with the most money are the least likely to want to change the economic system that has served them so well. It makes no sense for the poor, or relatively poor, to look to our buying power, or our ability to touch the consciences of those with more buying power, to change the world.

A more substantial issue is the relationship between the fair trade movement and trade unions. The FLO standards for "hired labour" states that the right of workers to form trade unions and to bargain collectively without fear of victimisation is one of the key standards that have to be met for producer companies to get the fairtrade mark.

Most people in the fair trade movement say they want to work with labour movement. Some even argue that the fair-trade mark can open doors for trade unions – pointing to examples of Ghanaian banana producers, Kenyan rose farmers and to Sri Lankan tea unions where unions are recognised. However this is not the case along the global supply chain, from those working on fair trade plantations to workers who process, distribute and sell fairtrade marked goods.

For example the COLSIBA banana workers' unions in Central America, has complained about union busting on plantations that have been fair trade certified. COLSIBA

## Sales of fair trade products in the UK

Retail value (£ million)	1998	1999	2000	2001	2002	2003	2004
Coffee	13.7	15.0	15.5	18.6	23.1	34.3	49.3
Tea	2.0	4.5	5.1	5.9	7.2	9.5	12.9
Chocolate/cocoa products	1.0	2.3	3.6	6.0	7.0	10.9	13.6
Bananas	n/a	n/a	7.8	14.6	17.3	24.3	30.6
Total	16.7	21.8	32.9	50.5	63.0	92.3	140

Source: Fairtrade Foundation

pointed to the "systematic violation of workers' and union rights" by producers that benefit from the mechanism of fair trade and that it has proof that unions do not exist in many of these plantations.

Further along the supply chain, when coffee, tea and cocoa are manufactured ready for sale in the shops, a similar issue emerges. None of the major fair trade companies – Cafédirect, Clipper Tea, Green & Blacks and Day Chocolate – have union recognition agreements in the processing and packaging factories they use in the UK. None are unionised themselves.

In contrast, even nasty multinational companies such as Cadbury's and Kraft Foods are unionised and have signed national recognition agreements with unions.

The key issue is whether something is made by union labour. In fact there are some examples of union organising unions in Central America in some big multinationals that are not involved in the fair trade movement. In 2001 COLSIBA and other unions signed an agreement with Chiquita (formerly United Fruit), one of the largest banana producers in the world and long regarded as one of the worst.

So fair trade is at best a well meaning dead end, and at worst a diversion from the real task of organising workers.

Workers have the power of numbers, the power of organisation, because, although it certainly can't buy everything, the working class does produce everything.

For example, instead of focusing our efforts on helping a tiny minority of ethical banana-traders, we might do better to focus on helping the struggles to organise and gain control by the much larger numbers of workers employed by not-at-all-ethical giant corporations like Chiquita.

### Trade justice

**A** WIDER alternative than fair trade labelling is the campaign for trade justice. Trade justice campaigners include articulate critics of the existing order such as George Monbiot who propose alternatives within the boundaries of capitalism more ambitious than those of the do-it-ourselves fair-traders.

George Monbiot says: "Just policies have been proposed by groups such as Oxfam, Christian Aid and the World Development Movement (WDM), which call, for example, for the democratisation of the WTO; an agreement which permits the poorest countries to defend their infant export industries from direct competition; and binding international rules to force all corporations to trade fairly." (*Guardian*, 9 September 2003)

In short, advocates want rules-based trade as the answer to poverty and other problems faced by the South.

Monbiot believes that the World Bank and the IMF did some useful work after they were formed, but says they are now "constitutionally unreformable" and should be scrapped. He wants them replaced by an International Clearing Union – a body like the one designed by John Maynard Keynes in the 1940s – whose purpose is to prevent excessive trade surpluses and deficits from forming, and therefore international debt from accumulating.

Keynes' idea was that the clearing union would have its own currency, the bancor. Every country would have an overdraft facility in its bancor account no more than half the average value of its trade over the previous five years. The system would charge progressively higher rates of interest for those countries running surpluses or deficits, giving a strong incentive for them to clear their bancor accounts. This would, for Monbiot, maximise world prosperity and level out the power of nations.

Monbiot also proposes a transformation of the global trade rules, to be run by a reformed WTO – a Fair Trade Organisation. This would mean an end to TRIPS, GATS and TRIMS, no new issues in trade talks and for social and environmental clauses in trade agreements.

Monbiot proposes "a clear and non-negotiable sliding scale of trade privileges". He says: "Poor nations should be permitted to follow the route to development taken by the rich nations: protecting their infant industries from foreign competition until they are strong enough to fend for themselves, and seizing other countries' intellectual property rights. Companies operating between nations should be subject to mandatory fair trade rules, losing their licence to trade if they break them." (*Guardian*, 8 September 2003)

Monbiot points out that before the First World War, countries at the early stage of industrialisation almost always protected their "infant" industries, or borrowed (more likely stole) intellectual property from other more advanced countries.

Britain's industrial revolution is usually dated from the 1760s, reaching its highpoint a century later. For virtually the whole of that period, the key industry in this process, textiles, was protected by the British state by a system of tariffs and prohibitions.

The United States also imposed tariffs during its early industrialisation. In 1816 the tax on almost all imported manufactures was 35%, rising to 40% in 1820 and, for some goods, 50% in 1832. As Monbiot puts it: "The US remained the most heavily protected nation on earth until 1913." (*New Scientist*, 31 May 2003)

A similar pattern of protection of key industries and the promotion of exports by the state occurred in Japan, Taiwan and South Korea over the past 50 years.

The exceptions to this pattern also prove the rule. Neither Switzerland nor the Netherlands protected their infant industries, but "simply stole the technologies of other nations" during their key development phases. For example, in Switzerland in 1859 a company that became Ciba "pilfered the aniline dyeing process that had been developed and patented in Britain two years before." (*New Scientist*, 31 May 2003)

In the Netherlands, in the early 1870s, two firms stole a patented French recipe and started producing margarine. They later merged to form Unilever. In the 1890s, Gerard Philips stole Thomas Edison's design for incandescent lamps, and founded Europe's most successful electronics company.

Monbiot's argument for licensing is part of a wider strategy of international regulation of multinational corporations – making them subject to binding fair trade rules, losing their licence to trade if they break them.

He argues: "To acquire a licence to trade internationally, a corporation would have to demonstrate that its contractors were not employing slaves, using banned pesticides or exposing their workers to asbestos. It would also have to pay the full environmental cost of the fossil fuel it used." (*Guardian*, 24 June 2003)

Other trade justice policies include raw material export price support schemes, capital controls, a "Tobin tax" on financial speculation and cancel the debt of the most heavily indebted nations.

Some of Monbiot's proposals could become useful transitional measures in the future when the global economy is run by an association of workers' governments restructuring world trade. But who he thinks will bring about change in today's conditions is unclear – yet agency is a crucial element in any political strategy.

He calls for a "democratic revolution" in which institutions such as the IMF would be scrapped and some governments would be replaced by better ones. Other institutions such as the WTO and the UN would be reformed, presumably, by those better governments.

Monbiot describes his proposals as creating a "modified species of capitalism" – yet he hopes they will also "create the conditions in which capitalism is destroyed" (*Age of Consent*, p.241). The same ambivalence extends to the multinational corporations that control world trade and the bourgeois governments that administer the system on their behalf.

Monbiot's proposals assume that capitalist governments have both the power and the interest to transform the multinationals into "vegetarian great white sharks", and that these corporations will accept such a status. This is to misconstrue what capitalism is. It is in the nature of capitalist corporations to be rapacious vehicles for profit making, and for capitalist governments throughout the world to create the conditions in which firms can best exploit wage labour.

The idea that we can change the world, not by workers taking over those corporations, but by a sort of diffuse public pressure making them behave differently, is plainly utopian.

## Localisation

**T**he most drastic alternative to free trade, popular on the green wing of the global justice movement, is localisation. Localisation means that: "everything that can be produced locally should be produced locally".

According to Australian green Gary Buckman, the localisation school "generally sees global trade as an inherently destructive economic force and believes that the only way poor nations will get any richer is through less trade, not more".

Proponents of localisation such as Colin Hines argue that reducing the volume of international trade would give nations both economic and political autonomy and prevent the damage done to the environment.

Localisation policies include:

- Abolish the IMF/World Bank;
- Abolish the WTO and create a World Localisation Organisation;

- Local investment and local business ownership – "site-here-and-sell-here";
- Capital market regulation;
- Regulation of multinational corporations.

But localisation would lead to a situation where the world consists of lots of highly disconnected economies and also lots of highly disconnected, even despotic governments.

Localisation would mean a freezing of technology transfer, leaving poor countries that have not developed manufacturing industries to wallow in backwardness.

The problem with localisation is that it would trap the poorest economies in their current subordinate relationship to the rest of the world, and would require a whole new coercive apparatus to impose it. It is a backward looking and "reactionary reformism".



Anti-WTO protest in Hong Kong

The idea that the world's only superpower will volunteer to surrender its hegemonic status is indeed "hopelessly unrealistic" (Age of Consent, p.64).

In fact the reasoning behind the regulation of multinationals is circular. Trade justice advocates want laws or rules to control multinationals – but these regulations would be made by the governments of powerful states — that are controlled by multinationals. The same kind of objection applies to capital controls and the Tobin tax.

Price support schemes also illustrate the point. They have been tried four times in the past and largely failed. In the 1920s (for wheat, rubber, sugar, copper, petroleum lead and zinc). In the 1930s for tin, sugar, tea, wheat, rubber, tin and copper. After WWII for sugar, tin, coffee and cocoa. And in the 1970s for bauxite, bananas, copper, tin, coffee and petroleum.

The only arrangement to enjoy long-term success has been for oil, organised by the OPEC oil cartel – hardly a model for social justice.

Similarly, side agreements in trade treaties don't work – probably the best example is NAFTA, where countless cases of trade union violations have been reported, but none resolved in favour of workers.

Monbiot suggests that the poorest governments in the world could group together and threaten to default on their debts. But this is highly unlikely given the present political character of many of these regimes, never mind the kind of alliance that would have to be formed to make it happen. Nor is the strategy a particularly enticing prospect for their inhabitants, who would most likely be the first to suffer from its consequences, without necessarily having given their consent.

Monbiot also looks to the global justice movement. The World Social Forum in Mumbai in 2004, where 100,000 activists from 130 different countries met, was another impressive gathering, but this movement does not represent the kind of cohesive social power that can take on the multinationals and the governments and replace capitalism with something better. As Indonesian socialist and trade unionist Dita Sari recently commented, large parts of the movement are dominated by NGOs, funded by various governments or corporate foundations. They do good work on many issues but cannot be a force to change the world fundamentally.

Monbiot's "reformed WTO" proposals are in fact a programme for lobbying, writing columns in the Guardian, and so on, rather than mobilising the working class by starting from workers' immediate issues of struggle and organisation.

Yet workers are the only social force in every country across the globe with both the power and the interest to end capitalism and replace it with a new social order free from exploitation. This was the key argument made by Karl Marx and one that George Monbiot ignores in his rant against the Communist Manifesto in *The Age of Consent*.

Workers — because they produce the wealth that the multinationals expropriate, are simultaneously the immediate victims of exploitation but also the producers of profit — giving them both a reason to revolt and a unique social power. Workers are the immense majority in most countries of the world, and connected by an intricate web of production and trade. The working class is also capable of building democratic organs of power (such as unions, factory committees and councils) embracing millions that can make the key collective decisions about what to produce, how to do it and who gets the proceeds.

Only by freeing the world from the domination of capital can we end the inequalities of world trade. And the transitional stages towards that are those of the mobilisation of the working class — solidarity in struggle, international organisation and links, measures of workers' control — not those of an agenda for reform from the top by a better WTO.

# Socialism

A REVOLUTIONARY alternative to both "free" trade and "fair" trade is the perspective held by the Alliance for Workers' Liberty (AWL). It is based on the core ideas of Marxists a century ago, applied to the circumstances we live in today.

Karl Marx and Frederick Engels first wrote about world trade in the 1840s, when British capitalism was the dominant industrial force in the world economy and free trade had just become the commercial policy of the British government.

In England the Corn Laws that had kept the price of food high (and the landowners rich) were repealed in 1846, sparking a great international debate on the question of free trade. Both Marx and Engels published articles and delivered speeches on the question.

The first innovation they made was to refuse to be bound by the dichotomy: free trade or protection. As early as 1845, Engels wrote to Julius Campe: "We have no intention of defending protective tariffs any more than free trade, but rather of criticising both systems from our own standpoint. Ours is the communist standpoint..." (MECW 38, p34)

## Marx against free trade

Their most detailed treatment of the question was Marx's *Speech on the Question of Free Trade*, delivered in Brussels in January 1848, just before the *Communist Manifesto* was published. (MECW 6)

The speech is imbued with scepticism about the "free trade sophisms" of the manufacturing class. Marx railed against the "sudden philanthropy of the factory owners", who argued that free trade benefited the working class. He argued that the bosses' opposition to a shorter working day revealed their hypocrisy.

Marx believed that "all this cant will not be able to make cheap bread attractive to the workers". He argued that free trade was about the British bourgeoisie dominating the world market: "England would form one huge factory town, with the whole of the rest of Europe for its agricultural districts."

Against arguments that free trade would provide cheap food and higher wages, Marx pointed to the destitution of the handloom weavers in Britain and India. He argued that by unleashing competition, free trade was likely to drive down workers' wages. Marx also disputed the argument that free trade facilitated a natural division of labour between countries. The free traders failed to understand that "one country can grow rich at the expense of another".

To the question, "what is free trade under the present condition of society?", Marx's answer was: "It is the freedom which capital has to crush the worker."

Marx argued: "When you have overthrown the few national barriers which still restrict the progress of capital, you will merely have given it complete freedom of action. So long as you let the relation of wage labor to capital exist, it does not matter how favourable the conditions under which the exchange of commodities takes place, there will always be a class which will exploit and a class which will be exploited."

He added: "All the destructive phenomena which unlimited competition gives rise to within one country are reproduced in more gigantic proportions on the world market."

Yet Marx concluded his speech with the following declaration: "But, in general, the protective system of our day is conservative, while the free trade system is destructive. It breaks up old nationalities and pushes the antagonism of the proletariat and the bourgeoisie to the extreme point. In a word, the free trade system hastens the social revolution. It is in this revolutionary sense alone, gentlemen, that I vote in favour of free trade."

Why did Marx come out in favour of free trade, even in that qualified sense? He did not have in mind an actual vote, in a referendum or similar, for free-trade government measures. He was "voting" metaphorically, asserting that between the two bad capitalist alternatives, free trade and protection, free trade at least had the merit of pushing along the contradictions of capitalism.

## Marx against protectionism

MARX'S arguments about protection were stated cryptically in the 1848 speech, where he said: "To burden foreign corn with protective duties is infamous, it is to speculate on the hunger of the people".

Marx had attended a free trade congress in Brussels in September 1847 for which he prepared a speech (which was never delivered). Engels wrote an account of the conference, summarising Marx's view, and a fragment of the speech dealing with protectionism has survived (*The Protectionists, the Free Traders and the Working Class*, MECW 6).

Marx argued first that: "If they [the protectionists] speak consciously and openly to the working class, then they summarise their philanthropy in the following words: It is better to be exploited by one's fellow-countrymen than by foreigners."

He also chastised the protectionists as at best defenders of the status quo. He wrote: "...the conservation of the present state of affairs is accordingly the best result the protectionists can achieve in the most favourable circumstances. Good, but the problem for the working class is not to preserve the present state of affairs, but to transform it into its opposite."

Further: "The system of protective tariffs places in the hands of the capital of one country the weapons which enable it to defy the capital of other countries; it increases the strength of this capital in opposition to foreign capital, and at the same time it deludes itself that the very same means will make that same capital small and weak in opposition to the working class."

Marx and Engels also acknowledged the fact that the advanced powers protected their infant industries in the early stages of industrialisation. Pre-dating the arguments of the fair traders by 150 years, they conceded the justice of new industrial powers protect-

ing their own infant industries. Only that protection would either become a way of bringing the new industrial power into free trade, or mutate in conservative protection.

In *The German Ideology* (1845–46), discussing the development of English industry 1650–1800, they wrote: "Manufacture was all the time sheltered by protective duties in the home market, by monopolies in the colonial market, and abroad as much as possible by differential duties... Manufacture could not be carried on without protection, since, if the slightest change takes place in other countries, it can lose its market and be ruined; under reasonably favourable conditions it may easily be introduced into a country, but for this very reason can easily be destroyed." (MECW 5)

Discussing Germany in 1847, when industry was just beginning to develop there, Engels wrote in an article, *Protective Tariffs or Free Trade System*: "The bourgeoisie cannot, in fact, even maintain itself, cannot consolidate its position, cannot attain unbounded power unless it shelters and fosters its industry and trade by artificial means. Without protection against foreign industry it would be crushed and trampled down within a decade." (MECW 6)

Engels also said that protection would help the capitalist class sweep away the old ruling classes. He wrote: "the bourgeoisie in Germany requires protection against foreign countries in order to clear away the remnants of the feudal aristocracy."

And Engels argued that in these circumstances, "the working class has an interest in what helps the bourgeoisie to unimpeded rule", since "only when the field of battle has been swept clean of all unnecessary barriers" would the decisive battle between the working class and the capitalist class take place.

But Engels reiterated that those "who advocate the protective system never fail to push the well-being of the working class... The intelligent among (workers) know very well this is a vain delusion... whether protective tariffs or free trade or a mixture of both, the worker will receive no bigger wage for his labour than will just suffice for his scantiest maintenance".

## Marx and Engels oppose free trade and protectionism

MARX'S mature writings on trade are scattered in various journalistic articles. However it is clear from plans when he drew up in the 1850s and 1860s for *Capital* that he thought it was a vital issue for socialists. In fact *Capital* was to be one of six books devoted to political economy, with the last two on foreign trade and on the world market.

In his more substantial economic works, Marx made it clear that foreign trade is important for the operation of the law of value; for abstract labour; for the rate of profit and crises.

Between the late 1840s and the 1880s, Marx and Engels continued to expose the hypocrisy of advocates of both policies of protection and free trade, and to assert the paramount interests of the working class.

For example, in *Pauperism and Free Trade*, written in 1852, Marx denounced the increase in poverty despite the regime of free trade. He wrote: "Either side of the bourgeois commercial policy, free trade or protection, is, of course, equally incapable of doing away with facts [such as poverty] that are merely necessary and natural results of the economical base of bourgeois society." (MECW 11)

In 1864, in his inaugural address to the International Workingmen's Association (the First International), Marx argued that free trade will not "do away with the miseries of the industrious masses". (MECW 20)

Discussing Britain and the opium trade in 1858, Marx wrote: "While openly preaching free trade in poison, it secretly defends the monopoly of its manufacture. Whenever we look closely into the nature of British free trade, monopoly is pretty generally found to lie at the bottom of its 'freedom'." (*Free Trade and Monopoly*, MECW 16, p20)

Marx and Engels also supported the demand by colonies and other newly industrialising countries to protect their industries. In 1862 Marx commented favourably on the desire by Australia and other colonies with self-government that wanted protection for their industries, "while England preached free trade". (*On the Cotton Crisis*, MECW 19)

Later in 1867, reflecting on the relationship between England and Ireland, Marx wrote in a letter to Engels: "What the Irish need is... protective tariffs against England. From 1783–1801 every branch of industry in Ireland flourished. By suppressing the protective tariffs which the Irish parliament had established, the Union destroyed all industrial life in Ireland. The little bit of linen industry is in no way a substitute... As soon as the Irish became independent, necessity would turn them, like Canada, Australia, etc., into protectionists." (MECW 42)

But Marx and Engels retained their scepticism about protection. For example in *Capital Volume I*, published in 1867, Marx wrote: "The system of protection was an artificial means of manufacturing manufacturers, of expropriating independent labourers, of capitalizing the national means of production and subsistence, and of forcibly abbreviating the transition from the medieval to the modern mode of production." (MECW 35)

Marx and Engels also advised their supporters in the German Social Democratic Party (SPD) on the issue. At the SPD congress held in Gotha in 1876, the party passed a resolution that stated: "The socialists of Germany are not interested in the fight between free trade and protection which has arisen within the ranks of the propertied classes. The question is merely one of expediency, to be decided in each instance upon its merits: the troubles of the working classes have their root in the general economic conditions as a whole." (August Bebel, *My Life*, 1912)

They also advised the SPD representatives in Parliament to

abstain or vote against measures such as protective tariffs. In 1879, Engels wrote to August Bebel: "In the case of all other economic questions, such as protective tariffs... Social-Democratic deputies must always uphold the vital principle of consenting to nothing that increases the power of the government vis-à-vis the people. And this is made all the easier in that feelings within the party itself will, of course, invariably be divided in such cases and hence abstention, a negative attitude, is automatically called for." (MECW 45)

When one of the SPD deputies, Max Kayser, spoke in favour of and voted for protective tariffs in 1879, Engels backed those who criticised Kayser harshly, on the grounds that the socialists opposed Bismarck's government in general and indirect taxation in particular. (*Circular Letter to August Bebel and Others*, MECW 24)

### Engels after Marx's death

**M**ARX died in 1883, and it was left to Engels to develop their position on trade policy in the light of new developments. Engels was quick to recognise that England was no longer the workshop of the world, and by the 1880s faced rivalry from France, Germany and especially the United States. (*England in 1845 and 1885*, MECW 26)

In the same article, Engels registered that free trade had created divisions in the working class, with some sections of the British working class benefiting from England's industrial monopoly.

But Engels was confident that the class struggle would revive as England's dominance was challenged. He used the preface to the first English edition of *Capital* Volume 1 to analyse these developments, commenting that "free-trade has exhausted its resources". (Preface to *Capital* November 1886, MECW 35)

In 1888 Engels published a pamphlet, *On the Question of Free Trade in 1888*, which included the key articles and speeches from the 1840s, and a new introduction analysing developments over the last 40 years. It is clear from the introduction that his basic attitude remained the same as the one he shared with Marx. (MECW 26)

Engels wrote: "The question of Free Trade or Protection moves entirely within the bounds of the present system of capitalist production, and has, therefore, no direct interest for us socialists who want to do away with that system."

But he added: "Indirectly, however, it [free trade] interests us inasmuch as we must desire as the present system of production to develop and expand as freely and as quickly as possible: because along with it will develop also those economic phenomena which are its necessary consequences, and which must destroy the whole system... From this point of view, 40 years ago Marx pronounced, in principle, in favour of Free Trade as the more progressive plan, and therefore the plan which would soonest bring capitalist society to that deadlock."

Engels devoted the bulk of his introduction to addressing the

question of protection. Firstly he repeated the argument that all the advanced capitalist countries had protected their industries in their infancy. He wrote: "It was under the fostering wing of protection that the system of modern industry — production by steam-moved machinery — was hatched and developed in England during the last third of the 18th century."

However Engels was sceptical whether protective tariffs would achieve the intended result. He argued: "Protection is at best an endless screw, and you never know when you have done with it. By protecting one industry, you directly or indirectly hurt all others, and have therefore to protect them too. By so doing you again damage the industry that you first protected, and have to compensate it; but this compensation reacts, as before, on all other trades, and entitles them to redress, and so on ad infinitum."

Engels pointed out that the "transformation of Germany from an agricultural to a manufacturing country" under the Zollverein, a customs union of the then-divided German states with limited tariff protection around it, proved that "even nowadays, in spite of the enormous start that English industry has got, a large country can work its way up to successful competition in the open market with England."

Engels introduced two other important arguments. First, he ridiculed the Russian government's protective tariffs that aimed to make it "an entirely self-supplying country, requiring from the foreigner neither food, nor raw material, nor manufactured articles, nor works of art". In words all too relevant to Stalin's later follies, he poured scorn on those "who believe in this vision of a Russian Empire, secluded and isolated from the rest of the world".

Second, Engels was sharply critical of the big power protectionism — "the worst of all" — that developed in the 1870s in Germany and England — often under the slogan of "fair trade". In England, the Tories had helped create the National Fair Trade League in the early 1880s. Engels was clear that such protectionism was reactionary, simply creating "rings" and "trusts" of national capital such as the German iron magnates and the US Standard Oil Company. By the 1880s he believed protection was unnecessary for Germany and the US.

Engels summed up the dilemma facing other countries where one power — in this case the English — dominated world trade. In a letter of 18 June 1892 to Nikolai Danielson, he wrote: "In my view this universal reversion to protective tariffs is not a mere accident but the reaction against England's intolerable industrial monopoly. The form which this reaction takes, as I said before, may be wrong, inadequate and even worse, but its historical necessity seems to me quite clear and obvious." (MECW 49)

In another letter to Danielson, 22 September 1892, accepting that some industrially underdeveloped countries like Russia might need protection, Engels wrote: "the question of protection is one of

degree only, not of principle." (MECW 49)

But in the long run, even if protection did assist the development of capitalism, it would also be developing its gravediggers, the working class. Engels reiterated the point in his 1888 introduction: "Protection is a plan for artificially manufacturing manufacturers, and therefore also a plan for artificially manufacturing wage labourers. You cannot breed the one without breeding the other."

Engels continued to assess free trade and protectionism in the final years of his life. In an article, *The American presidential election*, written in November 1892 he explained how the United States had used protective tariffs to build up its own industry to catch up with England. Having done so, these tariffs had become a fetter to industry. He made a farsighted prediction: "Once established on the world market, America — like, and through England — will irresistibly be driven further along the path of free trade." (MECW 27)

Engels' last word on these issues was a political intervention criticising his own supporters in France. In February 1894 the French Chamber of Deputies discussed the issue of tariffs on corn. French socialists Jean Jaurès and Jules Guesde spoke in favour of a state monopoly on grain imports. Engels wrote to Paul Lafargue condemning their stance as "out and out protectionism" that would benefit only the large landowners. (6 March 1894, MECW 50)

In short, Engels maintained and developed the position he and Marx had set out for over 40 years — refusing to be bound by the parameters of bourgeois policy, and seeking to orientate the working class to take an independent stance.

### Marxists after Marx and Engels

**L**ATER Marxists shared the approach of Marx and Engels. For example in 1894 Lenin wrote: "Although they stress primarily and most emphatically that the problem of free trade and protection is a capitalist problem, one of bourgeois policy, the Russian Marxists must stand for free trade, since the reactionary character of protection, which retards the country's economic development, and serves the interests not of the entire bourgeois class, but merely of a handful of all-powerful magnates, is very strongly evident in Russia, and since free trade means accelerating the process that yields the means of deliverance from capitalism." (*The Economic Content of Narodism*, 1894, CW Volume 1)

In 1898 Rosa Luxemburg argued that for the advanced capitalist states, tariffs were no longer about infant industries but primarily about inter-capitalist competition. She wrote: "Tariff policy and militarism have played their vital and therefore progressive and revolutionary part in the history of capitalism. Without protective tariffs, the growth of large-scale industry in particular countries would have been impossible. Today, however, the situation is different. In all major countries, and particularly in those that are most active in operating a tariff policy, capitalist production has reached

## Marx's major works on foreign trade

**I**n his notes on the history of economic thought in 1861-63, first published as *Theories of Surplus Value* (but in fact the second draft of *Capital*, volume 1), Marx comments on the way a rich country can exploit a poorer one. He argued: "Say, in his notes to Ricardo's book translated by Constancio, makes only one correct remark about foreign trade. Profit can also be made by cheating, one person gaining what the other loses. Loss and gain within a single country cancel each other out. But not so with trade between different countries. And even according to Ricardo's theory, three days of labour of one country can be exchanged against one of another country — a point not noted by Say. Here the law of value undergoes essential modification. The relationship between labour days of different countries may be similar to that existing between skilled, complex labour and unskilled, simple labour within a country. In this case, the richer country exploits the poorer one, even where the latter gains by the exchange, as John Stuart Mill explains in his *Some Unsettled Questions*." (MECW 32 p.294)

Marx also believed that foreign trade was vital for the process of transforming concrete labour into abstract labour. Marx wrote: "But it is only foreign trade, the development of the market to a world market, which causes money to develop into world money and abstract labour into social labour. Abstract wealth, value, money, hence abstract labour, develop in the measure that concrete labour becomes a totality of different modes of labour embracing the world market. Capitalist production rests on the value or the transformation of the labour embodied in the product into social labour. But this is only [possible] on the basis of foreign trade and of the world market. This is at once the pre-condition and the result of capitalist production." (MECW 32 p.388)

Marx developed some of these insights in *Capital* volume III, written in 1865 but only published by Engels in 1894. Marx argued: "Since foreign trade partly cheapens the elements of constant capital, and partly the necessities of life for which the variable capital is exchanged, it tends to raise the rate of profit by increasing the rate of surplus-value and lowering the value of constant capital. It generally acts in this direction by permitting an expansion of the scale of production. It thereby hastens the process of accumulation, on the one hand, but causes the variable capital to shrink in relation to the constant capital, on the other, and thus hastens a fall in the rate of profit. In the same way, the expansion of foreign trade, although the basis of the capitalist mode of production in its infancy, has become its own product, however, with the further progress of the capitalist mode of production, through the innate necessity of this mode of production, its need for an ever-expanding market. Here we see once more the dual nature of this effect. Ricardo has entirely overlooked this side of foreign trade."

"Another question — really beyond the scope of our analysis

because of its special nature — is this: Is the general rate of profit raised by the higher rate of profit produced by capital invested in foreign, and particularly colonial, trade?"

"Capitals invested in foreign trade can yield a higher rate of profit, because, in the first place, there is competition with commodities produced in other countries with inferior production facilities, so that the more advanced country sells its goods above their value even though cheaper than the competing countries. In so far as the labour of the more advanced country is here realised as labour of a higher specific weight, the rate of profit rises, because labour which has not been paid as being of a higher quality is sold as such. The same may obtain in relation to the country, to which commodities are exported and to that from which commodities are imported; namely, the latter may offer more materialised labour in kind than it receives, and yet thereby receive commodities cheaper than it could produce them. Just as a manufacturer who employs a new invention before it becomes generally used, undersells his competitors and yet sells his commodity above its individual value, that is, realises the specifically higher productivity of the labour he employs as surplus-labour. He thus secures a surplus-profit."

"As concerns capitals invested in colonies, etc., on the other hand, they may yield higher rates of profit for the simple reason that the rate of profit is higher there due to backward development, and likewise the exploitation of labour, because of the use

of slaves, coolies, etc.

"Why should not these higher rates of profit, realised by capitals invested in certain lines and sent home by them, enter into the equalisation of the general rate of profit and thus tend, pro tanto, to raise it, unless it is the monopolies that stand in the way. There is so much less reason for it, since these spheres of investment of capital are subject to the laws of free competition. What Ricardo fancies is mainly this: with the higher prices realised abroad commodities are bought there in return and sent home. These commodities are thus sold on the home market, which fact can at best be but a temporary extra disadvantage of these favoured spheres of production over others. This illusion falls away as soon as it is divested of its money-form. The favoured country recovers more labour in exchange for less labour, although this difference, this excess is pocketed, as in any exchange between labour and capital, by a certain class. Since the rate of profit is higher, therefore, because it is generally higher in a colonial country, it may, provided natural conditions are favourable, go hand in hand with low commodity-prices. A levelling takes place but not a levelling to the old level, as Ricardo feels."

"This same foreign trade develops the capitalist mode of production in the home country, which implies the decrease of variable capital in relation to constant, and, on the other hand, causes over-production in respect to foreign markets, so that in the long run it again has an opposite effect." (MECW 37 pp.235-237)

## Proudhon, patron saint of fair trade

**P**ierre Joseph Proudhon (1809-1865) was a founder of anarchism and author of the book *What is Property?* (1842) to which he gave the celebrated answer, "it is theft".

Proudhon was one of the most prominent radical thinkers of his day, and in works such as *System of Economic Contradictions* — or *The Philosophy of Poverty* (1846) and *Credit, Free of Interest* (1858) was an early advocate of some fair trade ideas. He argued that workers should receive the full value of their labour, but would be free only when they could acquire the means of production, become handicraftsmen (women, as Marx sarcastically noted, would stay in the "domestic hearth"), and ensure the just marketing of their produce.

To help them set up, Proudhon and his supporters advocated the establishment of a People's Bank, which would lend money at very low interest. Apparently they tried to set one up in 1848. They also proposed a system of money based directly on labour time to ensure a more equitable distribution.

Proudhon opposed large-scale industry and wanted a reformed capitalism, in which the "bad side" of the division of labour and

competition would be eliminated, while good side was retained.

Marx and Engels admired Proudhon in their early years, but in works such as *The Poverty of Philosophy* (1847) and in *Capital* (1867), they criticised him mercilessly as the representative of small traders, with an essentially backward-looking and utopian vision of the world.

They argued that for Proudhon, the problem with capitalism lay primarily in the realms of exchange and credit. The key issues for him were unequal or unfair exchange and the role of the money-lender. This was how it appeared to small proprietors such as artisans and peasants. But Marx insisted that the contradictions of capitalism do not derive from exchange as such, or from trade — profits did not come primarily from unequal exchange but from exploitation at the point of production.

Proudhon was also opposed to strikes and the organisation of trade unions, believing that higher wages would simply lead to higher prices. Again, Marx and Engels disagreed, arguing that unions and strikes were a vital means to militate against exploitation and wage the class struggle against capital.

roughly the same average level. From the standpoint of capitalist development, it is nowadays a matter of complete indifference whether Germany exports more goods to England or England to Germany... Given the present mutual interdependence of the various branches of industry, protective tariffs on certain commodities cannot but raise the cost of producing other commodities within the country, thus yet again paralysing industry. But from the standpoint of the interests of the capitalist class, it is quite otherwise. Industry may not need protective tariffs for its development, but industrialists need them to protect their markets. This means that tariffs no longer serve as a means of protecting a developing capitalist industry against a fully mature one but become a weapon used by one national group of capitalist against another. Furthermore, tariffs are no longer necessary as a means of protecting industry so that it can create and dominate a home market. They are, however, an indispensable instrument for the cartelisation of industry." (*Tariff Policy and Militarism*, in Tudor eds. *Marxism and Social Democracy* 1988)

Rudolf Hilferding, in his book *Finance Capital* (1910), wrote: "The proletariat avoids the bourgeois dilemma — protectionism or free trade — with a solution of its own; neither protectionism nor free trade, but socialism, the organisation of production, the conscious control of the economy not by and for the benefit of the capitalist magnates but by and for society as a whole."

Like Marx and Engels, Hilferding recognised that free trade created the conditions for capitalist development. "There can be no doubt, therefore, that at an advanced stage of capitalist production free trade, which would amalgamate the whole world market into a single economic territory, would ensure the highest possible labour productivity and the most rational international division of labour."

However, Hilferding believed that the epoch of free trade had passed, to be replaced by an epoch of finance capital and protection, big power rivalry and war. Rosa Luxemburg, writing in 1913 in *The Accumulation of Capital*, argued that the period of free trade had been "just a passing phase in the history of capitalist accumulation".

Lenin in his book *Imperialism* (1916) made the same point. He wrote: "England became a capitalist country before any other, and by the middle of the nineteenth century, having adopted free trade, claimed to be the 'workshop of the world', the supplier of manufactured goods to all countries, which in exchange were to keep her provided with raw materials. But in the last quarter of the nineteenth century, this monopoly was already undermined; for other countries, sheltering themselves with 'protective' tariffs, developed into independent capitalist states." (CW 22)

Lenin also quoted Hilferding approvingly, that "the reply of the proletariat to the economic policy of finance capital, to imperialism, cannot be free trade, but socialism. The aim of proletarian policy cannot today be the ideal of restoring free competition — which has now become a reactionary ideal — but the complete elimination of competition by the abolition of capitalism." (*Finance Capital*, 1981, p366, Lenin CW 22, p289)

And Trotsky summed up the attitude to protection very clearly, in an article, *Disarmament and The United States of Europe* (16 May 1927). He wrote: "Tariff barriers are erected precisely because they are profitable and indispensable to one national bourgeoisie to the detriment of another, regardless of the fact that they act to retard the development of the economy as a whole."

This outlook was largely forgotten with the rise of Stalinism. Much of what passed for "Marxism" in the last 70 years has been little more than a Stalinist gloss on protection, with the autarky practiced by the USSR in isolation from the world market held up as the model. This was the very opposite of the original Marxist approach.

### Marxists today

We cannot simply read off our attitude today from the views of earlier Marxists. If nothing else, they taught us to face reality squarely and study the world as it is. Their time and ours are very different.

The US does not operate as England did under free trade, as "the workshop of the world", with other countries as its "dependent agricultural districts". US firms have been exporting manufacturing production and employment to the "Third World". Trade patterns and investment flows are very different from those of the 19th century.

The system of politically independent states which organises today's "Empire of Capital" - or what we call the "imperialism of free trade" - is different from the old colonial empires. And the world financial architecture of US hegemony, represented by the IMF, the World Bank and the WTO, is markedly different from that of the time when the gold standard, the City of London, and England dominated the world economy.

Under US hegemony, capitalist "free competition" has in fact been restored and even expanded beyond the scope it had in the 19th century. A world market dominated by a few huge corporations — where each one is always able to seize on another's weakness to invade its markets — may paradoxically be more intensely competitive than one dominated by a larger number of smaller firms, each of them with a more circumscribed market.

The general spirit of the admonitions of the Marxists of a hundred years ago against any working-class policy geared to restoring the presumably softer capitalism of yesteryear — then, small-firm capitalism as against the monopoly capitalism of high imperialism — today warns us against policies which aim to restore a bygone, softer capitalism characterised by more protection, tariffs, and national barriers.

Some basic ideas remain valid. First, the working class needs a trenchant critique of what is. Just as Marx and Engels criticised both the free traders and the protectionists of their day, so we should criticise both US "free trade imperialism" and those who want a "multipolar" world in which the European Union can vie with the USA.

The fair-traders and WTO-reformers of today are not to be equated with the Tory protectionists of a hundred years ago. But their ideas do have much in common with the "socialism of fair exchange" advocated in the mid 19th century by Pierre Joseph Proudhon and others. They thought that social equality could be ensured by rejigging the rules of capitalist market economics to

bring them into line with their theoretical claims of equality and justice. Marx snorted: "To clamour for equal or even equitable redistribution on the basis of the wages system is the same as to clamour for freedom on the basis of the slave system".

The working class needs an independent policy — it should not be bound by the two bourgeois policies of free trade and protection. Workers do not have to side with "their own" national capital for protection, or with cosmopolitan capital for free trade. Neither policy will ultimately raise working class living standards — and neither will do away with the fact of exploitation at the root of wage labour.

Second, Marxists favour free trade because it hastens the development of capitalism, principally by creating its gravediggers, the working class. Since the eighteenth century, as capitalism developed in Europe, North and South America, Oceania and in parts of Asia, large working classes were created, often with powerful labour movements. Since 1950 the working class has grown in size and social weight worldwide as capitalism developed. According to ILO figures, countries such as China, India, Brazil, Mexico, South Korea, Indonesia and South Africa, had 38 million industrial workers in 1950. By 2000 they had over 310 million industrial workers, an eight-fold increase in half a century. This suggests that for workers the route to self-emancipation is by pushing through globalisation, rather than by reversing it.

Does this mean socialists support the IMF, the WTO and neoliberal policies? No, it does not! We are opposed to their structural adjustment and apparent trade liberalisation policies precisely because it is the working class that suffers and the capitalists who benefit from them. But we also understand that their abolition is no panacea — capital could continue its daily destruction, and maybe even worse, if these institutions were destroyed.

Snappy demands like "withdraw from the WTO" (adopted by the Australian Socialist Alliance) or "no to the euro" (common on the British left) have under their militant gloss no content beyond the discredited, national-capitalist politics of yesterday.

The WTO and IMF are not autonomous forces. They reflect the power of states and corporations. We have to tackle that power. The "empire of capital" cannot be tackled successfully without the working class overthrowing the capitalist states. Those states, the "executive committees of the bourgeoisie", are still the most reliable guarantors of capital accumulation, and therefore states have to remain the focus of opposition movements. The big capitalist states are still much bigger and more potent concentrations of capitalist power than even the biggest multinational corporations. To argue, as for example do writers in *Le Monde Diplomatique* and theoreticians of ATTAC, that our task is to "restore the state" which is in danger of being overwhelmed by the corporations and the international institutions, is fundamentally to misestimate our enemy.

And what about protectionism? Marx and Engels were careful to appreciate circumstances where protection might be acceptable — for example in Australia and Ireland in the 1860s to support infant industries, and where it was not, such as Germany and the US in the 1880s, to protect trusts. We might make an analogy here by opposing the subsidies and other "support" by the US, the EU and Japan for their own agriculture, textiles, steel, etc. and by supporting preferential treatment for less developed economies.

Workers cannot have any truck with the protectionism of rich world governments, even under the guise of saving jobs. For one thing, it is capital not our brothers and sisters abroad that decides where the jobs go; and no protective tariff will prevent capital setting up shop elsewhere. Marx and Engels taught that under capitalism the market determines wages and employment, but so does the class struggle. And only an end to the wages system will guarantee jobs and a living wage for all.

We can also agree with Marx and Engels' arguments against self-sufficiency and exclusion from the world market. We should argue against those who advocate localisation as the solution to poverty, inequality and the environmental crisis. "Socialism in one country" was a Stalinist monstrosity — socialism in one locality would be an even further step backwards.

Finally, Marx and Engels understood that large firms were the organic product of capitalist development, through the processes of concentration and centralisation of capital. Their answer to this was not "break up the monopolies" but public ownership under workers' control. That should be our approach towards the multinationals.

To support small-scale, local, or national capitalism against the multinationals — implicitly or explicitly — is to turn our faces backwards instead of forwards. Very often it means supporting the backward, more crudely exploitative capitalist against the one whose large scale of operation at least creates a better basis for large-scale workers' organisation.

Social and democratic control over the multinationals requires more than just nationalisation (i.e., in one country). It requires global control. But the fact that so few multinationals now dominate the world economy makes global socialist planning nearer to hand than ever before — if only we can generate a level of international working-class organisation and solidarity as extensive as the global interconnection of capital.

### References

- Gary Buckman, *Globalization: tame it or scrap it?*, Zed Books 2004
- The Economist [www.economist.com](http://www.economist.com)
- Colin Hines, *Localisation: A Global Manifesto*, Earthscan 2000
- Angus Maddison, *The World Economy: a Millennial Perspective*, OECD 2002
- Marx and Engels, *Collected Works (MECW)*, 50 volumes, Lawrence and Wishart
- Marxists Internet Archive [www.marxists.org](http://www.marxists.org)
- George Monbiot [www.monbiot.com](http://www.monbiot.com)
- George Monbiot, *The Age of Consent*, Flamingo 2003
- David Ransom, *The No-Nonsense Guide to Fair Trade*, Verso 2002
- Robert Went, *Globalization*, Pluto 2001
- World Development Movement [www.wdm.org.uk](http://www.wdm.org.uk)

# Independent working class politics in the Third World

CAPITALIST development is a fact of the last fifty years. World GDP increased nearly seven-fold from 1950 to 1998, with an average growth rate of nearly 4% a year, according to OECD figures.

During the so-called "golden age", 1950-73, world GDP grew by almost 5% a year; over the "neoliberal" period since 1973 the world economy has grown by 3% a year. In both periods growth was faster than at any time in history — the world economy is estimated to have grown by just over 2% a year between 1870 and 1913 and just under 2% a year between 1913 and 1950.

Real GDP per capita rose by over 2% a year between 1950 and 1998. This compares with less than 1% per annum between 1820 and 1950. The period since 1973 has seen a slowdown, but growth is still higher than before 1950.

Alongside combined expansion has been significant uneven development. The advanced capitalist countries of Europe, North America, and Japan produce over half the world's output, as they have done for over a century. Asia produces a quarter of the world's output, and contains half the world's population.

Many "Third World" countries have grown faster than the advanced capitalist states for long periods over the past fifty years.

South Korea had the fastest growing GDP per person in the world over the past fifty years, almost double the world average. Iran's oil-fuelled economy grew by over 5% per head between 1950 and 1973. Brazil and Mexico grew at over 3% per head until the 1980s.

China is the second largest economy in the world (after the US). China's per capita GDP has grown by more than 5% since 1980, with Thailand growing at just under 5% over the same period. However, since 1973 many African and Latin American economies have contracted in real terms.

Ghana, Indonesia and South Korea had comparable (low) levels of GDP per capita in 1950. Ghana is now barely any better off in real terms at all. Indonesia is three times richer and South Korea is now comparable with Portugal and Spain. And 54 countries, mainly in Africa, are poorer now than they were in 1990.

Uneven development is also reflected in the statistics about poverty. UN figures estimate that the richest 1% of the world's population receive as much income as the poorest 57%. A fifth of the world's population, some 1.2 billion live on \$1 (50p) a day or less and 3 billion people — half the world's population — live on less than \$2 (£1) day. Around 1.3 billion people have inadequate access to clean water.

Massive wealth, together with pauperisation and poverty characterise capitalist development today — underpinning the conditions faced by waged workers that we look to as the crucial agent of change across the globe.

### The new working class

OVER the last half century, the working class has grown in size and social weight as capitalism has developed. According to World Bank figures, between 1.5 and 2 billion people worldwide can be classified as working class.

The International Labour Organisation (ILO) estimates that in 1950 two thirds of the labour force worked in agriculture. By 1990 less than half worked in that sector. Today over half a billion people work in industrial jobs and even more in service jobs. True, vast numbers in the big cities of the poorer countries are "semi-proletarians", living off bits and pieces of wage labour, petty trade, begging, petty crime, etc. Still, the working class is probably the biggest class on the planet, for the first time in history.

According to the ILO, the 15 million Chinese industrial workers made up just 5% of its workforce in 1950. By 2000, almost a quarter of the workforce were industrial workers — some 175 million workers — with less than half now working in agriculture.

In India there were 14 million industrial workers in 1950, 8% of the workforce. By 2000 this had risen to 80 million industrial workers (18%). Dramatic increases in the number and proportion of industrial workers has also taken place in other smaller countries. In South Korea, only half a million people (6%) worked in industry in 1950. By 2000, there were over seven million industrial workers or 31% of the labour force. Similarly in Thailand, between 1950 and 2000, the industrial workforce grew from 300,000 (3%) to 7 million (19%).

These figures do not include the even higher numbers of workers classified in the service sector or as agricultural workers. Nor do they account for the proportions in the formal and informal sectors, or other divisions within the working class.

Nevertheless industrial development and the further integration of the world market has created large working classes, which have entered into class struggle. Some of the objective pre-requisites for international socialism have thereby developed to a greater degree than ever before.

For the Alliance for Workers' Liberty (AWL), the working class is the active historical agent – not simply the passive reflection of industrial advance. For us, the development of organised labour movements is a crucial indicator of the strength and power of the working class.

### New labour movements

RAPID industrialisation has tended to produce militant unionism. Look at the cycles in the car industry. After mass auto production developed in the United States in the first part of the twentieth century, it was followed by a wave of industrial militancy and trade union organisation.

As US car makers like Ford and General Motors set up production in Europe after World War 2, so militancy and strong union organisation spread to places like Italy and the UK. A similar pattern took place in South Africa and Brazil from the 1970s in South Korea from the 1980s and is likely to break out in China as car production increases there.

Labour movements have existed in Europe and North America for over a hundred years. These movements fought for free trade unionism, for democratic rights, for welfare states and for working class political representation. During the 1960s and 1970s these labour movements generally grew in strength and militancy. For example in Britain in 1980, around half of all workers were members of trade unions.

Although most labour movements suffered defeats from the 1980s onwards, they are still potentially powerful forces. In Europe alone there are 60 million trade unionists. In France in 2006 a wave of strikes stopped a government attack on young workers' strikes.

Labour movements have developed in the so-called "Third World" since 1950, fighting for the same rights as their sisters and brothers in the core capitalist countries. Just like in advanced capitalist states, many of these movements have formed or sought to form national trade union federations.

There are probably more genuine independent unions in the world today than ever before.

In South Africa, Brazil and South Korea, militant movements have developed in areas of industrial growth and concentration. Large strike waves erupted after periods of industrial quiescence in heavy industries that had grown up during recent industrialisation. They were concentrated in large factories among young, relatively skilled workers.

### South Korea

AFTER the military coup in South Korea in 1961, all labour organisations were dissolved and replaced by the Federation of Korean Trade Unions (FKTU), often called the "yellow dog" union because of its ties to the government.

A group of workers who had been victimised for militant activity formed the Workers' Welfare Association (WWA) and with two student groups, Jiamintu and Minmintu came together with the aim of rebuilding the labour movement in the 1980s.

The 1985 strike at Daewoo Motors, involving over 2,000 workers, represented the first significant breakthrough. It was the first major strike against a chaebol (industrial giants) and it was the first time that workers had struck independently of the wishes of the official union. A month later, after workers at the Daewoo Apparel Textile Company began a sit-in strike, one thousand workers from nine other factories came out in solidarity. The WWA and the student groups were involved in both these struggles.

By 1987 the number of disputes rocketed. As well as in chaebol factories, strikes also took place in health, finance, research, transport and tourism. It what became known as the "Great Workers' Struggle", there were over 3,000 disputes in July and August 1987. All these strikes were illegal, and thousands were arrested or beaten by company thugs.

Membership of the FKTU reached 1.9 million members, (nearly 20% density) although it was still tied to the state. However regional labour federations began to organise a democratic union movement after another wave of strikes in 1988.

Although the number of strikes ebbed, their average duration increased. New unions – for example in teaching – were formed, even though organising in education was illegal. In 1990, regional union federations formed the Korean Trade Union Congress (KTUC), with 200,000 members.

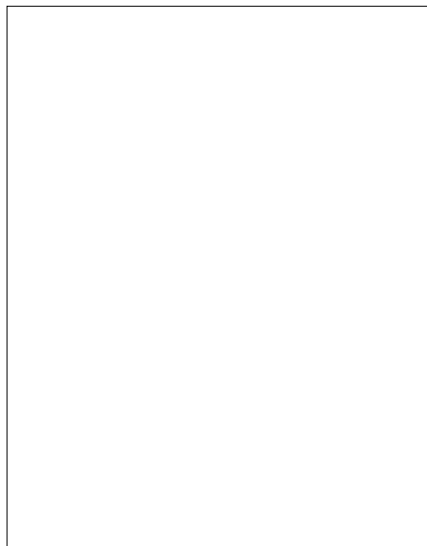
## South Africa – workers defeat apartheid

A STRIKE wave began in Durban in 1973 involving nearly 100,000 workers. It shook the racist apartheid regime (where only the white minority could vote) that had ruled for 25 years. Students played an important role too, calculating cost of living indexes and doing research for workers.

From the early 1980s, there was a massive upsurge in working class struggle. On 1 May 1986, 1.5 million workers "stayed away" from work to demand an official May Day holiday – the largest strike in South African history.

The strike wave swiftly made organisational gains. The COSATU trade union federation, formed in 1985, claimed 795,000 workers in 23 unions with over 12,000 shop stewards. By 1994 union membership was 3.5 million – a density of 26%.

These struggles made the apartheid regime untenable. The AWL believes that if COSATU and other workers' organisations had formed a political party, they could have won power



*Korean nurses strike, 1999*

Independent unions were severely repressed, but continued to develop. In 1989 combat police were used to break a strike of 5,000 subway workers in Seoul and a 109-day strike at the Hyundai shipyard in Ulsan. In 1990, 10,000 police were used at the same shipyard, and riot police attacked strikers at the Korean Broadcasting System. In the early 1990s Korea had the highest number of imprisoned trade unionists.

In 1995 the KTUC became the Korean Confederation of Trade Unions (KCTU). In December 1996-January 1997 the KCTU led massive strikes against government anti-union laws – with 400,000 workers coming out at the height of the strikes.

The FKTU declined to around one million members during the 1990s. The KCTU was legally recognised in 1999, and has over half a million members. It is strong in car making and shipbuilding, finance, media, nursing, teaching and the public sector.

There has not been a linear development of more factories, then more workers and then more struggle. The class struggle in most countries generally ebbed in the 1990s, and in some cases stagnated. Where it has risen – in Indonesia for example – the movements have not yet attained the heights of the earlier struggles in Brazil and South Africa.

Trade union bureaucracies have developed in "Third World" countries just as they did in advanced capitalist states. Sometimes they were directly brought into being by the state to control the working class (e.g. in China and Brazil) – others have grown up under democratic regimes. The labour aristocracy has domestic roots – a consequence of domestic capital accumulation, the state and the class struggle.

### Political representation

THE working class is the democratic class – it has consistently fought against military and authoritarian rule and for democratic rights. In Brazil and South Korea, the working class was the central force that brought about the end of military rule. In South Africa the working class was the social force that disrupted apartheid.

In Thailand, workers rallied to thwart the military coup in 1992. In Indonesia, the strike wave of the 1990s prefigured and inspired the movement against Suharto.

In Pakistan, the working class has been the only force to oppose both the military and the fundamentalists. And in China, the Tiananmen Square massacre and the struggles waged since for independent unions is the harbinger of future class battles that will shake the Stalinist state.

in their own right. Instead, most subordinated themselves to the Mandela's African Nationalist Congress and the Stalinist South African Communist Party, which came to power in 1994.

The AWL supported the workers' movement against apartheid, making direct links between workers in Britain and their sisters and brothers in South Africa. We advocated an independent workers' party and backed the socialist candidate Neville Alexander who stood against Nelson Mandela in the 1994 elections.

What's happened since has vindicated our approach. Workers are still savagely exploited and oppressed a decade after the fall of apartheid.

But they remain the force to challenge the ANC government. There are signs that South African workers are again stirring. In August 2001 two million workers went on a national strike against the ANC's privatisation programme. And in June 2005 two million took part in a national strike against poverty and unemployment.

There have been many attempts at working class political representation. Workers' candidates have stood in elections in South Africa, Korea, Pakistan and the Philippines, with some trade union backing. Workers have occupied factories across Latin America – most notably in Argentina after the crisis in 2001.

### Brazil

ONLY in Brazil has a mass workers' party developed, but the Workers' Party (PT) has moved far from its militant, working class origins.

The PT was founded during the great workers' strikes that began in 1978. By the end of the year, about half a million workers, including teachers, bank workers, textile workers as well as 350,000 metalworkers had taken strike action.

The metalworkers struck again in 1979, provoked a strike wave across Brazil. More than three million workers – about 13% of the industrial work force – went on strike, mainly for higher wages.

The PT was formed in 1980. Its leading members organised a general strike of three million workers in 1983 and went on to form the Central Unica dos Trabalhadores (CUT) union centre.

Between 1983 and 1991, there were six general strikes, ending the military regime and resisting austerity. The party was built through engaging with social struggles and by utilising the electoral opening at national, regional and local level.

However, coming to power at state and local level and then winning the presidency in 2002, the PT drifted to the right. Under Lula's leadership the PT has largely embraced neoliberalism. It has expelled prominent socialists and workers, who are regrouping to continue the struggle to build a mass workers' party.

### Iran

THE last thirty years of Iranian history sum up the highs and lows of working class politics. From October 1977 there were demonstrations against the despotic Shah, culminating in a two million-strong protest in the capital Tehran in September 1978. The Shah imposed martial law and soldiers massacred demonstrators. But a strike by 30,000 oil workers rocked the regime.

Strikes in factories, offices, hospitals and universities followed. Workers' committees known as "shoras" were set up, taking control of workplaces. Owners and managers were forced out. Poor slum dwellers organised neighbourhood committees. Students and peasants established their own shoras. The Shah fled in January 1979.

But the workers did not consolidate their position. Instead, political Islamists led by Khomeini, along with merchants and capitalist politicians, seized control. On 11 February 1979 Khomeini's forces took power. Over the next year, democratic workers' power was smashed. Islamic committees set up at workplaces competed with the shoras. Firms were allowed to go bankrupt to break the workers' committees. The clergy and the government took control of neighbourhood committees. The regime used brutal force to smash shoras and repress the Kurds and other national minorities who had gained some autonomy.

There is no mechanical correspondence between industrialisation and the development of strong working class movements. Militant labour movements are not simply the result of economic processes – they are also a product of conscious intervention by workers and organised socialists.

Obstacles such as repression, high capital mobility and unemployment have hampered the growth of labour movements. Labour movements have often been political excluded, and in some cases neutered by governments, as part of their industrialisation strategy. For example the All China Federation of Trade Unions is part of the police state in China.

Workers also face new opponents, such as the political Islam. Workers' organisations in Iran, Iraq, Pakistan and Indonesia have suffered at the hands of the fundamentalists.

The growth of labour movements has slowed significantly since 1990, and trade union density – the proportion of trade unionists compared to the total number of workers – has mostly stagnated in the last decade.

Nevertheless capitalist development generates openings for labour movements to emerge. It creates a potentially powerful social force and by forcing workers to struggle, gives socialists opportunities to spread our ideas.

### The role of Marxists

THE role of working class socialist activists is indispensable. Socialists in the "Third World" have been central to organising action, to providing education for workers and to linking together different struggles. International solidarity has also helped workers gain higher wages and improved conditions, gain reinstatement when victimised, and consolidate their organisations.

Inspirational struggles by the FNPBI in Indonesia, SITE-MEX in Mexico, Batay Ouvriere in Haiti and unions in Iraq have been the result of hard slogging by socialists to organise workers, sometimes starting outside the workplace. Similar processes took place in South Africa, Brazil and Korea prior to their strike waves.

Marxists like the AWL have duty to make solidarity with these socialists and other workers fighting their bosses and the state across the globe. The answer to capitalist globalisation is international solidarity with workers' struggles, and for workers to fight for their own liberation.