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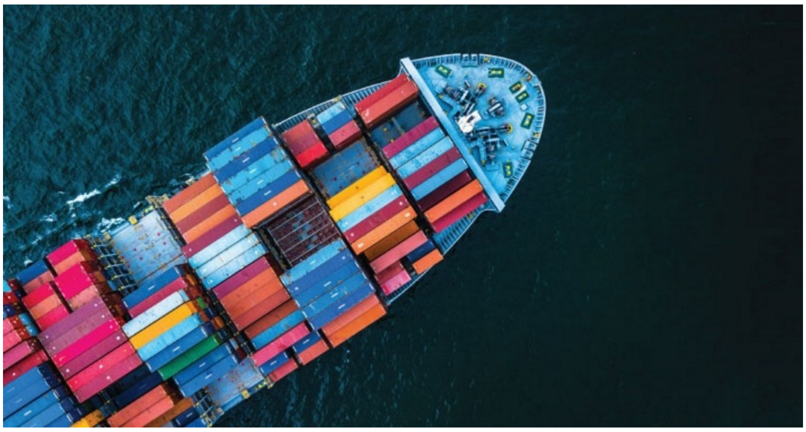
“Free Trade” Isn’t Really About Trade

“Free trade” sounds great to most business people, but free trade treaties are about giving up a country’s powers and people’s rights to unaccountable international entities.



In June 1994, during congressional debate over approval of joining the World Trade Organization (WTO), Republican congressman Newt Gingrich said:

We need to be honest about the fact that we are transferring from the United States at a practical level significant authority to a new organization. This is a transformational moment. I would feel better if the people who favor this would just be honest about the scale of change.

Twenty years from now we will look back on this as a very important defining moment. This is not just another trade agreement…. I am not even saying we should reject it; I, in fact, lean toward it.

“Free trade,” so styled, is an issue that the establishment figures of both major parties seem to agree on. NAFTA was ratified by a GOP-controlled Congress, after being signed by Democratic President Bill Clinton.

To understand the debate over free trade, it’s important to recognize what early free market economists meant by the term. The literature of early economics, from Ricardo and Smith to Say and Bastiat, is replete with recommendations for free trade, by which they meant the abolition of tariffs and border controls, and their replacement with essentially open borders and an unimpeded flow of goods and services across them. Protectionist policies, Bastiat argued in one famous essay, were comparable to candlemakers urging people to living inside and closing all doors and windows to protect them from unfair competition — the rays of the sun. Tariffs and other impediments to free trade, Bastiat contended, are really government interference in the free market, and harm no one but consumers, whom protectionism forces to pay higher prices for domestically produced products that foreign competitors may well be able to produce more cheaply.

In economic terms, this is true — in the same way that any type of tax or government interference in the marketplace, viewed from a strictly economic perspective, is a hindrance to the free market.

But as long as government exists in some form, it will need revenue to sustain it. A government with no way of raising revenue is ineffectual. Likewise, a country wishing to remain free and independent cannot afford to become dangerously dependent on foreign suppliers, particularly potentially hostile powers, for essential commodities from oil to steel. As long as sovereign countries exist, both governments and borders will be necessary. And that means that there can never be any such thing as truly free trade or a perfect free market liberated from all government authority.

The problem then becomes, given that governments and borders must exist, how can they be maintained with as little inconvenience to personal liberty as possible? The American Founders had a simple and ingenious answer: tariffs. Taxes on imported goods, they believed, would both suffice to fund the basic, legitimate functions of government (except in extraordinary circumstances, such as war) and be guarantors of sovereignty. They saw tariffs as the least intrusive form of taxation, since they would fall primarily on imported luxury items and would therefore be paid mostly by the rich. They also saw tariffs as a way of allowing the infant United States to get its own industries off the ground, so as not to be dependent on (and beholden to) the collectivist old world. (See our article "Tariffs and the Founding Fathers.")

The federal government was funded almost entirely by tariffs until well into the 20th century, except during a few times of crisis such as the Civil War. But in the early 20th century, the notion began spreading that the federal government should no longer be limited by the narrow list of powers defined by the Constitution. Landmark legislation such as FDR's New Deal greatly expanded the size and cost of the federal government. Not coincidentally, the federal government began imposing a wide range of intrusive new taxes, such as a permanent graduated income tax, capital gains taxes, corporate taxes, Social Security (FICA) taxes, and so forth.

During that same time, it became fashionable to deride tariffs as old-fashioned and retrogressive. The Smoot-Hawley Tariff Act was blamed by many for the Great Depression, and "free trade" (i.e., a world without tariffs, with open borders) was touted as the wave of the future. Yet the wave of the future, up to the present day, has turned out to be the concentration of economic and political power in the name of free trade.

Soon after the end of World War II, two events took place that were to drive the modern "free trade" movement: the signing of the General Agreement on Tariffs and Trade (GATT) in 1947 and the creation of the European Coal and Steel Community in 1951.

GATT, the first global free trade agreement, was originally signed by 23 nations, including the United States, at Geneva, and took effect the following year. At the same time that GATT was being drawn up, the United States was leading a movement to establish an International Trade Organization (ITO). The ITO was part of a set of proposals set forth by British economist John Maynard Keynes at the Bretton Woods Conference in 1944, whose purpose was to create a postwar international financial and economic order. Those proposals included a global currency (the bancor), an International Monetary Fund (IMF), and a World Bank, as well as the ITO. While the Bretton Woods participants set up the IMF and the World Bank, they rejected the bancor. Undeterred, Keynes insisted that the yet-to-be-negotiated ITO include provisions for an International Clearing Union (to regulate currency exchange) — and the issuance of bancors.

The contours for the ITO were eventually agreed upon, and the Havana Charter of 1948 was signed to bring the new organization into effect, complete with transnational authority over trade and the power to issue bancors. The United States and 55 other countries signed the charter, but the ITO failed after the U.S. Congress refused to ratify the agreement.

The world was left with GATT instead. For nearly 50 years, GATT remained a loose framework for the real goal, a global trade authority in the image of the failed ITO. Over the decades, GATT was renegotiated and strengthened via a series of "rounds" or multilateral negotiations, the last of which, the Uruguay Round, finally produced the long-hoped-for outcome, a global trade ministry whose authority would supersede that of all member countries, including the United States: the World Trade Organization (WTO).

The WTO came into force on January 1, 1995. The previous year, 124 nations, including the United States, signed the Marrakesh Agreement that created the WTO and gave it broad international authority to regulate trade and resolve disputes among member countries. It was ratified by the U.S. Congress with broad bipartisan support. Leaders of both parties portrayed the agreement as the realization of global free trade, an organization that would finally break down those pesky trade barriers, including tariffs, and lead the world into unexampled free trade-driven prosperity.

In truth, the international globalist establishment, which had been patiently working toward the WTO for more than 50 years, had created a global trade ministry with all of the powers originally envisaged by Keynes and his confreres, save one: The WTO does not issue a global currency. The dream of the bancor has yet to be realized, but very much remains part of the plan.

Meanwhile, the WTO has morphed into perhaps the most powerful international organization within the group of UN-affiliated globalist institutions. Only a handful of countries — mostly European and Pacific island microstates, as well as some North African and Middle Eastern countries — remain outside the WTO, and most of those are accorded "observer" status as a prelude to their eventual membership. There are currently 164 members of the WTO, with Afghanistan the most recent to join. In the 23 years since its creation, the WTO has logged an impressive record of binding rulings over member states — including, dismayingly, the United States, which has been compelled by the WTO more than once to change its laws to comply with global regulations.

An insightful article published by Wiley Rein LLP, one of the largest law firms in Washington, D.C., documented in detail the manner in which WTO officials have resorted to "judicial activism," issuing rulings against the United States in various anti-dumping disputes (disputes concerning "dumping," or pricing products significantly below what is deemed fair market value, to gain trade advantages), without regard to the body of treaty law that the WTO alleges to uphold. Write the authors, in part:

These and other examples of judicial activism strike at the heart of national sovereignty by depriving WTO members of their right to participate in and consent to policy decisions that impact their rights and obligations. And the WTO's decisions go far beyond just anti-dumping investigations and have struck down U.S. laws and regulations regarding the formulation of gasoline, sections of the Internal Revenue Code, certain environmental protections, and much more. Instead of policy decisions being made by elected representatives, they are being made by unelected WTO officials who are appointed behind a closed door process and who are lacking in accountability to member states. This undermines the negotiating objectives of the WTO. Indeed, the WTO is losing its function as a forum where member states negotiate their trade-related rights and commitments. Rather, the WTO is increasingly becoming a dispute resolution forum where activist members of an international institution are creating new, non-negotiated, obligations for member states.

The key to understanding the true nature and purpose of the WTO and other "free trade" organizations is the fact that the WTO is not a "free market" organization, nor has it ever claimed to be. The WTO is a mechanism for managing trade and opening borders, not promoting free market capitalism. Its transparent objective being global trade management, the WTO is in fact an instrument of global government supporting the socialist goal of centralized state economic planning. Modern “free trade” always comes with a price: the sacrifice of national sovereignty to international regulatory authority.

The other major development in the area of “free trade” occurred when six European countries, led by France, West Germany, and Italy, set up the aforementioned European Coal and Steel Community (ECSC), eliminating barriers on the trade of coal and steel. Although concerns were voiced at the time over concessions of sovereignty that membership in ECSC entailed, the organization launched successfully. Mostly overlooked were the writings and speeches of Jean Monnet, the originator of ECSC and its first president. A French economist and diplomat who never held elected office, Monnet dedicated his life to the dream of a single Europe, unified under a continent-wide government where national boundaries and the disputes they created would be a thing of the past. Monnet laid out a plan whereby the nations of Europe would first be coaxed into an economic union, which would then gradually be transformed into full political union. The ECSC was the first step in this process.

In 1955, Monnet founded the Action Committee for the United States of Europe, which only two years later established the European Economic Community (EEC, or “Common Market”) with the signing of the Treaty of Rome. The EEC was a more comprehensive regional “free trade” agreement that dissolved trade barriers for a wide range of products among member countries. During the ’60s and ’70s, the organization added more European countries. In 1967, it tellingly changed its name to the European Community, and began overtly morphing into a regional government. The creation of the European Council and the European Parliament, in 1974 and 1979, respectively, lent impetus to the project.

In 1994, the Maastricht Treaty created the European Union (EU), a true continent-wide political union that now boasts its own currency, the euro, and an ever-expanding menu of powers relinquished by member states. The creation of the EU was the culmination of a decades-long gradualist strategy recommended by Monnet, who is now nicknamed “the father of Europe.”

In Europe, the banner of “free trade” has been the pretext for setting up a full-fledged regional government. Various other such unions exist around the world, such as the African Union and the Andean Community, all of which began life as trade and customs unions like the EEC. The North American Free Trade Agreement, which has been in existence since 1994, is the North American version. Following Monnet’s European playbook, internationalists on this continent urged the creation of a “free trade” area encompassing the United States, Canada, and Mexico. As with the WTO, NAFTA found broad bipartisan support in Washington. Many prominent Democrats and Republicans scoffed at claims that NAFTA would encroach on U.S. sovereignty, or that the trade agreement was intended as a precursor to regional government à la the European Union.

The EU, as we have seen, came about as a three-part plan: the establishment of a free trade area (the ECSC and Common Market), followed by the creation of a loosely knit political and economic “community” (the EC), and finally, the forging of a true political union. Not surprisingly, internationalists on our continent are following the same script. The free trade area (NAFTA) having already been established, the current goal is a North American Community entailing deeper “integration” in a whole range of political as well as economic areas. In 2005, the Council on Foreign Relations, together with sister organizations in Canada and Mexico, the Canadian Council of Chief Executives and the Mexican Council on Foreign Relations, created the Independent Task Force on North America designed to study the implementation of a North American Community. The resulting policy paper, the 70-page *Building a North American Community*, contains numerous recommendations for further political and economic integration above and beyond NAFTA, including:

- "Establish a common security perimeter."
- "Develop a North American border pass."
- "Lay the groundwork for the freer flow of people within North America."
- "Establish a North American investment fund for infrastructure and human capital."
- "Enhance the capacity of the North American Development Bank."
- "Expand trinational collaboration on conservation and innovation."
- "Adopt a common external tariff."
- "Establish a permanent tribunal for North American dispute resolution."
- "Open skies and open roads."
- "Integrating protection of food, health, and the environment."
- "Make a North American standard the default approach to new regulation."

Taken individually, most of these objectives might seem innocuous. But in the aggregate, the intent is crystal-clear: a new North American Community in which integration of every facet of governance is on the table. A "North American pass" is an obvious intended precursor to a North American passport and, ultimately, continental citizenship. With enough "enhanced capacity," the North American Development Bank could become a platform for an eventual regional central bank such as the European Central Bank. "Open skies," "open roads," and "freer flow of people" are all merely catchphrases for "open borders." And the "North American default standard" for regulation is another way of encouraging the notion that supranational North American authority should come to trump that of national governments.

As for the longer-term third phase, a North American Union, most members of the North American internationalist establishment have maintained disciplined silence, but there have been exceptions, such as the late Robert Pastor, unabashed proponent of full union (and one of the vice chairs of the Independent Task Force on North America), and Vicente Fox, former president of Mexico, who has openly advocated union with the United States for years.

From the globalist perspective, the virtue of such regional trade blocs-turned regional government, such as the EU, is that they greatly simplify the task of global political union. In effect, Monnet's grand scheme of gradualist economic mergers transformed into international political union is being implemented worldwide, and "trade blocs" such as NAFTA are the first phase.

None of this has come about haphazardly. As we have seen, the WTO is the outcome of more than five decades of patient planning and negotiation on the part of international elites who intend to create a world government as soon as political and economic conditions permit it. The United Nations provides the overall framework, and subsidiaries such as the WTO are slated to become global ministries. Similarly, regional "free trade" areas are being systematically created and then re-tooled into regional governance bodies, with the European Union the textbook example. NAFTA is currently being expanded into a North American Community, with full union the seldom-spoken but unmistakable final goal.

Because all of these organizations are designed to destroy American independence and create socialist regional and global government, America must get out of all such organizations. President Trump is considering withdrawing from NAFTA. Such a step, along with withdrawal from the WTO, would be a tremendous and long-overdue move toward restoring our precious sovereignty.

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