

International Trade and Neoliberal Globalism

Towards re-peripheralisation in
Australia, Canada and Mexico?

Edited by

**Paul Bowles, Ray Broomhill,
Teresa Gutiérrez-Haces and
Stephen McBride**



Routledge Studies in Governance and Change in the Global Era

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International Trade and Neoliberal Globalism

International trade must be analysed within the historical context within which it occurs. Behind the statistics on trade flows lie power structures, class interests and international hierarchies. These change over time and how countries respond to them has critical implications for their citizen's wellbeing.

In this book, the history of trade in Australia, Canada and Mexico is analysed. All three have entered into free trade agreements with the United States, trade agreements which are characteristic of the phase of neoliberal globalism evident since the 1980s. These trade agreements are analysed in detail to explore the new forms that dependence and subordination have taken. Arguing that the free trade agreements are significantly biased in favour of the United States, the contributors analyse how each of the three countries are being subject to specific forms of re-peripheralisation and examine possible alternatives for a progressive future based on an integration in the global economy which enhances, rather than limits, democracy and social justice. By providing an historical and critical account of trade policy in the three countries, the book provides a welcome antidote to the ahistorical accounts of free trade supporters.

Covering subjects such as international trade, political economy and the history of hierarchical international relations, this book is required reading for students and researchers in any of these areas.

Paul Bowles is Professor of Economics and International Studies at the University of Northern British Columbia, Canada.

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1 Introduction

Paul Bowles

Introduction: international trade and neoliberal globalism

International trade, and its effects, need to be analysed in the historical context within which it occurs. This may not be a popular proposition among model-building economists for whom 'history does not matter', but can be readily accepted by a broad body of political economists, political scientists and historians. For much of the nineteenth century, for example, international trade was harnessed to meet the needs of empires, the 'colonial trade' serving the interests of the imperial centre. In the post-1945 period, the relatively unrestricted flow of goods and services was a central objective of the Bretton Woods system. However, concomitant restrictions on the flow of international capital were designed to protect national autonomy by providing countries with the policy space to pursue their own objectives.

But what role does international trade play, and what are its effects, in the contemporary period of 'neoliberal globalism'? By this term we mean the sweeping ideological and policy changes implemented across the world since the economic crisis of the 1970s. With various degrees of enthusiasm capitalist countries embraced a set of policies designed to introduce greater 'flexibility' into their economies, and more 'competitiveness' in their industries and workforces. Opening up markets to greater international trade was a central part of this agenda, although, in practice, it was applied more vigilantly to the economies of the so-called developing world than in the industrialised core which continued with selective protectionism.

We have witnessed an explosion in free trade agreements. According to Crawford and Fiorentino (2005: 1), there are now 170 preferential trade agreements in force with a further 20 close to completion and 70 at the proposal or negotiation stage. These agreements have all been designed to increase the flow of goods and services across borders while, at the global level, the World Trade Organization has sought to achieve the same ends. The ideology of neoliberal globalism has therefore sought to liberalise world trade although its institutional foundation has been more obviously

demonstrated in regional and bilateral free trade agreements than in progress at the level of global negotiations.

A popular characterisation of trade today is that it corresponds to a 'new international division of labour'. This term, advanced in the late 1970s (see, for example, Froebel *et al.* 1977), pointed to the fact that international trade had changed from the colonial division of labour, with primary products from the colonies being exchanged for manufactured products from the mother country, to one where manufacturing was increasingly located in the developing world. Certainly, the aggregate trade data suggest that developing countries are far more than suppliers of raw materials as 53.5 per cent of exports from low income countries to OECD (Organisation for Economic Co-operation and Development) countries and 68.4 per cent of exports from middle income countries to OECD countries consist of manufactured goods (World Development Indicators 2004).

The idea that developing countries compete with the output of the developed countries has become more influential since the re-emergence of China as a major exporter of manufactured goods and India as an IT outsourcing centre. Populist commentators such as Thomas Friedman (2005) declare that the 'world is flat'; that the economic hierarchies of the past are being replaced by a landscape in which capital is free to produce the same goods in many locations.

And yet, while for some the contemporary period is one where the spread of technology and footloose capital has levelled the playing field, for others hierarchies are still prevalent and are being created and reproduced in distinctive ways. These interpretations often have regionally based emphases. Thus, a frequently used term in Africa is that of 'marginalisation', an interpretation that sees Africa as being marginalised from the emerging globalised economy. While many African countries have been subject to the policy prescriptions of neoliberal globalism, most notably through structural adjustment programmes, the process has led to marginalisation rather than integration. With state capacity reduced, African countries are finding it increasingly difficult to retain their relative position in the world. Africa's share of world merchandise exports fell from around 6 per cent in 1980 to 2 per cent in 2002 (UNDP: 2004).

In parts of Latin America, the preferred term to describe the effects of neoliberal policies is 're-primarisation'.¹ This refers to a process whereby the economic structures of countries are reverting to an emphasis on the production and export of primary products. The industrialisation programmes of the Bretton Woods era and the import substitution strategies which played a critical role in national development have been abandoned. Neoliberalism in both the domestic and the external sectors has produced reliance on primary production and deindustrialisation. Re-primarisation thus reproduces neocolonial international trading structures and has implications for the distribution of the gains from trade between the countries involved (Coronil 2000: 363). It also has implications for the wellbeing of

those in countries which are in the process of being re-primarised. In Peru, for example, Plaza and Stromquist (2006) argue that deindustrialisation and re-primarisation resulted in falling wages, rising unemployment, declining production and a shift towards subsistence production.

Similarly, in Russia, the results of reintegration into the capitalist world market since the beginning of the 1990s has been that Russian industry has been destroyed by 'shock therapy' and Russian exports now predominantly consist of natural resources. Glinchikova (2007) argues that Russia has 'become peripheralised'.

Soederberg (2001: 852) identifies a similar process which she terms 're-peripheralisation' where

re-peripheralisation refers to the re-insertion of the peripheral countries into the world market after the debt crisis in 1982, through, for example, the shift from import substitution industrialisation to export promotion industrialisation schemes. Stated simply, re-peripheralisation embraces the following process: as the peripheral countries become more integrated into the world economy – primarily as debtor states, providers of raw materials and export platforms to core countries – the political, economic and social effects of uneven global capital accumulation become acute.

Understanding the dynamic processes created by international trade in the era of neoliberal globalism has therefore proven to be a complex and contested task. For some, the spread of production and technology induced by neoliberal policies has fundamentally altered the structure of global production and, in some of the stronger versions, has reduced the structural inequalities between countries. For others, however, it is best characterised by processes which have either marginalised, re-primarised or re-peripheralised large parts of the globe, particularly the developing countries. Here, new forms of hierarchy are envisaged which in many cases hark back to previous structures and to which new alternatives must be sought.

In this book we analyse these questions in the context of Australia, Canada and Mexico, three countries which have long been integrated into international markets and more recently have entered into free trade agreements with the USA. They are countries which, on a global scale, have relatively mature manufacturing and industrial bases, and yet they are also dependent on commodity exports to significant degrees. Indeed, the Australian and Canadian dollars are still often referred to as 'commodity currencies', reflecting the relative importance of primary commodities in their trade. Mexico has a larger percentage of manufactured exports, at over 80 per cent of the total exports of goods than the other two countries, but the 'maquiladora form' of much of manufactured exports suggests a heavy dependence on the USA. These economic ambiguities, as well as their complex political histories from colonies to independent states operating in

the context of shifting global hegemons provide a rich terrain for analysing the impacts of neoliberal globalism in the contemporary period.

For most of the twentieth century, Australia, Canada and Mexico were engaged in national projects of development. By the turn of the current century, all three had departed significantly from these projects and opted for neoliberal strategies. Canada and Mexico had entered into a free trade agreement with the USA and Australia was soon to do likewise. It is precisely this shift of economic paradigm to neoliberalism, combined with the political shift in the international political economy to one of unparalleled US hegemony, which makes raising the question of 're-peripheralisation' for all three countries a timely and important one. Certainly, it is possible to find expressions of re-peripheralisation as a real possibility for these countries. Hurtig (2002), for example, argues that Canada is 'vanishing' as a country, and Weiss *et al.* (2004) state that Australia is being 'killed' by the free trade agreement with the USA. Previous work, such as that by Haggard (1990), suggested that Mexico had found a 'pathway from the periphery'; current analyses question whether Mexico might be on a reverse path now as a result of what Wise (2004: 138) has termed Mexico's 'subordinat[ion] to US economic and geopolitical interests.' In this book, we critically examine the mechanisms by which a process of re-peripheralisation might be under way in all three countries, assess the extent to which this is occurring, and examine the possibilities for, and contours of, alternative projects appropriate to the twenty-first century.

As noted above, a variety of terms – marginalisation, re-primarisation, re-peripheralisation – have been used to describe the contemporary period. They attempt to capture the processes which are producing and reproducing hierarchies within the global political economy, albeit in somewhat different ways. For example, marginalisation focuses sharply on relative trade and investment shares whereas re-primarisation looks more closely at the structure of trade. Re-peripheralisation is a broader term which draws upon both political and economic structures and processes. For this reason, we prefer the latter concept.

For our purposes, 're-peripheralisation' is defined as the reorientation of the national political economy towards the demands of other countries and external actors. It is manifest in the economic and political spheres where both economic structure and political calculus are dominated by the need to conform to the requirements of external actors. The term 're-peripheralisation' implies more, therefore, than global interdependence. The concept of interdependence suggests expanded linkages with external countries and economies which confer equally shared advantages. Interdependence implies mutual reliance and benefits and a rough equality between affected countries. Re-peripheralisation, in contrast, implies a skewed distribution of the benefits at best and a reduction in economic and political control for the 're-peripheralising' country. It is more than simply relinquishing some sovereignty in exchange for an expansion of regional or international rules