

## INTERNATIONAL TRADE (2005)

### a. Reflections on trade relations between Europe and China

European reactions to the invasion of Chinese goods incites reflection on the political and economic risks the situation creates.

**Politically**, the European Commission is drawing up protective measures to contain the influx of Chinese goods which China's membership of the WTO (World Trade Organisation) has rendered possible.

**Economically**, Chinese goods have a competitive edge because they are cheaper. Unfortunately, the social and environmental norms we know in Europe do not exist in China.

It should be remembered that the WTO governs trade relations and in principle takes no account of the stage of development or of the economic and social policies of Member States. That is not its role.

The main aim of the Organisation is **to liberalise**, to reduce customs barriers as far as possible, so as to facilitate the movement of goods, and thus increase trade and hence wealth.

Consequently, corporations **decide to move their means of production** abroad because the cost of labour in Europe is too high.

Ten years ago nobody could have imagined such growth in China.

The problem with **this absolute rule** of free trade is that if today we are discussing China and textiles, tomorrow we shall be discussing India or other countries which will be pouring their products on to the global markets.

**What, in this context, is the role played by the consumer?** Why choose to buy counterfeit products, imitations of lower quality? What is the level of consumer purchasing power?

**If the object of trade policy is the interest of the consumer**, the market should be made more competitive by redistributing capital in other parts of the world and aiming at improved production through a high level of technology and constant research for innovation.

**If the interest of the consumer is not the aim**, then Europe may keep her industrial structures by practising a protectionism which will isolate her from the irreversible tide of globalisation.

Protectionist measures are not a solution for the future, yet to judge from a Europe that is losing both jobs and leadership, **the freedom given to the market has not brought the good of all**.

In this context of economic warfare, is Europe capable **of recognising the opportunities**, instead of erecting defences against Chinese and Indian threats?

In the face of rapid and unpredictable geopolitical change, some concrete decisions need to be taken which will ensure:

1. Respect of intellectual property rights in the face of counterfeits (commercial terrorism).
2. Introduction of stricter labelling regarding the origin of imported goods.
3. Introduction of more structured rules regarding social dumping.
4. Reduction of subsidies.

5. Elimination of unfair commercial practices.

As for consumers, they have the possibility of creating a **“critical mass”** by exercising a fourfold power:

1. That of **voting** and demanding participative democracy.
2. That of **putting** ethical pressure on businesses through internal action.
3. That of **buying** or boycotting.
4. That of **orienting** investment.

In this way, Europe will be able to continue to keep its undertakings with regard to the WTO and to play a central role in the new economy – thanks to stricter regulations concerning international trade.

The ministerial conference in Hong Kong scheduled for December 2005 will be crucial, **for it should determine the future world order regarding trade.**

### **b. How to protect trade within the European Union?**

The Treaty of Rome of 1957 provides that *“By establishing a customs union between themselves the Member States intend to contribute, in conformity with the common interest, to the harmonious development of world trade, the progressive abolition of restrictions on international exchanges and the lowering of customs barriers.” (Article 110)*

According to Maurice Allais (Nobel Prize for Economics), the unthinking application since 1974 of this Article 110 of the Treaty of Rome has led to massive and unprecedented unemployment and progressive destruction of industry and agriculture.

The Nobel Prize winner suggests introducing a new article in the draft constitution: *“In order to maintain the harmonious development of international trade, the Community (Union) shall set up a system of protection against imports from third countries whose salary levels at established exchange rates are incompatible with the abolition of customs protection.” (Extract from Journal du Mardi n° 217 page 6)*

Maurice Allais does not however tell us how to keep harmony in international trade.

That question is answered by the VIVANT socio-economic model.

First, removing taxation from labour makes it two or three times **less expensive**. Second, taxing consumption means that European products and those coming from elsewhere are **taxed alike**.

And this tax on consumption constitutes

- a) **a tool** with which to restore the balance of the level of taxation :
  - in order to secure more justice
  - in order to boost business activity
  - in order that consumption may continue freely in function of a given purchasing power.
- b) **a means** for observing people’s purchasing power and of maintaining it as far as possible
- c) **a means of permanent research** by economists, tax experts and various kinds of specialists
- d) **a progressive fiscal** instrument for fine-tuning the economy.

In this way European Union trade will be protected not **by protectionism but by a structural measure which changes the way of financing social security** and compensates at the level of consumption for the lack of taxation on goods coming from countries with low social security. In addition, this measure would also send out **a strong signal** to third world countries to increase their internal consumption and improve social security.

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