

The economic agenda

The US may boast of its superior technology, however, its economy is facing considerable problems; the remedy for this seems to be George W. Bush's expanding imperialistic motives for Asia.

PLAIN WORDS

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Few can have any doubts about the economic agenda of the second Bush administration that is to take forward globalisation and make it prevail everywhere, in all its major aspects. It comprises privatisation, de-regulation and freest possible international trade; its central tenet is opening up all national currencies so that they become commodities to be freely traded at market-determined prices; and free movement of capital is another facet to be opened up. In other words, globalisation demands free convertibility of currencies at least on capital account, though if current account convertibility can also be ensured, so much the better.

As for free trade among nations, it is an old story, and they have been beating this drum since Adam Smith's time. Today it means low or no tariffs, and no government intervention to influence prices through subsidies or price controls, including national currency values that must float freely, the true value of the currency is to be determined by the market. Gone are the older concepts of currency being the storehouse of national wealth or as a fair measure of individual success or failure. Stable currency values can arguably give a fillip to all round development.

Free trade, like absolute virtue or other good things, is susceptible to mishaps. All of the third world, as former colonies of Europeans, has experienced the benefits of free trade for centuries; colonialists rigged the market, prices, and the terms of trade so that "free trade arrangements" between their metropolitan centre and the peripheral markets resulted in metropolitan imperialists being enriched by pauperising the captive markets. Literature on the subject is conclusive. With rich imperialists' ability to determine metropolitan exports' prices as also of their imports, free trade became a fraud of mercilessly exploiting the poor primary producers of colonies. Why does nobody talk of the terms of trade today or examine what makes free trade actually unfair?

Realities speak for themselves. Free trade is now the mantra of powerful governments. The WTO, World Bank and IMF ensure that the poor in ex-colonies end all subsidies on account of no loans; i.e., with no option but to fall in line. Look at US and EU subsidies for agriculture and the hidden ones on their exports, also found in OECD countries for agriculture, they erect non-tariff barriers on foreign goods, as a result third world exports are disadvantaged. This is a tragic farce, because free trade only coexists in so far as

OECD economies protect their own exports while rendering those of the third world less competitive; this happens all the time. Can OECD countries' agricultural subsidies and scarcely hidden discrimination against poor countries' exports disappear by the conduct of G8 or G9, WTO, IFIs (international financial institutions), UNCTAD, OECD and other agencies? Not likely.

The international economy is likely to go on dealing a bad hand to poor nations. The latter are too weak to resist or force a change in the system. Some western countries such as the UK and Germany are mounting a campaign for "reducing" poverty and disease, especially in Africa. Doesn't this just amount to vote-catching altruism in domestic politics? How much can be achieved in Africa? Altruistic speeches only lead to some ad hoc loans on soft terms (especially debt rescheduling) and some small grants. Would debt

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rescheduling reduce African poverty? Perish the thought; the broad picture of the third world and Africa will be much the same after these palliatives.

Let's focus on what is required of the Bush government to improve the American economy in the coming years. The strength of the American economy lies in the fact that it constitutes 27 per cent of the world economy; its resource base is astonishingly rich, therefore it is the mightiest power, but its areas of uncertainty are frequently ignored. For attaining more power and riches, it has limited its trading advantage to the cutting edge of high technology - some for civilian but mostly for military use. Its manufacturers are less efficient today; it imports consumer goods, including durables, from China, Japan and Far East Asia, running up a trade deficit.

A few figures will illustrate the holes in the American economy's armour. Its negative

trade balance is \$ 653.8 billion; its current account deficit is \$ 603.2 billion or 5.5 per cent of the GDP; the dollar, despite being the reserve and chief trading currency, has been in a free fall. The dollar's fall relative to the Euro, Yen, and Pound Sterling is well known. These deficits show that the dollar as a world currency is becoming incompatible with being a national one. They have also made the US the biggest debtor. Its net foreign liabilities are 24 per cent of the GDP. Now, these deficits make the dollar weak and in less demand; hence its precipitate fall in value. Fearing a possible run on the dollar, the US was forced to raise interest rates to make it worthwhile for foreigners to go on holding dollar assets. The budget deficit last year was 4.4 per cent of the GDP.

Economic transactions, including investments, become too expensive. Growth rates suffer and recessionary trends get encouraged. In order to preserve foreign dollar-dominated assets the US treasury now pays considerably more. The US stock markets have been unstable for some time. Jobs are hard to come by and growth suffers; this can cause unrest. The only strength the US has is its capital account balance.

Since America's trading advantage is now superior technology, mostly for military purposes, its effort to remake the world has to be in a way that would increase the demand for its high-tech goods. Corporate America, especially the oil industries, have benefited from Afghanistan and Iraq operations. In so far as the Bush government loves oil and war industries - which it does - its preferred method to further benefit itself will have to be more Afghanistan's and Iraq's in the future.

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Two points emerge; realism suggests that Bush has had his fill with Iraq even spare troops in reserve are scarce. The US cannot undertake similar operations, without facing world opinion regarding its imperialistic motives. Bush may find himself facing a dilemma because the US economy may suffer more by the sheer weight of the current policies. Aggressively undertaking the overthrow of tyrannical regimes and making them embrace elections may be difficult but at least it promises some economic benefits in the end.

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