

Caveat Emptor

The case for caution in entering a free trade agreement with the USA.

Six key issues

- Caveat Emptor
- The NAFTA experience
- Where does the agreement stop?
- What's at stake
- Who wants it & who doesn't
- Trade and what follows

Caveat Emptor

- We are being asked to *buy* a vague promise of a better life
- There is a *price* to pay –
- Setting of the *price* is the basis of negotiations
- The difficulty is *we don't know*:
 - ◆ what we are getting;
 - ◆ how much we will have to pay; and,
 - ◆ when or whether we will ever stop paying.

Who does know?

- Specific information is not freely available.
- We must look to the other agreements (NAFTA – FTAA) for guidance
- The NAFTA experience is not good
- Details of negotiations on the FTAA are secret*
 - ◆ Members the US Congress have only been provided with extremely vague summaries of the US negotiating position

The NAFTA Experience

- Free trade does not automatically apply to everything we might like it to.
 - ◆ in softwoods, where Canada has a strong competitive advantage, the US has applied a 27.9% duty and the Canadian government has been forced to introduce a \$C 246M aid package*

* Wall Street Journal October 8 2002

The farmer experience of NAFTA

- In the US in years 94/95 to 99/2000*
 - ◆ Corn exports down 11% - Prices down 20%
 - ◆ Wheat exports down 8% - Prices down 28%
 - ◆ Cotton exports down 28% - Prices down 38%
 - ◆ Soybean export up 16% - Prices down 15%
- In Canada between 89 & 99 farm exports doubled but net farm incomes declined 15%*
- Between 94/00*
 - ◆ Archer Daniels Midlands profits grew from \$110M to \$301M
 - ◆ ConAgra profits grew from \$143M to \$413M

* Public Citizen – 26 June 2001

Sovereignty under NAFTA

- The governing rules of the agreement over-ride national, state and local laws
 - ◆ Article 1110 was intended to protect investors from having their property expropriated but is now used by corporations to challenge national and state laws.*
 - ◆ Metalclad V Mexico - \$16 M - Methanex V State of California - \$970 M – UPS v Canadian Postal Service \$230 M

*Bill Moyers - Global Economy 7 Jan 2002

Sovereignty under NAFTA

- Under the trade umbrella companies are attempting through lawsuits to secure certain permits and benefits which they would not have been able to obtain under national laws**
- \$13 Bn currently claimed as damages***
- Article 1102 provides for National treatment which means that governments must accord companies of other NAFTA countries no less favorable treatment than they give their own companies.

** Michelle Swenarchuk – Environmental Law Association Toronto – Miami 22 April 1999

***Mary Bottari – American Free Press

Sovereignty and US State Governments

- Despite rulings to the contrary from the FTC, 15 state governments have sued Aventis (a drug co.) alleging anti-competitive behaviour
 - ◆ These governments are seeking \$100 M damages
- State governments in the US are becoming an obstacle to global commerce.*
- State politicians are becoming the hired guns of corporations seeking to challenge rulings they don't like.

US State Govt policies*

- State legislatures support “negotiations to secure free open access to overseas markets for American agricultural products”
- “Congress and the administration should support aggressive market development efforts – including the use of export credits”
- “Food aid is a valuable tool in market development”
- “Existing agricultural export finance programs and other financing institutions such as the Export-import Bank should be bolstered to assist American producers in capturing foreign agricultural sales”

Where does an Australia/USA free trade agreement stop?

- The Canadian and Mexican borders or Hudson Bay and the Straits of Magellan?
- The FTAA opens Australia up to the rest of the America's under the same rules that apply to the US

What will we sacrifice?

- Industry arrangements
 - ◆ Four pillars (banking)
 - ◆ Media ownership
 - ◆ Pharmaceutical Benefits Scheme
 - ◆ Single desk wheat marketing
 - ◆ Local content programs
- Shareholding arrangements
 - ◆ Qantas - Commonwealth Bank – Telstra
- Quarantine controls
 - ◆ Vine fruits – apples – pork – poultry – stone fruit – fish

Unilateral arrangements the US will not sacrifice*

- Section 301, Super 301, & Special 301 relating to the defense of intellectual property
- Section 232 relating to imports that affect “national security” including self sufficiency
- Section 122 relating to trade imbalances with countries running a surplus with the US
- Agricultural Law of 1956 relating to price guarantees and subsidies
- Anti-Dumping measures designed to protect US producers against “illegal” trade practices

The playing field is not level

- US farm subsidies increased on average from 19% to 24% of farmers income in the 90"s
- Subsidies to Australian farmers fell from 8% to 6% in the same period*

Who supports free trade?

- The America-Australia free trade Coalition*
 - ◆ GM – Exxon – Ford – Daimler Chrysler – GE – BP Amoco – Citigroup – Phillip Morris – Boeing – Proctor & gamble – JP Morgan Chase – Chevron – Motorola – Lockheed Martin – AB – Duke Energy New York Life
- Since 1994 the FTAA has been negotiated in secret** .
- Only America's Business Forum (500 companies) has had consultation with FTAA Trade Ministers.**
- US trade officials see their role as to represent the interests of US industry.**

Who doesn't support free trade

- Catholic Development agencies*
 - ◆ We condemn this (FTAA) agreement .. That is being negotiated by governments behind the backs of their citizens with evident lack of democratic process, civil participation and transparency of information
- Joseph Stiglitz, former chief economist of the World Bank
 - ◆ “There never was economic evidence in favor of capital market liberalisation. There still isn'tIt was all based on ideology.”
- The left – the centre – the right

What has Congress agreed to?

- The Trade Promotion Authority Bill
 - ◆ Commits Congress to accept or reject trade agreements *without amendment*
- To pass the TPA bill, Congress made major concessions to pro-protectionist interests*
 - ◆ Special consultation processes designed to hinder tariff reductions on over 200 import sensitive agricultural commodities*
 - ◆ Duties on steel and lumber - profligate farm subsidies -barriers against Caribbean – South American and Pakistani textiles**

Politics – politics - politics

- American politicians rely on local support
- Elections are expensive - \$ 6M per Senate candidate*
- Politicians are immediately accountable – every vote is public and publicised
- Loose coalitions can and do hijack policy
- Trade and politics go hand in hand

Free Trade – The Theory

- Trade is as old as human habitation - 3M Years
- Free trade as a theory is nearly 200 years old but it is still only a theory not a fact
- Basic assumption is that exports drive growth but this a zero sum game if every country is equal to start with. However if development levels are unequal removing trade barriers makes the strong stronger and the weak weaker *

* Dorval Brunelle. *La Monde diplomatique*. April 2002

Trade

- Goods V Services - The focus in Australia is on goods. The focus in the US is on?
- For the US Trade is a weapon of foreign policy*
 - ◆ If you control food –their hearts and mind will follow
- National productive capacity and national interests do not align themselves seamlessly
- Self interest not logic or compassion is at the heart of all trade negotiations

What follows free trade?

- A crucial aspect will be the degree and method of harmonisation of laws that will be necessary to the success of the the FTAA. Harmonisation has been defined as the process by which national laws of several states are made similar to accomplish a specific purpose. In the case of economic integration the purpose on the whole is is the efficient facilitation of economic activity between constituent units.

Closing thoughts

- Caveat Emptor
- The NAFTA experience
- Where does the agreement stop?
- What's at stake
- Who wants it & who doesn't
- Trade and what follows

Nothing is more dangerous than an idea if it is the only one you have got.

Be better informed

- www.zmag.org/CrisisCurEvts/Globalism/GlobalEcon.htm
- www.globalexchange.org/ftaa/2002/moyers010702.htm
- www.cato.org/research/articles/lindsey-020730.htm
- www.newsweekly.com.au/articles/2001aug11_freetrade.html
- www.asil.org/insights/insight3.htm
- www.oneworld.org.ips2/april99/22_22_083.htm
- www.americanfreepress.net
- www.adital.or.br/asp2/noticia.asp?idioma=in&secao=DC
- www.centrefortheneweuropa.org/pub_pdf/06202002_RTM-stat-suits.htm
- www.art-us.org
- www.foodfirst.org/progs/global/trade/ftaamyths.html
- www.globalpolicy.org/globaliz/econ/2002/02/03ftaa.htm
- www.citizen.org/pressroom
- www.action.citizen.org/pc/scorecard/?chamber=S&session+1071&x=9&y=15
- www.ncsl.org/statefed/agtrade.htm