The free trade myth of added prosperity

A debate has raged for a decade about what we have gained from free trade agreements (FTAs). We are now able to assess their contribution to future prosperity.

For every agreement, the information made available by the Department of Foreign Affairs and Trade (DFAT) about what we have gained has been highly positive -- but without any basis in fact.

The feasibility study prepared prior to the negotiation of an agreement projects the potential gains for Australia. It does not -- and cannot -- project what is actually achieved from the negotiations. Yet, in the case of every agreement completed to date, these projections were still quoted to support the agreements even after they were signed, as if they did reflect the actual outcomes for Australia. As a result of this misleading process, each agreement has received public support, because we have had no basis for questioning that each has brought enormous benefits to the economy, which is, in fact, a myth -. But that has now changed.

The Productivity Commission developed an analytical framework to assess the economy-wide effects of the bilateral agreement with the USA (AUSFTA) in 2010, but at that stage not enough time had passed to enable a reliable, evidence-based assessment of the agreement’s impact. Australian National University (ANU) economist, Shiro Armstrong, has now used the analytical framework developed by the Productivity Commission, and the years of performance data since AUSFTA came into force, to conclude that ‘the data shows that ... Australia and the United States ... are worse off than they would have been without the agreement’. He says, ‘The agreement was responsible for reducing -- or diverting -- $53.1 billion of trade with the rest of the world.’

While we cannot now change how we negotiated the agreements with the USA, Japan, South Korea and China, we can ensure that this is not how we approach future negotiations.

The governance model that should guide trade policy can be seen in Australia’s conduct of the Uruguay Round of trade negotiations. The success of these for Australia lay in the fact that two goals were achieved: major gains in efficiency from reducing the barriers protecting our less competitive industries, as well as the gains available from access to external markets. It was the combination of these two achievements that made a substantial contribution to the prosperity we have enjoyed since.

The opportunity to improve the performance of the economy in this way was missed in all FTAs concluded in the last year. In these negotiations, our agenda was simply a market-access wish list; negotiations were conducted in secret; domestic efficiency and advancement were not a central objective in deciding which domestic barriers to reduce; success was measured merely by whether the outcomes improved access to external markets.

A major part of our gains from trade agreements depends on what we take to the negotiating table,
not what we hope to take away from it. There need be no conflict between the requirements for secrecy during negotiations and a process that provides transparency and more competent and productive outcomes.

We propose that the Productivity Commission would conduct a public inquiry and report to government before negotiations get under way. This report would provide the basis for Australia’s entry into the negotiations. The Commission’s report would be released only when negotiations are complete, thus preserving secrecy during negotiations while providing for parliamentary and public scrutiny of the outcomes before the agreement is ratified.

The effectiveness of market-based policy and a democratic system of government depends on the existence of well-informed consumers and a well-informed community. This is the rationale for the domestic transparency structures and arrangements established in Australia, such as the Productivity Commission: they operate independently of both government and private interest groups to provide the information that governments, communities and consumers need to promote decisions that enhance community welfare.

A consequence of this modest change we are suggesting here is to allow the community into the debate about trade policy. It would also remove the general disquiet about secrecy during negotiations, by providing a basis for public participation in setting the agenda before negotiations begin and for parliamentary scrutiny of negotiated outcomes.


CORPORATE CONTROL

Corporate control of our food system is an increasing threat with the US$130 billion mega-merger between Dow Chemicals and DuPont, and the authorisation by the European Commission of similar arrangements by other agri-business giants. Several organizations warn that a mega-monopoly could emerge with complete control over agri-chemicals and seeds.

The decision of the European Union (EU) to favour the merger of US groups, Dow Chemical and DuPont, was made known on March 27, 2017 in an EU press release. This decision adopted in Brussels includes some ‘conditions’ to ensure it ‘does not reduce price competition for existing pesticides or innovation’. But organisations of peasants, family farmers, pastoralists, environmental activists and rural workers point out that it sets a precedent in favour of agricultural monopolies.

This favourable response of the EU to the US corporations suggests its view of two other mega-mergers planned for the same sector: the acquisition by Chinese group ChemChina of Syngenta (Switzerland), a decision expected before April 12, and the merger between Monsanto (USA) and Bayer (Germany).

Friends of the Earth and two hundred other organisations, consider that these three mega-mergers represent a major threat to our food sovereignty and to family farming. According to an open letter sent to the European Commission and the EU Commissioner for Competition, this will exacerbate the problems caused by industrial farming – with negative consequences for the public, farmers, farm workers, consumers, the environment and food security. Real World Radio interviewed Adrien Bebb, senior food and agriculture campaigner at Friends of the Earth Europe, about this decision. ‘We are seeing six of the world’s largest agri-business companies coming together to merge, so we’ll end up with only three companies who will control a lot of the world’s food supply.’ This has huge implications for what farmers plant, what foods we eat and also what physical power these companies have when
NO GENETICALLY ENGINEERED ORGANISMS IN AFRICA

Members of the European Parliament do not want genetically modified organisms (GMOs) imported into Europe, so it is only logical that they oppose promoting GMOs in Africa. But such promotion is precisely what is happening through the so-called New Alliance for Food Security and Nutrition in Africa (NAFSN).

This public-private partnership was launched in 2012 under the auspices of the G8 and aims to develop private investment in agriculture in sub-Saharan Africa. Non-government organisations (NGOs) have repeatedly criticised the scheme for fostering land grabbing and limiting seed freedom where it is most needed (farmers must be able to reproduce their seeds themselves instead of being forced to buy them every year). But further, the scheme pushes GMOs down the throats of farmers. Let us be clear: introducing GMOs into the environment raises serious problems for any farmer who wants to keep his/her farm GMO-free, as these organisms spread uncontrolled in nature.

In June 2016, the European Parliament produced a Report which makes all these points and opposes any promotion of GMOs in Africa with European money. The draft report had been accused of neo-colonialism by Monsanto. How ironic, when Monsanto is part of an industry that has been exploiting the New Alliance in order to change African laws on land ownership, seeds and GMOs for its benefit!

A Federal report on sex trafficking in San Diego has revealed a vast underground industry worth more than US$800m annually, eight times higher than previously estimated. The report, considered the best measure of the problem’s scope to date, has shocked researchers and law enforcement officers in the region.

Sex trafficking, defined as the trade in which someone has been coerced or tricked into prostitution, involves some 110 gangs in San Diego County alone, dubbed one of 13 hot spots for child sex trafficking in the USA by the Federal Bureau of Investigation. ‘This is a beautiful town with an ugly truth’, said Summer Stephan, the county’s chief deputy district attorney.

The Department of Justice will use the report as part of a new national framework to build a more accurate picture of the murky trade across the USA and develop new strategies to tackle it. ‘The study will provide a lot of new information to those seeking to end modern slavery’, said John Picarelli, Director of the Violence and Victimization Research Division at the National Institute of Justice, part of the Justice Department. The report was the result of a two-year in-depth study.

Aside from the scale of the industry, researchers were also surprised by the demographics of the exploiters involved. Ami Carpenter, professor of conflict resolution at the University of San Diego, was the primary author of the study and she found that pimps were evenly split among the white, black and Hispanic people of San Diego. She also found that only 2% of pimps conform to the stereotypical character who uses ‘almost psychopathic’ levels of violence. A further 12% of exploiters interviewed by researchers admitted to using ‘some physical violence’ on the girls and women under their control. Most exploiters, however, rely on economic coercion or emotional manipulation, often together with fostering a drug dependency. Others have a more contractual partnership, whereby they are hired by sex workers as their security guards or drivers. The research found that pimps were typically earning around US$670,000 a year.

In San Diego County, between 3,000 and 8,000 victims enter the clutches of the sex-trafficking industry every year. While a fifth of these come from other countries, mostly across the nearby border from Mexico, 80% enter the industry from within the USA. The average age to begin selling sex is 15, and 50% of women arrested for prostitution were at some point forced into it, the study found.

Carpenter said the main roots of sex trafficking were in poverty and racism; but her research also revealed that the trade spans the economic scale ranging from an individual exploiter in a poor neighbourhood to ‘black book rings’, ‘where judges, lawyers and generals, elite persons in society, are provided access to women and children, whoever they want’.

The study identified a shift taking place from drug trafficking to sex trafficking which has a lower risk of detection. This may explain the alarming increase in numbers involved in sex trafficking.

And in the last 5-7 years, authorities in San Diego have tried to adopt pro-active preventative strategies to deal with the flourishing sex trade. Educators, health and child welfare workers, police, prosecutors and victims’ advocates are collaborating to help girls and women avoid or escape exploitation. San Diego is pushing for change. Stephan argued recently in the State Capitol for new laws imposing heavier punishments for exploiters and men paying for sex in California. She wants automatic jail time, re-education programs and bigger fines, with penalty money devoted to services helping women to leave prostitution.

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