

Common Action Discussion Starter

Paying the price for “free” trade - fair trade is possible

Trade is age-old, and it should help to make us more prosperous, equal and secure, while we protect our environment.

But recent free trade agreements (FTAs), which are legally binding agreements negotiated secretly between governments, have not delivered on promises of jobs and prosperity. The extreme theory of free trade says that FTAs must achieve zero tariffs (taxes on imports) and zero “other barriers” to all trade and investment. Each country should specialise in a narrow range of products, import all other products at lowest possible prices, have no regulation of foreign investment and restrict other government regulation.

Today trade agreements not only affect tariffs, but can also include investment, medicine prices, health, environment and financial regulation, internet policy, government purchasing and temporary migrant workers. These issues should be decided by national democratic parliamentary processes.

This extreme trade theory ignores the history and power relationships of trade. All industrialised countries protected and regulated growing industries, before gradually reducing tariffs and other regulation. Successful developing countries like South Korea, Malaysia, Brazil and others used protection and regulation to industrialise.

Most people want fair trade: policies which gradually reduce barriers and increase trade but which enable governments to ensure a more diversified range of jobs and skills, so the economy can be more than a farm and a quarry and provide full employment and decent living standards. Trade agreements should be open, democratically accountable and should not prevent governments from developing health, welfare, environment, industry, cultural and other policies which benefit most people.

Global corporations lobby for extreme trade agreements with uniform global rules to allow them to invest where most profitable, using global production chains with no restrictions on foreign investment or requirements to contribute to local development. Trade-in-services rules reduce social regulation as if it were a tariff, to encourage private investment in services. Australia, the US and other rich countries are currently negotiating a specific [Trade in Services Agreement](#) (TISA) which will reduce regulation and encourage more privatisation of services.



Trade agreements exist at different levels:

- **Global:** World Trade Organisation of 160 members (WTO).
- **Regional:** North American Free Trade Agreement, the EU, the Trans-Pacific Partnership.
- **Bilateral:** the Australia-US Free Trade Agreement, the China-Australia Free Trade Agreement.

In Australia and many other countries, trade agreements are negotiated in secret and Cabinet signs the text, which cannot then be changed. Parliament votes only on legislation required for implementation. A recent Senate Inquiry into Trade Agreement Process, aptly called [Blind Agreement](#), criticised this secret and undemocratic process and recommended change.

What happened with the US – Australia FTA?

[ANU researchers](#) analysed the trade impact after 10 years of the Australia-US FTA, which came into force in 2005. By giving preferential tariff reduction to the US, the agreement reduced - or diverted - \$53.1 billion of trade with the rest of the world by 2012. This cost jobs.

Australia adopted US rules for stronger monopolies on medicines for pharmaceutical companies and stronger copyright monopolies for copyright holders at the expense of consumers. Even the conservative [Productivity Commission](#) concluded it was a bad deal for Australia.

FTAs extend global corporate monopolies and legal rights

Pharmaceutical and media corporations use trade agreements to enforce stronger monopolies on medicines, delaying availability of cheaper medicines, and longer and stronger copyright payments and restrictions. These are extension of monopoly rights, not “free” trade.

Trade agreements are legally enforceable through government-to-government dispute processes. This means that one government can lodge a dispute if another government breaks the rules and the winner can ban or tax the products of the losing government.

Trade agreements also increasingly contain Investor-State Dispute Settlement (ISDS). Foreign investors can bypass national courts and sue governments in unfair international tribunals if they can claim that a change in law or policy “harms” their Investment. There are now over 700 current cases. The [Philip Morris tobacco company](#) tried to sue the Australian government for billions of dollars over our plain packaging law. The [Eli Lilly](#) pharmaceutical company is suing the Canadian government over the refusal of a patent. The [US Lone Pine](#) mining company is suing the Canadian government over environmental regulation of gas mining. The French [Veolia company](#) is suing the Egyptian government over a contract dispute which included a rise in the minimum wage.

The Trans-Pacific Partnership Agreement (TPP): dead but still being promoted

The TPP was a legally binding trade agreement between the US, Australia and 10 other Pacific Rim countries agreed in November 2015. The aim was for the [US to set the rules](#) for regional trade and investment, part of US economic and strategic rivalry with China. Australia already had free trade agreements with all but 3 of the 12 countries, and studies show [little or no economic benefits](#).

The TPP was mostly [about limiting domestic laws and policies](#) to suit US pharmaceutical, media and other companies. It included the right of foreign corporations to sue governments over changes to domestic laws (ISDS).

There was strong [community resistance](#) to the TPP in Australia and other countries. In the US, both Democrats and Republicans opposed it for different reasons, mak-

ing it a major issue in the US presidential elections. Donald Trump’s withdrawal of the US from the TPP means the current form of the agreement is dead. Australian community campaigning [influenced our Senate to say no](#) to the Turnbull government’s attempt to pass the implementing legislation for a dead agreement.

The danger is that the TPP may be renegotiated without the US, and that bad TPP proposals on medicine monopolies and ISDS are being promoted in other negotiations like the [Regional Comprehensive Economic Partnership \(RCEP\)](#) but resisted by community campaigns.

The China-Australia Free Trade Agreement (ChAFTA) and other bilateral agreements

This agreement came into force in December 2015. The claimed economic benefits are increased market access into China for Australian agricultural and services exports. But a [study](#) which included the Japanese, Korean and Chinese FTAs showed a tiny 0.1% increase in GDP and just 5,500 new jobs after 20 years, exposing the promised growth and jobs as a [“great lie”](#).

The China FTA permits increased use of temporary migrant workers [vulnerable to exploitation](#), and contains no enforceable labour rights. The China FTA also includes ISDS. Similar agreements with India and Indonesia are being negotiated, which need to be [exposed and resisted](#).

Questions for discussion

1. How can trade agreements affect access to medicines, environmental regulation, or workers’ rights?
2. What is the difference between free trade and fair trade?
3. How can you or your organisation work to stop unfair trade agreements and pressure the government to adopt fair trade policies? See www.aftinet.org.au

Send your group or individual ideas and feedback to contact@commonaction.org.au

Common Action network: Aboriginal Rights Coalition, Australian Fair Trade & Investment Network, Australian Manufacturing Workers Union, Community & Public Sector Union - PSU Group, Construction Forestry Mining & Energy Union, Evatt Foundation, Federation of Italian Migrant Workers & Families, f-collective, Greens NSW, Maritime Union of Australia Sydney Branch, Migrant Australia, National Tertiary Education Union, NSW Nurses & Midwives Association, NSW ALP Socialist Left, SEARCH Foundation. <http://www.commonaction.org.au>. February 2017.