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Previous AFTINET Bulletins and resources are available at www.aftinet.org.au.

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1. Jobs, not shopping

by Ha-Joon Chang

Protectionism did not cause the depression. Indeed, moderate protection is what we need. Ha-Joon Chang teaches economics at Cambridge University. He is the author of *Bad Samaritans: Rich Nations, Poor Policies and the Threat to the Developing World* (Random House Business).

Three sacred cows have dominated the market fundamentalist religion of the last 25 years: balanced budgets, private ownership and free trade. Two have recently been sacrificed to reality. Balanced budgets went first, as countries dived into deficit spending without debate to fend off the recession. Belief in private ownership is faltering too, as country after country nationalises its banks.

Faith in free trade, however, is holding out, just about. The major economies are slowly but surely raising protectionist barriers through subsidies and local procurement programmes, yet free-market economists warn us that any moves to protectionism will trigger a trade war, and destroy the world trading system, as happened in the 1930s.

This is a misreading of history. The depression-era shift to protectionism was much less dramatic than is often claimed. The conventional story says that the world trading system collapsed because the US introduced the Smoot-Hawley tariffs in 1930. But this was not a radical shift in policy. America had been the most protectionist country in the world for the previous century, while Smoot-Hawley only raised average industrial tariffs from about 37 per cent to about 48 per cent, well within the historical range of US tariffs until then. Tariffs in other countries did rise after 1930, but only moderately, and economic historians have shown that trade shrinkage after the depression had more to do with shrinking demand and the drying-up of trade credits.

Of course, an all-out trade war would not help the world economy recover. Thankfully, at least in the short run, there is no danger of such a thing happening. Unlike in the 1930s, we have the World Trade Organisation, the EU and many regional trade agreements to limit the protections that countries can deploy. Countries will cheat within the boundaries of these agreements, but they can do only so much.

Moreover, the “1930s: never again” story assumes that protectionism is always bad. But this is not true either. Unlike in finance, where things can be speedily re-arranged, the real economy takes time to adjust. Producers must build new factories, and invest in new technologies. Workers must acquire new skills and find new jobs. When big adjustments are needed, temporary protectionism helps to create the breathing space for companies and workers to reinvent themselves.

There are other good reasons to consider limited measures to protect domestic economies. Textbook trade theory says that making countries more and more specialised is an unquestionable good. But this isn't always true. Britain, for instance, probably over-specialised in finance over the last few decades, while neglecting manufacturing. The international division of labour should be balanced against the need for a broadly based economy, capable of protecting countries and their people against shocks to a particular industry. Voters in advanced countries, meanwhile, might well be willing to swap a little more job stability for slightly more expensive goods in their shops.

Such mild protectionism can be explicitly time limited. Indeed, evidence after the 1970s oil shocks shows that countries like Japan and Sweden that had specific and time-bound protectionism bounced back more quickly than others, like the US, where measures were hidden but more pervasive. The danger today is that we will pretend to believe in free trade, while practising protectionism by other names—just recall Peter Mandelson's £2.5bn auto industry rescue: “not a bailout,” he said, but a “greening” initiative.

To avoid destroying the legitimacy of the global trading system we urgently need an international agreement, at least an informal one, that sets out some broad rules for this transparent and time-bound protectionism for adjustment purposes.

Emphasising the need to create a more transparent mechanism for the use of “adjustment protectionism” is not to suggest that everything else is fine with the current system. There is another kind of protection which needs to be allowed—one that allows developing countries relief from outside competition while they acquire new technologies and train their workers in new skills.

Such protection, known as “infant industry protection,” was practised by virtually all of today's rich countries—starting with 18th-century Britain, through 19th-century US, Germany and Sweden, to 20th-century Japan, Korea, Taiwan—as I show in my books, *Kicking Away the Ladder* and *Bad Samaritans*.

Despite their own history, over the past quarter century rich countries have done their best to make it increasingly difficult for developing countries to use infant industry protection measures. They have pressed for trade liberalisation as a condition for the aid they give, and for the loans from the international financial organisations that they control. They have pushed for greater restrictions on tariffs, subsidies, regulations on foreign investment and other measures that developing countries need in order to promote their infant industries. This practice has to stop—and, ideally, be reversed.

The reality is that free trade has never worked very well, especially for developing countries, but it is going to malfunction even more in the coming years. Rather than trying to nurse this

ailing sacred cow back to health, we should slaughter it — and concentrate our energy on designing a new system of international trade that pragmatically mixes free trade and protectionism.

2. Who owns the forum?

An opinion by Dr Roman Grynberg
Fiji Times, Monday, March 09, 2009
<http://www.fijitimes.com/story.aspx?id=116342>

DR Roman Grynberg says initially the Forum and its secretariat, then called the South Pacific Economic Community, was there to provide technical assistance to the islands, hand out small bits of cash for training and workshops and to service the annual meetings of leaders.

IN the early 1970s recently independent Pacific island leaders balked at their enforced silence in what was then the South Pacific Commission where they were unable to discuss French nuclear testing because of the opposition of the French government.

They decided as a group to create a new forum where independent nations would be free to talk. At the time Pacific island leaders were divided over whether the new 'Forum' should include Australia and New Zealand or not.

Ostensibly because of the huge resources these two countries could bring to the table they were grudgingly included.

Initially the Forum and its secretariat, then called the South Pacific Economic Community, was there to provide technical assistance to the islands, hand out small bits of cash for training and workshops and to service the annual meetings of leaders.

However, the Pacific Islands Forum quickly grew to become the region's paramount political organisation where all major issues of the day are discussed. It has replaced the Secretariat of the Pacific Community which now performs an essentially technical role. The two organisations co-exist but the highly contentious political issues are largely handled at the Forum.

By the late 1990s the Forum, under pressure from Australia and New Zealand, began to evolve as a policy making body rather than a technical body assisting the islands.

Regrettably the change in the function of the Forum was never accompanied by an increase in its capacity to set the policy. At the beginning of the current decade this role as a policy-making body became even more important when the 'ethnic tensions' occurred in the Solomon Islands.

The very important and beneficial Australian lead intervention to save the Solomon Islands from the possibility of civil war and total collapse meant Australia needed what is called 'regional cover' from the Forum for the Regional Assistance Mission to the Solomon Islands.

This sort of intervention could not be done bilaterally and needed the support of other island states through the Forum. But whereas RAMSI started as a truly positive intervention to save the Solomon Islands it has evolved into creeping control of economic policy by the young Australian 'babycrats' as they have dubbed in Honiara.

Some of the commercial policies they have advocated and implemented will directly benefit Australia. The wags in Honiara now say the RAMSI mission will continue for many years

and will only ever come to an end once the last overpaid 'babyocrat' in Honiara pays his last mortgage installment in Australia.

If the Forum is a policy body then who establishes the policy? These decisions over policy are made by ministers on advice from officials. Ministers then seek endorsement from leaders. But where does the actual policy come from? The answer is very simple. In theory it is the technical people at the Forum secretariat who prepare the papers and the advice. In reality, however, there is simply no capacity within the Forum secretariat to establish independent policy on most economic issues.

The policy either comes directly or indirectly from Canberra and Wellington or through its 'multilateral cover', that is the IMF, the World Bank and the Asian Development Bank. If you look at almost every study undertaken in the region by the international financial institutions you will find a thank you on page 2 or 3 for the funding provided by AusAID or NZAID.

These organisations have Australian and New Zealand staff seconded to them and Canberra vigorously and jealously controls their trust accounts. Only very occasionally do any of these institutions dare give advice that Canberra and Wellington explicitly disapprove of. This did occur recently with the World Bank's courageous and successful push to get Australia and New Zealand to open up their horticultural labour markets to Pacific Island temporary workers.

Who sets the Forum agenda? In the Forum as in all international bodies, a draft agenda for every meeting is sent out to all members and they must all agree. In reality in most cases only Australia and New Zealand have the capacity to review these documents and make substantive comments and hence they very largely set the Forum's agenda.

Not one Pacific island country, even PNG, the largest, has one dedicated official whose sole job it is to work only on Pacific island affairs. Australia and New Zealand have scores of officials and desk officers in Canberra and Wellington with experts on each Forum island country.

Pacific island officials work on so many areas they have to be a 'jack of all trades' but because they are so busy they rarely even have time to read the meeting papers prior to an international meeting. As a result they are almost invariably out-gunned by their Australian and New Zealand counterparts at any meeting.

So if the Forum's policy and the agenda are by and large set in Canberra and Wellington why do Pacific island officials, ministers and leaders continue to accept it? The answer to this is fairly complex. The first reason is that some of the advice provided by Australia and New Zealand is basically sound.

Whether it is democracy and the rule of law or the liberalisation of telecommunication and air transport few Pacific islanders would doubt that the advice provided by Canberra and Wellington either directly or through their regional or international surrogates has done anything other than benefit the people of the region.

However, there are many glaring examples in the past of policy advice which Canberra and Wellington would not be so proud of. But this is not the point really. I have witnessed Pacific island officials and ministers sit there and agree to policy they know is not in their country's interest.

You will often hear outsiders ask why they remain silent? The usual response is a cultural explanation. Many Pacific island cultures, though by no means all, have no tradition of engaging in the sort of direct confrontation needed to achieve their foreign policy objectives.

I don't like this explanation because it portrays Pacific islanders as victims and I have seen another type of more subtle calculus occurring. Many Pacific islanders remain silent for what are often good self-interested reasons.

It takes a courageous official to question Canberra and Wellington when Australia and New Zealand provide two-thirds of the income of the Forum Secretariat and a very large part of their national aid budget. Careers of officials can be terminated. Prime Ministers will receive letters of complaint about recalcitrant ministers and pressure can be brought to remove governments where they are too strident. All this is part of the normal use of power to retain effective control of countries in Australia and New Zealand's lake.

But in the final analysis what buys the silence of the islands in Forum meetings stems from the 'original sin' of the Forum leaders who included the aid donors as members and created a Forum where the poor and vulnerable are better off remaining silent.

There is an ancient proverb that goes, more or less 'He who eats the food of others shall grow weak in the mouth and he who takes the goods of others shall grow weak in the arms'. This I believe explains much of the silence that is observed at forum meetings. Whenever a Pacific island leader or minister sits there and accepts policy that is not in their national interests they know that speaking up too loudly may risk the aid flows to their country.

There is, however, even a dirtier secret about the Forum that all ministers and leaders know. They can sit there at Forum meetings and nod silently to a policy which they have no intention of implementing when they go home and there is no-one to force them to do so.

So what happens are an endless cycle of meetings with quiescent ministers who agree silently to things because they know it will cost them too much to object publicly or they have no intention of implementing when they get home. Implementation of decisions has simply never been a great priority for the Forum.

So if the purpose of creating the Forum 35 years ago was to have a place where free and independent countries could speak freely then the silence of island ministers means that the Forum is really no longer fit for its purpose - because of the disproportionate power and wealth of Australia and New Zealand. There are some Pacific islanders who dream of reversing the 'original sin' of the forum's founding fathers.

The Forum Secretariat with its six figure incomes, manicured lawns and its cycle of largely fruitless meetings (which provide very profitable daily subsistence allowances) will not change and Pacific islanders are never likely to throw Australia and New Zealand out of the Forum. International organisation do not change - they simply become irrelevant or less relevant, witness the UN over 60 years.

More to the point, Pacific islanders irrespective of how they feel about the Forum still need a place to talk to their neighbours Australia and New Zealand.

But is the Forum a place where free nations can exchange their views openly which is what the founding fathers wanted when they broke away from SPC? Freedom, as the Americans quite rightly remind us, is not free. The increasing power and domination of the islands by Australia and New Zealand is the real price the islands nations pay for Australia and New Zealand financial support.

For the larger Melanesian states which constitute 85% of the Pacific island population there is the realisation that if they want independent and unbiased advice then they have to form their own secretariat.

Hence with Chinese and possibly EU funding the Melanesians are creating a Melanesian Spearhead Group secretariat in Vanuatu. The Melanesians want the freedom to get independent advice but they want the Chinese and the Europeans to pay.

This will also probably not work in the longer term but at least for the moment Chinese and EU interests in the region are profoundly different from that of Australia and New Zealand and will give the Melanesian states much greater policy space.

Things will only change with the circumstances. In the last generation it was France which silenced the islands. The present culture of silence in the Forum stems from the nature of the relationship with Australia and New Zealand. It is perverse and will never lead to a healthy relationship. There may yet come a generation of Pacific island leaders who have a genuine vision and intestinal fortitude to lead their countries and the region. I do not see it yet but I wish the Pacific islands, the region that has been my home for 25 years the very best in raising them.

* Dr Roman Grynberg was, until the end of February 2009, Director of Economic Governance at the Pacific Islands Forum Secretariat.

AFTINET does not necessarily endorse the views on trade policy expressed in this paper.

3. WTO Update

There have been few movements at the WTO. A recent statement from the Obama administration has not been too positive. The statement criticises the current offers at Doha as being too discriminatory against the US and calls for greater offers from other countries. The statement reflects much of the previous Bush administration's views towards the WTO.

4. FTA Update

ASEAN/NZ/Australia FTA - Signed

On February 27th Australia signed the ASEAN/NZ/Aust FTA. The FTA is Australia's largest signed and will cover 96 per cent of Australia's exports to ASEAN countries. The big winners are pharmaceutical companies, chemical companies, automobile manufacturers and exporters in the areas of education, telecommunications and financial services.

AFTINET is still undertaking a review of the agreement and looking into what impacts such an agreement may have on communities within the region.

Republic of Korea FTA

Australia announced on March 5 that it will enter into negotiations with the Republic of Korea for a free trade agreement. This comes despite no study being undertaken into the non-economic impacts that any FTA could have on the environment, workers rights, culture, or regional employment. The economic study that declared the FTA to be a benefit to both countries has singled out workers rights in the Republic of Korea as a potential obstacle to investment, highlighting the targets and impacts that any FTA could have.

Indonesia FTA

Australia is set to FTA announce negotiations with Indonesia after the release of the feasibility study. Not surprisingly the study proclaims that an FTA between the two countries will be of great benefit. Once again there has been no study into the social, environmental or labour impacts of such an agreement.

The study has not been publicly released yet.

Chile FTA

The Chile FTA came into force on March 6th.

**5. AFTINET Fundraising Dinner – April 29th
Wednesday 29 April, 6.30 pm for 7pm start
Marigold Restaurant
Level 5, 683 George St, Sydney
Price: \$55 per person (discounts for group bookings)**

AFTINET's Trade Justice Dinner is on again with this year's dinner taking place on April 29. Some will remember the fun of the last Fundraising Dinner that was held in April 2008 which was hosted by Dr Meredith Burgmann and featured Prof. Frank Stilwell as guest speaker.

This year promises another wonderful night of auctions, laughs, information, and delicious food. The night will feature Prof Jane Kelsey, author of "Serving Whose Interests – The political economy of trade in services" talking on the topic of the global financial crisis, the failure of neo-liberalism and alternatives to it.

Up for auction will be original cartoons, a signed Chaser APEC DVD, and art works. A raffle will also be happening that includes a wonderful array of fair traded products and prizes.

Contact Adam: campaign@aftinet.org.au or 9212 7242 to receive a registration form.

EVENTS

a. Fourth Sydney Roundtable - Global Economic Crisis: Challenges for the Rudd Government, March 21, 280 Pitt St, 12:00 – 5:00pm

The goal of these roundtables is to promote left renewal through a critical evaluation and re-imagining of left and progressive theory and ideas as the basis for a new vision for a sustainable, fair and democratic society.

The program aims to bring people together from across the spectrum of left and progressive politics in a format that will comprise brief presentations by key thinkers from different perspectives followed by extended periods of facilitated discussion.

We have six fantastic speakers lined up to talk on different aspects of the pervasive and deepening crisis and how the Left and progressives might respond.

The emphasis in the roundtables is just as much on the participants as the speakers and all participants are entitled – and encouraged – to submit concise (1,000-1,500 words) papers on the roundtable theme.

These papers will be distributed to participants prior to the roundtable and also posted on the SEARCH website. SEARCH also hopes that these papers will provide a foundation for an evolving discussion on left renewal with participants encouraged to continue debating these fundamental issues online and at future roundtables.

Please RSVP for the event and/or submit your paper by Thursday, March 12 to troyh@search.org.au.

b. Book Launch March 27 - "Contemporary Society" by James Arvanatakis

Launched by Professor Ghassan Hage from University of Melbourne.

Venue: Gleebooks, 49 Glebe Point Rd, Glebe
Time: 6pm Friday 27th March

In his latest book, **James Arvanitakis**, undertakes the task of analysing contemporary Australia. Armed with his own strange experiences from traveling around Australia and the world, and a backpack full of his unique understanding of centuries of sociological thought, James attempts to unravel our everyday experiences. Discussing everything from talking to pirates in a Sydney supermarket, hanging out in remote libraries in Colombia, to being accused of swimming like a 'public school boy', he attempts to understand our world when everything seems chaotic, changes rapidly and appears simultaneously disconnected and interrelated. This book analyses contemporary Australian society and the dynamics of everyday with an eye on challenging and changing many of the injustices confronting our world.

Engaging, challenging and thought-provoking, this book is essential for anyone who interested in sociology, its application and relevance, covering a range of broad concepts and themes including globalisation, technology, racism, gender, active citizenship and poverty.

c. Understanding Globalisation: A Short Course about Global Crisis & Global Justice - Melbourne, April 14 to June 15.

Understanding Globalisation is an exciting short course for people interested to learn more about globalisation, global economics and their impacts on people and the environment.

Understanding Globalisation brings together 15 Australian and international experts in politics, economics and development to support participants in exploring the complexities of globalisation.

Over 10-weeks, Understanding Globalisation examines the philosophies, agreements and institutions of the global economic system and the current, interconnecting financial, food and climate crises in an approachable, easy-to-follow way.

Through lectures, workshops and other activities, the course examines the relationships between the global economy and the current global crises and equips participants to track future developments in globalisation and the global economic system.

Presented by Global Trade Watch, the course will run in Melbourne (Carlton) on Monday evenings from April 14 to June 15 2009.

For more information, download an information booklet and application form here: <http://tradewatch.org.au/globalisation/brochure.pdf>

Or apply online now: <http://tradewatch.org.au/globalisation>

Please email us at info@tradewatch.org.au if you have any questions about the course.

d. Announcing Just Coffee's 2009 delegations to coffee country!

Dates and locations for this years delegations, as well as information about Just Coffee and our fabulous travel delegations is below. Please join us on a delegation, check out our website, and share this information with others.

2009 Just Coffee Delegations:

MAY 16-25 (10 days) **GUATEMALA**
MAY 29-JUNE 03 (6 days) **NICARAGUA**
JUNE 16-19 (4 days) **EL SALVADOR**
JUNE 21-26 (6 days) **CHIAPAS**

JUNE 29-JULY 4 (6 days) OAXACA
JULY 7-13 (7 days) COLOMBIA
JULY 16-22 (7 days) BOLIVIA
JULY 31-AUGUST 04 (5 days) DOMINICAN REPUBLIC
AUGUST 18-23 (6 days) TIMOR-LESTE (EAST TIMOR)

Trips range from \$700-\$1500USD depending upon destination, length of stay, etc.

Delegations are subject to minimum number of participants.

- Closing registration date for trips departing in May is: MAY 1ST
- Closing reg. date for trips departing in June & July is: JUNE 1ST
- Closing reg. date for Dominican Republic delegation is: JULY 1ST
- Closing reg. date for Timor-Leste delegation is: AUGUST 15TH

About Just Coffee

Just Coffee Cooperative's mission is to work with small grower cooperatives in true partnership, using the language and mechanics of market economics to turn the market on its ear. It sources the finest green bean coffee on earth, air-roast it to perfection, and deliver it (often by bicycle) fresh, ground or whole, proving to our customers that a fairer model can also deliver the highest quality products. It aims for total transparency, sustainable business practices, and long-term relationships with all of its partners while providing a fun and meaningful cooperative workplace for the people we work with. It also seeks to change global social and economic inequality by practicing REAL fair trade in direct opposition to gluttonous "free trade" and corporate fair trade. It recognizes fair trade as one strategy for change within a larger movement for global social justice.

ABOUT JUST COFFEE DELEGATIONS:

A number of times each year Just Coffee offers customized travel delegations to visit the coffee producers it works with around the world. These delegations serve as a way for the company to stay in close contact with the coffee producing groups it works with, a value it feels is integral to truly fair trade. Delegations are educational travel experiences that focus on the lengthy production process of coffee from the tree to your cup, the ideologies and realities of fair trade as it currently exists, and include discussions about globalization, cultural diversity, autonomy and indigenous rights, issues related specifically to women, international relations, the histories of the communities and countries we visit, current events, and much, much, more! The delegations aim to offer a safe and supportive environment for people of different ages, genders, capabilities, nationalities, religions, and backgrounds to participate in exchanges that are meaningful for all.

WHAT HAPPENS ON THE DELEGATIONS:

Formally, delegations meet with, share meals, and often stay overnight in coffee growing communities. They also visit local crafts people, artist collectives, traditional medicine healers, local radio stations, locally produced magazines, research organizations, Permaculture and sustainable agriculture groups, United Nations and government officials, environmental groups, and many others depending upon the place travelled to. They seek to learn not just about where our coffee comes from but also about people's lives. Informally, they take every opportunity to immerse themselves in their culture and environment, visiting local markets, eating traditional foods, and attending local events. Just Coffee facilitates positive, creative, social interactions, and works together to process all that the delegations are taking in, learning about, and experiencing.

CUSTOMIZED DELEGATIONS:

Each delegation's focus is developed specifically to the needs, interests and capabilities of its travellers whether they be university or high-school students, community or faith groups,

environmental or agricultural groups, coffee addicts, or just interested individuals. In order to keep the delegations small Just Coffee generally accepts a maximum of 12-15 people per trip but often take much smaller groups. Trips are generally between 5 and 7 days (although longer or shorter trips can be arranged depending on group requirements). Delegations may also include additional activities, such as guided ecological tours, volcano climbing, snorkeling and scuba-diving, etc.

WHO JOINS JUST COFFEE DELEGATIONS:

Delegations are available to Just Coffee customers, friends, community members, avid coffee drinkers, and anyone with an interest in fair trade and cultural diversity. There are no language requirements nor age limits for our delegations. No matter where you live, if you have a positive attitude and desire to learn and participate, you are encouraged to join a Just Coffee delegation!

TO GET INFORMATION AND SIGN UP:

For more information visit the delegation page of Just Coffee's website at:

<http://justcoffee.coop/en/delegations>.

To see photos of previous delegations please visit:

<http://justcoffee.coop/en/photo/48>.

To sign up to join one of our upcoming delegations, or to plan a customized delegation specifically for your group, please contact Delegation Coordinator, Colleen Coy at: *colleen (at) just coffee (dot) coop*.