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**1. How trade, the WTO and the financial crisis reinforce each other**

Myriam Vander Stichele  
November 14th, 2008

On 12th November 2008, the World Trade Organisation (WTO) held a selective conference about the impact of the financial crisis on trade. The main issues discussed were the lack of credit and finance for traders, and the slow down of the economy resulting in slowing down international trade. The main responses advocated, which are already widely used, were to increase co-sharing of risks by the international financial institutions and export credit agencies (ECAs).

What the WTO calls risk-sharing, however, turns out in practice to increase risk for developing countries and minimise risk for transnational corporations. Export credits ultimately have to be paid by developing countries, thus increasing the debt burden of developing countries. They also mean less risk is to be taken by the private sector, some of whom were attending the meeting – including some of the banks that have already received government support such as ING and Royal Bank of Scotland despite their poor social and environmental record.

Of course, the WTO Director General Mr Lamy, has in his many speeches during the last weeks, argued that the WTO is a solution to the crisis, that WTO rules prevent “protectionist measures” and beggar-thy-neighbour policies which led to the economic depression in the 1930s and the consequent wars, and that conclusion of the Doha Round means strengthening regulation.

Mr Lamy has admitted that some losses of jobs and income over the last years are to be attributed to trade liberalisation [speech of 29 October 2008] but that therefore “restoring citizens’ confidence in trade requires governments to ensure that sound domestic policies are in place.” However, since those sound and distributive domestic policies are not in

place, and the WTO rules are even undermining such policies, there is little argument to liberalise further.

There are many arguments why the WTO's rule-based system is not sufficient and why finalising the Doha Round as currently negotiated would be disastrous to deal with the economic, social and environmental problems facing the world today:

- In the Doha Round, developing countries are asked to open up their markets much more than developed countries, so that they will have to bear more of the burden of coping with liberalisation. This is contrary to the Doha Round principles and negates the responsibility of the developed countries for the financial crisis: the latter should indeed show solidarity and take the responsibility of unilaterally providing financial support to allow developing countries to trade without undermining social and environmental needs worldwide.
- Opening up more markets would give even less chances to smaller producers and traders to be able to survive. In many countries employment and income losses cannot easily be replaced. The current world economic system has so many unequal players that liberalisation does not provide the claimed benefits of open trade as argued in the comparison with the 1930s. The multinationals would be the winners of the increased competition game and not the workers, poor and jobless. The Doha Round negotiation draft text shows a protectionism of the rich and multinationals who lobbied for their interests, and would result in an inequitable and unsustainable 'rule-based system'.
- The Doha Round is about deregulation and minimising governments' space to make policies, and is not about strengthening of regulation. The Doha Round would reinforce a failed model of laissez-faire, based on the belief that markets can be left on their own and that the common good will come out of leaving everybody to pursue their own interest. The financial crisis has shown how the free market is based on a failed ideology and why the gap between rich and poor is increasing. Free markets are unable to take environmental and social concerns into account.
- Lamy's argument that "one's protection is another one's lost opportunity" should be turned around by "each market opening is one's lost opportunity": the importance is that there should be no lost opportunity for "raising standards of living, ensuring full employment and a large and steadily growing volume of real income" and "the optimal use of the world's resources in accordance with the objective of sustainable development," "in a manner consistent with [countries'] respective needs and concerns at different levels of economic development," – as the preamble of the WTO says! However, the trade rules would need to change as well!

An important element is missing among the many discussions and proposals to reform the financial system and stop the financial crisis from spreading further. There is no discussion about the broad liberalisation and deregulation of financial services, capital movements and the international financial industry through the General Agreement on Trade in Services (GATS) and the free trade agreements (FTAs). The call made by the WTO and some European leaders to finalise the Doha round at the same time as the financial reform talks (so-called Bretton Woods II) completely ignores that this would include further liberalisation and deregulation of financial products and all kind of financial service providers (banks, insurance, security traders, pension fund managers, ...), even the most risky ones (e.g. derivatives). The Northern countries such as EU, US and Canada, are very keen on further liberalisation of the financial services sector.

GATS and FTAs have been and will take away countries' ability to prevent a financial crisis, or take measures during a financial crisis, and improve regulation and supervision by:

- Liberalising financial services before due international regulation and supervision is in place;
- Further liberalising risky financial products and operations;
- Making legally binding commitments to deregulate;
- Not recognizing that financial services should be at the service of the whole of society, and not vice versa;
- Removing prudential measures during secret GATS negotiations.

Countries that liberalise financial services under GATS and free trade agreements will experience negative impacts of foreign financial services providers in many sectors, especially in developing countries:

- In agriculture, foreign banks in developing countries have not been financing small farmers nor have they been providing services in the rural areas. The food speculation through banks offering trading in derivatives in food commodities has contributed to high food prices that made many poor suffer.
- In the industrial sector, foreign banks have been reluctant to provide credit to smaller local companies or even the domestic industry as a whole – even more in times of crisis that also leads to less financing for trade. This means that the domestic industry becomes less competitive, which is especially problematic if an agreement on NAMA would increase foreign competition in developing country markets.
- The impact on the environment and climate change of foreign banks has been enormous. Internationally operating banks have financed many companies and projects that damaged the environment and increased climate change.

*This is an edited version of the original article that appeared on [casinocrash.org](http://casinocrash.org). Visit the website to see the full version and other excellent articles on the economic crisis.*

## **2. The Trans-Pacific Partnership Agreement: Reopening the US FTA**

The Trans Pacific Partnership Agreement (TPPA) is a new regional trade agreement that is expected to have negotiations begin in March 2009. The TPPA builds on the existing agreement between New Zealand, Chile, Singapore and Brunei Darussalam, but includes the United States. Australia, Peru and Vietnam have been invited to join the negotiations. The US is pressuring the Australian government to make a decision in November to agree to start negotiations in March 2009.

Despite this pressure on Australia to commit to entering into negotiations, the US itself lacks any authority to enter negotiations. Congress has not given approval for the US to enter into the negotiations, meaning that until it has authority anything that is negotiated is non-binding on behalf of the US. President-Elect Obama has indicated that he will review all current trade agreements before proceeding with any new ones, making the prospects for that authority even further away.

The recently released review into Australia's export policies and programs titled "Winning in World Markets" concluded that Australia's three current FTAs with the US, Singapore and Thailand have not resulted in clear commercial benefits for the whole economy. All of Australia's three existing Free Trade Agreements (FTAs) have seen a worsening in Australia's balance of trade, inconclusive results as to whether or not FTAs have achieved an overall increase in market share, and with the exception of some food, manufacturing and service sectors many companies reported no increase in exports. Given the lacklustre results from the current FTAs, increasing their reach would appear to be heading in the wrong direction.

The negotiations for the TPPA will allow for the renegotiation of current trade agreements and the chance to gain more access to markets. Whilst Australia is claiming that it will defend current protections for sensitive areas like medicines and media content, it's also claiming that it will gain extra access to foreign markets. All countries will be aiming to get a better deal in these renegotiations than in their previous FTAs.

Renegotiating these agreements will see Australia come under pressure again to make concessions in areas like the Pharmaceutical Benefits Scheme, media content and other vital aspects of domestic policy.

The TPPA is being touted as a building block for a wider legally binding agreement or APEC free trade zone. This would be step in the wrong direction. The current financial, environmental and food crises have demonstrated the need for a rethink of the neo-liberal economic model, which removes regulatory power from governments.

Governments are calling for more flexibility and policy space to respond to these crises, while free trade agreements aim explicitly to restrict that space. Such restriction would undermine the ability of governments to take the strong regulatory action needed to respond to these crises.

### **3. WTO Update**

There has been little movement in the WTO on negotiations. This has been in large part due to the US elections, as negotiators were waiting to see the results and consider what it would mean.

The recent G20 economic crisis summit included in its declaration a commitment to trying to finalising the guidelines on the Doha round by the end of this year. The leaders have instructed their trade ministers to work towards finalising such a deal.

How far this will get remains to be seen. Whilst there does appear to be strong public statements reinforcing commitments to finishing the Doha round, many issues still stand in the way. Issues such as US cotton subsidies, tariffs on manufacturing goods, financial service liberalisation and food security mechanisms all need to be agreed upon. In the current economic climate, government's, especially in the Global South, appear to be reluctant about the prospect of increased unemployment from greater imports of manufactured goods and services from rich countries.

Then of course there is the issue of no US authority to commit to its offers, leaving everything up to the US Congress to pick apart.

### **4. FTA Update**

#### China FTA

Following the recent G20 meeting on the economic crisis Prime Minister Rudd and Chinese President Hu Jintao met to discuss the China/Australia FTA. From the meeting Australia and China agreed to accelerate the negotiations for the FTA, but stopped short of setting a deadline for the negotiations.

Australia is chasing greater services exports and mining investment in China, whilst China is targeting temporary entry to the labour market and changes to foreign investment regulation in mining and energy, lower tariffs on manufactured goods, and quarantine conditions for some products.

## Chile FTA

On November 13 the Australian Parliament approved the implementing legislation for the Australia/Chile FTA. This means that the FTA is now able to be implemented and appears to still be on track to come into force on January 1, 2009.

The Joint Standing Committee on Treaties in its assessment of the FTA did manage to press home some of the issues that AFTINET and the CFMEU raised. Although it agreed to recommend the FTA it showed that many involved in the process are aware of the need to see Australia's trade policies support environmental protection, and human and labour rights.

## **5. EVENTS**

### **a. AID/WATCH Report Launch: Where is your AID money going? Thurs 20 Nov**

AID/WATCH is launching its Guide to Australian Aid and brand new website at 6pm Thursday November 20, Medium Rare Gallery, 70 Regent St, Redfern.

The new report "Where is your AID money going?" focussed on Australian government and NGO aid, and the website are exciting new tools for information and action on where your aid money is going.

Join AID/WATCH co-founder Lee Rhiannon and other past campaigners to celebrate 14 years of monitoring where aid money goes.

Also being launched with Australian NGO peak body, the Australian Council for International Development (ACFID) is the international report "The Reality of Aid 2008: an independent review of poverty reduction and development assistance." The reality of aid in 2008 is that it continues to fail to promote development based on the core values of human rights, democracy, gender equality, and environmental sustainability.

For more information or to pre-order a copy of the guide contact AID/WATCH  
Ph: (02) 9557 8944, [info@aidwatch.org.au](mailto:info@aidwatch.org.au), [www.aidwatch.org.au](http://www.aidwatch.org.au)

### **b. Movie Screening - Jerusalem: East Side Story, Nov 29, 2pm**

The Coalition for Justice and Peace in Palestine (CJPP) is proud to present the Sydney Premiere Screening of the new documentary film Jerusalem: East Side Story by acclaimed Palestinian director Mohammad Alatar.

The film will be followed by a question and answers session with Jerusalemite Rami Meo, who is also the Convenor of CJPP.

Jerusalem: East Side Story squeezes nearly one hundred years of history into an hour or so of cinema. It exposes the past forty years of Israeli military occupation and repressive policies in Jerusalem, and their devastating impact on the city and its Palestinian residents.

The film focuses on Israel's illegal annexation of East Jerusalem in 1967, the ongoing dispossession of its Palestinian residents since that time and their daily struggle to survive in the face of the Israeli military machine and the constant threat of house demolitions.

This is Alatar's second film about Palestine, the first 'The Iron Wall' (2006), was highly praised, including by former US President Jimmy Carter who called it "the best description of the [Israeli] barrier, its routing and impact". Other reviews called it "outstanding", "highly recommended" and "a powerful film".

Details:

2:00pm Saturday, 29th November 2008, Mitchell Theatre,  
Sydney Mechanics' School of Arts, Level 1, 280 Pitt St, Sydney CBD

TICKETS: \$10 at the door.

Please RSVP to guarantee your place: [events@coalitionforpalestine.org](mailto:events@coalitionforpalestine.org)

### **c. Forum - Women & Human Rights: Building a community of practice, Dec 3.**

All UTS women and community partners who work or have an interest in women's rights, international development, gender equity, and social justice are invited to attend this forum. You can expect to actively contribute, to network and share knowledge, to meet women with expertise and experience and to develop a shared repertoire of resources - to build a community of practice.

The forum will explore through speakers, presentations and small group conversations:

- the challenges and advantages of using a human rights framework to address gender issues
- the roles and responsibilities of academics and activists/practitioners/policy makers
- the connections between local experience and global issues
- the range of research/work in these areas
- what are the inherent possibilities and tensions of work in this area?

Confirmed speakers include Deb Chapman, International Women's Development Agency, Jennifer Burn, UTS Anti-Slavery Project, Johanna Adriaanse, UTS, International Working Group on Women and Sport, Professor Tuychieva Gulkhumor, Gender development, Uzbekistan and Kyungja Jung, UTS, Women's activism in migrant communities in Australia. Indigenous speaker/s to be confirmed.

Details:

Wednesday 3 December 2008, 9am – 4pm

Level 6 Training Room

UTS Building 10, 235 Jones St (off Broadway)

There will be no charge to attend but please RSVP for catering to:  
[Joanna.Leonard@uts.edu.au](mailto:Joanna.Leonard@uts.edu.au) ph: 9514 1274.

### **d. Trivia Night Fundraiser – “Almost Anyone Can Be President”, December 11**

Come along and support AID/WATCH by testing your skills at trivia. Following the long awaited November election of a new American president, come and share your memories of the Bush administration that proved almost anyone can be president!

Hosts for the night Captain Belligerent and Cute Boy return to delve into your knowledge of Bush-isms and faux-pas!

Details:

December 11, 6:30pm

Camperdown Bowling Club, Mallet St, Camperdown

\$20/\$10 waged/concession of \$50 for passionate supporters.

To book a table (of 6) or your seat call Ozzie on 9557 8944 or email [ozzie@aidwatch.org.au](mailto:ozzie@aidwatch.org.au).