

## What price free trade with the U.S?

Bill Rosenberg

It looks like we're back to "trade access for troops" diplomacy. Muldoon used to claim (with scant evidence) that military ties to the U.S. improved access for our agricultural exports. Helen Clark hints that her government's offer of SAS troops to the war in Afghanistan has eased the way for a Free Trade Agreement with the U.S.

Morality aside, is such an agreement worth pursuing?

New Zealand's main target would be increased agricultural exports. That is chasing rainbows. Despite urging free trade on the rest of the world, the U.S. is deeply hypocritical with regard to protection of its agriculture. Like chastity, free trade is good for anyone but yourself.

The hypocrisy reflects U.S. agriculture. The huge agribusiness corporations which write U.S. agricultural trade policy dominate international markets and want to expand further. Meanwhile they accept huge subsidies at home.

But only a quarter of U.S. agricultural production is exported. U.S. family farmers produce mainly for domestic consumption. They see trade as more a threat than an opportunity. Farms are failing due to falling and unstable prices, despite government support of \$70 billion in 2000, and a further rise expected in 2002. When the WTO over-ruled protective U.S. tariffs on Australasian lamb, the U.S. gave its farmers a further \$100 million.

It is unbelievable that the U.S. would dismantle all this in return for anything New Zealand could offer.

To obtain even small concessions, the U.S. will be demanding concessions in return. Some can be deduced from existing agreements and official publications.

The U.S. government publishes an annual report on "Foreign Trade Barriers". The 2001 report lists what it regards as New Zealand "trade barriers" that it wants modified or removed. These include the moratorium on releasing genetically modified organisms, the requirement for approval before food with genetically modified content can be sold, and the labelling requirements for such food. New Zealand is on special watch for parallel importing of software, films, videos and music. Local content requirements in radio and TV are also listed, as is Telecom's dominance of telecommunications, especially its "local loop" monopoly. So are Pharmac's actions to hold down medicine prices, intensely disliked by pharmaceutical companies. Government procurement and our overseas investment regulations are also listed.

Services will be a primary focus of negotiations, as they were in the agreement with Singapore, and are in the current negotiations with Hong Kong. The U.S. has powerful transnational companies interested in further commercialisation of our public services such as education, health, and environmental services.

A sure target (and listed as a tariff barrier) will be our highly effective agricultural marketing companies such as Fonterra, ENZA and Zespri and remaining producer boards. The U.S. has declared war internationally on what it calls State Trading Enterprises. Yet our incomprehensible bargaining tactics have given it most of what it wants before the hard talking has even begun.

Instead, aim will be taken against the remaining regulations and statutory boards. U.S. food corporations, such as Kraft which has 57% of the U.S. cheese market, would love a leading place in our dairy, horticultural and meat industries. Despite recent massive mergers of its own dairy processors at home, the U.S. will want to force change in our competition rules to remove Fonterra's dominant status.

It would be a sour victory if minimal agricultural access to the U.S. was bought at the expense of New Zealand farmers' control of their industry, with resulting lower returns to producers.

Perhaps most disturbing are NAFTA's investment rules, which the U.S. has insisted on incorporating into the Free Trade Agreement of the Americas currently under negotiation. Similar provisions are in agreements New Zealand has with Hong Kong and China.

NAFTA's investment chapter allows corporations to sue governments for compensation or reversal of laws when their profits are threatened. Hearings take place in secret, before private tribunals.

Under it, Canada was forced to revoke a ban on a toxic petrol additive, and pay \$32 million to the company producing it. A U.S. waste company was awarded \$38 million when a Mexican local authority refused it a permit to build a toxic waste dump over aquifers providing the community's water supply. A Canadian funeral company is currently demanding compensation for a U.S. jury's finding against it for anti-competitive behaviour.

The principles involved negate a century of social and environmental progress. Theoretical architect, Chicago law professor Richard Epstein, says: "It will be said that my position invalidates much of the 20th century's legislation, and so it does. But does that make the position wrong in principle?... Most of economic regulation is stupid."

Finally, we must remember the future options ruled out by such an agreement. We still have a limited right to raise tariffs, except on imports from Australia and Singapore – and now from the U.S. too? How many more tools that we need for our economic development can we afford to give away?

5 November 2001