



The challenge of Free Trade Agreements in Asia

A roundtable discussion

Summary report
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Introduction:

Despite the ongoing multiple crises of employment, food, finance, energy and climate, most Governments have not eschewed trade liberalisation. Due to an interplay between geo-politics and the rise of emerging economic powers and their multinational corporations, Asian countries have set aside the WTO Doha Round failure and have preferred to engage in a complicated web of ambitious bilateral and regional Free Trade Agreements (FTAs). The rapid spread of FTAs in Asia has made it the global hub for trade liberalisation. As of February 2011, the region has some 63 concluded FTAs with several more under various stages of negotiation.

Asian civil society groups have also been in the vanguard; doing research, campaign and advocacy in critiquing the lack of transparency and anti-development nature of these trade and investments treaties.

This roundtable organised by Focus on the Global South brought together academicians, researchers and activists (including two parliamentarians from South East Asia) to discuss the state of play, share updates on national level campaigns and discuss issues of mutual collaboration. Issues addressed include employment, finance, agriculture and access to affordable medicines and health care.

Inputs on Asia state of play:

Former Finance Secretary to the Government of India and presently Convenor of the Indian Peoples Campaign against the WTO (IPCAWTO) S P Shukla kicked off the round table by sharing his thoughts on the anti WTO campaign in India and the lessons it held for the current campaign on Free Trade Agreements (FTAs). While the IPCAWTO was set up as a political platform with progressive political parties and their affiliate groups to resist the WTO negotiations it had now become dormant due to the stalemate in the WTO. Shukla felt that the main reason why the 'steam had run out' of the political resistance to trade liberalisation is because of the failure of the campaign to address a core issue: the structural nature of the agrarian crisis in India. The crisis faced by the peasantry and agriculture labour is far deeper than the challenge posed by the AoA (Agreement on Agriculture of the WTO) and FTA paradigm. To get common people (especially those affected by the agrarian crisis) on board and make the campaign effective, progressive groups need to look beyond the AoA and FTAs and analytically attack the roots of the agrarian crisis.

Economics Professor at the Jawaharlal Nehru University (JNU) Jayati Ghosh felt that Asia's dynamism and rapid growth rates has made it harder for progressive movements to get a wider consensus against trade liberalisation. Proponents often describe the costs associated with the current development paradigm as transient and easily overcome. Ghosh made the important point that North-South and South-South FTAs are the same in terms of their corporate driven agenda and implications; while increasing output and growth rates they do not lead to any structural transformation or meaningful employment generation but lead to massive displacement of existing livelihoods. FTAs are being pushed in the global south because regional capital wants to take advantage of economies of scale. Investment rules, intellectual property rights and predatory commercialisation of agriculture are all implicit in FTAs. Ghosh said that among the challenges

is how to make regional integration a progressive process and not concomitant to trade and investment liberalisation. She then elaborated that the positive response from movements should be to build peoples cooperation in the region towards wage led growth, diversified sources of supply and demand, and more effective ways of cooperation in technology. She also spoke of the urgent need for a broader regional campaign that focuses on employment.

Walden Bello, Congressman from the Philippines and senior analyst with Focus on the Global South added that discussions should go beyond agricultural trade and should also touch on the question of the mode of production. Bello agreed with Ghosh on being equally critical of south-south FTAs and provided the case in point of economic integration in ASEAN. Initially the economic development plan for the region was expressed in non-free trade terms but that has been lost over the years. Despite being couched in the rhetoric of south-south cooperation, he said that the trade agreements that have surged in the wake of the stalemate in the WTO negotiations are essentially neo-liberal agreements. Bello then zeroed in on the ASEAN-China FTA which took effect in January 2010. Bello views this agreement as an unfair agreement in which the dice is clearly loaded in favour of China. The ASEAN-China FTA which has created difficulties for small producers comes on top of already heavy smuggling of Chinese produce in the region (shoes in Vietnam, agriculture products in the Philippines and Thailand). Bello also made the point that governments have not been transparent and as a consequence, people do not know about these agreements. One of the challenges of the trade campaign is to ensure that the discussion of structural issues break through in popular consciousness. He took issue over the corruption discourse in the region and said that he felt that this discourse, while valid, had imprisoned political and economic thinking.

In the discussion that ensued participants raised the need to look at FTAs more holistically instead of targeting only a few controversial ones such as the European Union FTAs. The inclusion of agriculture and food production in the World Economic Forum agenda with several large bio-seed companies and retailers offering solutions to 'food security' raises a new set of challenges. The need to work with certain sections of business was mentioned in the context of the Malaysian Chamber of Commerce demanding a stop to the China-ASEAN FTA. Another cross-cutting issue was the economic and social importance of government procurement in Asia in which several small and medium enterprises provide employment to millions. The opening up of the government procurement sector through FTAs to big business requires more attention.

Employment:

FTAs are promoted for their employment enhancement possibilities but this claim contradicts realities on the ground. Even in China, additional manufacturing employment is in very fragile self-employment, outsourcing and cottage based industries. There is a need for more research and analysis on what trade means for employment and the kind of employment that increases – casual, contract, apprentice and trainee kind of work. We also need to look at the volatility of employment that trade promotes especially for informal women workers. The reform of labour laws is also key to the agenda of FTAs. The Philippines has 11% unemployment and only some 20% of the total employed is in the organised sector. The garment sector has been wiped out and transferred to China. There is a growing number of call centre workers in Philippines but with no protection and no unions. The challenge is to forge unity among the different trade union centres and take on the proposed changes in the labour code being proposed by big business. In the

context of the ASEAN, any investment from China now comes with the rider that they can bring their own labour particularly in the Mekong region (Laos, Cambodia and Burma). Parts of the Thai economy is heavily dependent on the export market and that legitimises FTAs because that is the only way certain sections of labour can be protected. So the refrain from the Government is that 'we need to secure markets to make our products competitive' and that has happened in the case of the automobile sector with the Thailand Japan Economic Partnership Agreement (TJEPA). The issue of migrant labour was also discussed especially in the context of Malaysia where there are some 2.5 million migrant workers as a result of outsourcing where workers are leased out and rented like commodities by companies. There is no commitment for health and housing. The so called 'safeguard mechanisms' for migrant labour are ineffective and don't provide any real protection.

Finance:

Professor C P Chandrasekhar from JNU said that the WTO and FTAs are useful for certain interests (Government, international and domestic corporate interests) to institutionalise and legalise neo-liberal economic reform. In the case of services, it came into the WTO in a tenuous way (in trying) to lock in existing liberalisation policies into legal commitments that countries could not renege from. On financial services in order to attract capital you have to attract the carriers of capital – banks, pension and hedge funds and derivatives and they don't come in until you provide a conducive environment. From the point of view of international firms they want commercial presence, national treatment and equity holding, and this would have large implications in the kind of lending, but also there are a set of areas in finance that the government is not interested in like rural credit. The most predatory forms of finance effect crucial markets- food, rural credit- direct absorption of surplus in finance and this is now being attempted to be institutionalised through finance chapters in FTAs. Chandrasekhar felt that it would be better to identify a set of issues across the region and focus on that instead of individual trade agreements.

Dr. Kavaljit Singh of the Public Interest Research Centre in New Delhi said that the EU-India FTA will be far reaching in terms of banking services because European banks comprise 65% of the total foreign banks in India. The EU finance lobby is interested in entering India because of mainly two reasons; immense profit opportunities and the stability in Indian banking system. If we allow greater access to EU banks are they going to provide banking services in rural areas? Who do these banks serve? The problem is the business model niche upmarket, advisory services (mergers), lending to capital markets; and risk management- more investment banking. The financial crisis should be used as an opportunity for campaigns. There is ample evidence that foreign banks have reduced lending during the crisis. Singh also said that there is a strong lobby of domestic banks that want to go ahead on FTAs. We also need to be alert to the situation of toxic financial instruments that lead to the financial crisis in USA and Europe being introduced through North-South FTAs. In Thailand the banking sector is quite protected after the 1997 Asian Financial Crisis and this has given local banks leverage and huge profits, so it now being argued that financial liberalisation through the EU-ASEAN FTA will bring benefits to consumers. We need to highlight using examples that the general population does not have access to services from foreign banks and it will mostly be elite customers and big business that will benefit.

The role of the G20 financial bloc should also be factored in. The recent G20 meetings called for developing countries to remove all bottlenecks to FTAs. Countries like India have put a lot of political capital in the G20, but there is little hope that the group will deal with structural issues that led to the financial crisis. At most they will do some fire-fighting and they will do worse. For example the G20 was instrumental in providing legitimacy to the IMF post 2008.

Agriculture, fisheries and Food:

Devinder Sharma (Forum for Biotechnology and Food security) started by focusing on the issue of land grab and the conversion of land from agriculture to non agriculture purposes. Cheap credit is playing a role in facilitating this as foreign investment and banks move into the sector. Food security solutions are now getting confined to the agribusiness industry. Sharma argued that progressive groups should campaign on general issues in agriculture and FTA issues at the same time. The re-emergence of global food inflation and the role it played in the ongoing Arab crisis gives us an opportunity to focus on producing food within the country rather than depending on imported food. In the recent decades there has been a rise of food importing countries in the developing world. In Thailand some 6 years after the China-Thailand FTA the small farms have deteriorated with serious implications for livelihoods. The next stage for agribusiness is the control of genetic resources and expansion of energy (bio fuel) and non food crops. There is also a strong push for liberalisation in agri fisheries and forestry investment.

In Philippines where some 1.3 million people are employed in fisheries and 43 million living in coastal municipalities, FTAs pose a threat to both livelihoods and the environment. Issues that they are grappling with include over-fishing, marine degradation and privatisation of coastal areas. The implications of the EU-ASEAN FTA will be to further aggravate over-fishing with the entry of EU commercial fleets and the imminent entry of MNCs into aquaculture and mariculture industry. Implementation of FTAs will also lead to a conflict with several national laws that protect small fishers.

A broad trend that is visible in Asia is that national economic policy has become an oxymoron and a lot of decisions, especially on economic and trade policy have become de-nationalised. There is an impression that there is a shift in global economic power and the balance is tilting towards emerging economies in Asia but the powerful MNCs in the west are also shifting base to Asia and taking over domestic companies. Asia is becoming a happy hunting ground for the EU and USA.

Health and Access to Medicines:

Dr. Mira Shiva spoke of how in India the high cost of medicines is a big cause of indebtedness and the government is slowly ceding control on pricing medicines and essential drugs and what kind of medicines can be produced and how. India claims to fight for compulsory licensing but it has not once used that option. Today the Indian generic industry is steadily disappearing with mergers and acquisitions by foreign pharmaceutical companies. There is also a serious brain drain from the public to the private sector and this will aggravate the low doctor to population ration in rural India.

Malaysian Parliamentarian Charles Santiago said that in Malaysia there is a decrease in state budgets for medical care and the poor face a double whammy now with the increasing cost of

medicine prices. In the Philippines, the National health insurance system covers expenses only for in-hospital expenses, so most costs incurred by patients are out of pocket. Most generic medicines are imported from India and companies are attempting to stop this. Recently Pfizer sued the Philippine Government for importing an anti-hyper sensitive drug from India and the case is still pending in the court. The Philippines is also in the process of formulating a cheaper medicines act which has provisions for parallel importation and compulsory licensing. The new legislation will increase the powers of the Food and Drug Authority (FDA). Participants also made the point that since India is a large generic producer of essential medicines (ASEAN and several other countries in Africa and Latin America depend on these) and if it caves in to EU demands for stricter IPR provisions and data exclusivity, the prices of medicines across ASEAN and the developing world will increase. It will also seriously compromise progressive legislations such as the Philippines cheaper medicines act. Another development was health insurance for the poor which has led to the poor being prescribed expensive medicines just because there is insurance.

Session on strategies:

S P Shukla said that despite the commendable work done by the IPCAWTO, it was not successful in challenging the paradigm of agriculture policy in the country. FTAs have replaced the WTO as the main engine for trade liberalisation and they are more dispersed and less transparent. Groups have done work on creating awareness but there has been little political input into that work. Despite the deep agrarian crisis the kind of political mobilisations necessary to change the paradigm have not happened. The main parliamentary opposition groups have not been willing to challenge the paradigm. The economic liberalisation process initiated in 1991 made the situation in agriculture more precarious and the problems in Indian agriculture are not just about the border (trade) regime but about sheer survival; land alienation, commodification of natural resources and entry of corporate agriculture. It is not about the corrupt practices of some bureaucrats and companies but about the system as a whole. It raises questions about the current paradigm and it's not enough to merely have analysis, awareness and advocacy. The question we should be asking ourselves is what kind of political mobilisation what kind of political linkages should be done.

Participants shared updates from ongoing campaigns such as the Indian Forum against FTAs and EU-ASEAN trade network.

The Forum against FTAs was formed in 2008 but it lacks the active participation of mass movements, despite the presence of some Trade Unions, and that needs to be addressed. The health campaign in India has been among the most active and several protests and demonstrations have been held – activists have managed to get leaked texts, media stories have been pushed and several statements have been sent to Indian and European negotiators (with several replies from them as well).

There are important lessons to be learnt from the access to medicines campaign where a common interest has joined health groups from across Asia. In countries such as Thailand, Malaysia and Philippines, there is an interest to help the Indian health campaign to protect the generic medicines industry. What happens to the EU-India FTA will impact the rest of Asia. Moreover with India being a member of southern forums such as the BRIC (Brazil, Russia, India and

China), IBSA (India, Brazil and South Africa) and the larger G20 grouping, it has an onus to hold fort for the developing south. Though linkages have been built on the access to medicines, we need to organise more and expand the already existing networks.

India has used supposed gains from movement of labour (or Mode 4 in trade parlance) to 'sell' its FTAs with developed countries. There was an urgent need for research to expose the myth of labour mobility gains which, if at all they accrue, benefit a few thousand highly skilled individuals working with MNCs. India has signalled willingness to give concessions on garments and other commodities to push the Mode 4 agenda.

In Thailand, the campaign group 'FTA Watch Thailand' is now trying to facilitate discussion among groups working on issues such as dairy, chemical agriculture, biodiversity and genetic resources and those working on the issue of access to medicines.

With the EU-ASEAN FTA put on hold, the negotiations are now being conducted bilaterally. The EU has begun negotiations with Singapore (January 2010) and Malaysia (October 2010). Exploratory talks have been initiated with Thailand and Vietnam, while in Indonesia and the Philippines (two countries that already have Partnership Cooperation Agreements (PCA) with the EU) the process of political dialogue is already underway, and both these countries have already expressed willingness to move towards a bilateral FTA with the EU.

The ASEAN groups formed an inter-regional network in 2007 called the EU-ASEAN FTA campaign with national level campaign centres in 5 countries. These centres include Monitoring Sustainability of Globalisation (MSN) in Malaysia, FTA Watch in Thailand, Institute for Global Justice in Indonesia, EU-ASEAN Network in the Philippines and the Vietnam Peace and Development Foundation (VPDF) in Vietnam

Since 2007, the campaign has have worked at the regional and national levels. At the regional level, asserting that a deal with the EU will further exacerbate poverty and inequality within the region and within the countries in ASEAN; further skew the development asymmetries in favor of the EU and the more developed countries in ASEAN (Singapore). At the national level, highlight the possible impact of the deal and of the ambitious FTA agenda on critical sectors—agriculture and fisheries, jobs and employment, peoples access to health, peoples access to land and natural resources.

The campaign has also focussed on reclaiming the right to information and people's participation in the trade policy making processes at both the regional and national levels. The campaign has also worked on exposing the 'two faces' of the EU in the region. While it is perceived as a staunch defender of political rights, we assert that it's aggressive and its ambitious FTA agenda undermines economic, social and cultural rights.

Currently the Philippines network is doing research on the EU's raw materials initiative and its impacts and similar research will be undertaken in Indonesia.

Participants also looked at the possibility of using regional mechanisms to counter FTAs. Pushing regional social policy through forums such as ASEAN and SAARC along the lines of

solidarity and cooperation can be explored. Regional wage setting, mutual recognition arrangements for the protection of migrant workers and issues of social security and services have been pushed by migrant advocacy groups. Regional regulation of corporate activities is also an area for groups to work on. The SAARC Food bank is an interesting development which South East Asia (ASEAN) has not managed to do because the latter's framework for cooperation is still primarily trade.

Across the region, other than some exceptions, Labour has not caught on to the FTA discussions. In Malaysia for instance it was mentioned that in general labour is alright with FTAs provided the agreements have adequate support mechanisms to protect jobs and the social clause. And unorganized labour force that is much bigger is not yet part of the campaign. In ASEAN some small business communities are critical of FTAs and we need to work strategically with them to part of the coalition against FTAs and MNCs.

The situation today is very different from the mid 1990s when the neo-liberals were at their apogee with the establishment of the WTO. Today with multiple crises there is a clear loss of credibility of neo liberalism. We have neo-liberal solutions not being pushed ideologically but as default solutions because there is a lack of alternatives. The progressive movements need to formulate alternatives – through political mobilisation, campaigns on the ground and research. If we do not do this we will be confined to defensive campaigns. The level of dissatisfaction is pregnant with change.

Summary of strategy session:

- Bringing together progressive Asian parliamentarians on one platform
- Identify a set of issues across the region and focus on that instead of individual trade agreements
- While farmers in India are aware of the dangers of the WTO, they are not adequately aware of the FTAs and urgent need for workshops and popular material
- Movements for access to medicines in Asia hinges on the importance of protecting the integrity of Indian drug manufacturing. The independence of the manufacturing industry itself is imperilled. The objective of a regional campaign should be to engage with both civil society and governments that have a stake in providing cheaper medicines.
- In the struggle against FTAs we might consider focussing on the more vulnerable ones. For example the China-ASEAN FTA and find a way to stall or reverse it. We need a victory.
- Regional Bodies- rather than ignore them, we should see how we can use them and push them to support our agenda. Bring our advocacy for a different kind of paradigm into these organizations and not just leave SAARC and ASEAN bodies to be dominated completely by the neoliberals.
- Importance of dealing with agriculture comprehensively and the crisis in the countryside as a central issue to address. On the one hand it has to do with trade agreements but also with basic fundamental agri technology and importance of moving away from GMO and petroleum based agriculture. Continuing importance of land reform and institutionalization of peasant based agriculture. This has to be addressed at community, national and regional levels.