

US Bilateral FTAs: Pursuing US Corporate Interests

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Structure of Presentation

- Intimate link between US trade policy and interests of US corporations
- Bilateral FTAs: comprehensively protecting US investments worldwide
 - intellectual property rights
 - expanding markets
- US agribusiness and US FTAs



Trade Policy = Big Biz Policy

- “American business successes abroad directly benefit the US.” — Frank Mermoud, US Special Representative for Commercial and Business Affairs
- US trade policy strongly influenced by a well established private sector advisory system with provision for about 1,000 members—key executives of US businesses



Private Sector Advisory System

**Advisory Committee for
Trade Policy &
Negotiations**

Policy Advisory Committees (6)

Sectoral, Functional & Technical
Advisory Committees (26)



Some examples

- ❑ The WTO Agreement on TRIPS (Trade Related Intellectual Property Rights) was the handiwork of drug pharmaceuticals headed by Pfizer
- ❑ A former vice pres of Cargill, Dan Amstutz, worked at the US Trade Representative's office. While there he drafted the US proposal to include agriculture in multilateral trade talks—which eventually became the WTO Agreement on Agriculture.



Bilateral FTAs = Trade Plus

“In U.S. FTA negotiations,
everything—trade being often a
minor issue—is on the table,
whether explicitly or implicitly.”

— Laura Carlsen, International Relations
Center, 19 September 2005



Why the Push for Bilateral FTAs

- Advance trade-related interests of specific sectors & corporations
 - biotechnology, pharmaceuticals, finance, telecommunications, garments and textiles, etc.
 - thereby strengthen global position of US TNCs
- Support non-trade strategic concerns
 - “Coalition of the Willing”
 - Securing energy/oil resources
- Expand the trade agenda beyond WTO agreements
 - TRIPS plus



FTAs and IPRs: TRIPS +

- Broaden definition of proprietary interest:
 - TRIPS: “availability, acquisition, scope, maintenance and enforcement” of intellectual property
 - US FTAs: “the establishment, acquisition, expansion, management, conduct, operation, and sale or other disposition” of investments (including IPRs)
- Expand the treatment of intellectual property
 - not just protection of IP, but also the “enjoyment” of such rights and the entitlement to “any benefit derived from such rights.”



IPRs in US-Australia FTA

“Essentially the US is creating a new paradigm in which the granting of monopoly rights is no longer seen as something that is special or exceptional, but rather something that is a permanent feature of the regulation of global knowledge markets. In this new paradigm, it will be US multinationals that will be the private regulators of global knowledge markets.” — Professor Peter Drahos, Regulatory Institutions Network, Research School of Social Sciences, Australian National University, in a Submission to the Australian Senate Committee on the Australia-US Free Trade Agreement



Opening Markets

- Not just for goods but also for services
 - including US investments
- While still protecting its own market against its trading partners
- Bilateral FTAs reinforce rather than transform unequal relationship between the US and developing countries



Pro-US Agribiz FTA Provisions

- ❑ Further opening access to market of US bilateral partner
- ❑ Strengthen market position of US TNCs
- ❑ Safeguard investments of US agribusiness corporations
- ❑ In short, comprehensive protection of US corporate interests in agribusiness.



Strengthening Market Position

- ❑ IPR protection over plant/animal varieties
- ❑ Patent extension, data exclusivity
- ❑ Limit ability and flexibility of bilateral partner
 - To raise tariffs or exercise safeguard measures
 - To impose trade sanctions even in clear cases of corporate violation
 - To set up standards and codes consistent with its traditions, indigenous knowledge and practices of small producers
- ❑ Require bilateral partner to adhere to pro-business UPOV norms, standards & conventions
 - Regardless of cost and institutional capacities



Safeguarding US investments

- ❑ National treatment of US investors
- ❑ Investor-state dispute resolution
- ❑ Establish right of investors to compensation
- ❑ No performance requirements
- ❑ Contained in chapters on market access, agriculture, sanitary and phyto-sanitary measures, on IPRs, and on investments



Mexico, 10 years after NAFTA

- Macroeconomic impact
 - Exports grew by an annual ave. 12.9%
 - But as exports grew, Mexico used less and less of its domestic inputs.
 - Most profound impact of NAFTA: disintegration of productive linkages, and the denationalization of production.
 - Just $\frac{1}{4}$ of 1% of investments went to agriculture.



Important lesson from NAFTA

“Neoliberal globalization seeks the integration of the different parts of large transnational corporations, not the integration of the countries in which they operate in the world economic system.”

(Alberto Arroyo Picard, “NAFTA in Mexico: Promises, Myths and Realities,” in *Lessons from NAFTA: The High Cost of ‘Free’ Trade*, Hemispheric Social Alliance, June 2003, p. 10)



Impact on Agriculture

- ❑ NAFTA deepened poverty in Mexico
- ❑ Nearly 2 million farmers abandoned their farms when the tripling of corn imports at rock-bottom prices rendered corn farming unviable.
- ❑ 99% of soybeans are now imported, wheat cultivation fell by half. 80% of rice is imported, 30% of beef, pork, chicken, beans.
- ❑ TRQ not implemented by the Mexican gov't
- ❑ US gov't blocked Mexican fruits and vegetables, Mexican trucks.



Few Winners, Many Losers

- Big beneficiaries of NAFTA:
 - Archer Daniels Midland and Cargill, who account for over $\frac{3}{4}$ of US corn exports
 - Mexico's animal feeds industry, corn sweetener industry, food processing
- Many losers:
 - Corn farmers
 - Consumers—real price of tortilla up 40% since NAFTA, quality of tortilla down.