US Bilateral Free Trade Agreements in Asia

by Maria Teresa D. Pascual

Introduction

“Free trade” usually involves the exchange of goods between countries without any barriers or impediments between them. The barriers may be a tariff or tax on imported goods (purchased from abroad) or other “Free “Free trade” usually involves the exchange of goods between countries without any barriers or impediments between them. The barriers may be a tariff or tax on imported goods (purchased from abroad) or other impositions, such as quotas, by the government of the trading country. Today, largely due to the efforts of the developed countries and their multinational corporations, together with international institutions such as the World Trade Organization, the International Monetary Fund, and the World Bank, the notion of free trade has been broadened to include the exchange of services, the free movement of capital, and to a more limited extent, the free movement of labor between countries. (http://en.wikipedia.org/wiki/Free_trade)

The notion of free trade also requires that the domestic policies of a government not “distort” the price of traded goods and services, or give a particular domestic industry an “unnatural” or undue advantage over its foreign rivals or “artificially” cheapen the country’s exports. These policies include tariffs on traded goods and services, subsidies to exporting industries and agriculture, even regulations, laws and standards on labor, the environment, intellectual property, on foreign investments, on the ownership of land, and the like. Free trade has become the rationale for import and trade liberalization, deregulation, privatization, capital account liberalization policies in developing countries—often pushed by international financial institutions.

The notion of free trade of course is very different from the actual practice of free trade. Often, the practice of free trade tends to benefit the rich countries more than the poor countries. For example, the World Bank and IMF have required their borrower-country members to remove price and fertilizer subsidies, remove tariffs on exports, and lower tariffs on imports. But the developed countries continue to subsidize their farmers, for one, and maintain protectionist barriers to protect their industries. Economists have observed that when the rich countries of today were still developing, they had tariffs that were more than double the tariff rates of many developing countries today. And they ignored intellectual property rights in order to develop their industries, often using knowledge of other countries to modernize their technology. Yet today such flexibility is no longer being given to developing countries. (See Yilmaz Akyuz and Ha-Joon Chang.)

This paper aims to equip organizations of small farmers in East Asia, and their related campaign and advocacy networks, with information to help them understand the context, substance and consequences of US bilateral free trade agreements, and take informed positions on proposed agreements that their countries may be entering into with the United States. This is important in view of the current negotiations between Thailand and the US for a free trade agreement that is expected to have serious consequences for the rural sector, and the uncertain yet potential FTA negotiations emerging between the US with Indonesia and the Philippines.

The Asian region is known for having significantly reduced poverty over the last two decades. According to the World Bank, the number of extremely poor persons in Asia—living on less than one US dollar a day—fell by 568 million between 1981 and 2001. These remarkable achievements notwithstanding, the number of poor persons in Asia still constituted two thirds of the world’s poor living below $1 per day in 2001. And UN data show that between 2000 and 2002, 64 percent of the world’s undernourished people live in Asia. Considering that Asia is predominantly rural, with two-thirds of its population living in the rural areas and about half engaged in agriculture, then the key to addressing poverty in Asia lies in sustaining the development of agriculture and the rural sector.

Liberalization of trade in agriculture has been touted as one way to address poverty in the rural areas. This is echoed by the free trade agreements being pushed by the United States government, which cover the agricultural sector. The beneficial effects of free trade are certainly debatable, and no doubt will have an impact on small farmers in the FTA partner-countries. Asian farmers will have to confront these questions, and learn from the experiences of farmers in other FTA partner-countries of the US.

In a world wherein few transnational corporations (TNCs) control the global agriculture and food chain, the further opening of markets of the developing countries would enable these enterprises to expand their worldwide reach. But they would also like to set the terms upon which they can penetrate these markets. The Agreement on Agriculture is one instrument that has helped them in this respect. Similarly the bilateral FTAs of the US with a growing number of third world countries could help secure even better terms for American agribusiness giants.

The first part of the paper provides an overview of US FTAs in recent years. This is followed by a section that looks at the strategic global economic and political reasons behind the US government taking the bilateral/plurilateral FTA track. The US push for FTAs must also be understood within the global context of agricultural trade as it exists today. The next section compares the chapters and provisions in the US FTAs with selected countries primarily where these would have an impact on the agriculture sector in the developing countries in Asia. Because NAFTA is ten years old, the experience of Mexico—particularly its small farmers—offers the best insights and lessons on US FTAs and their implications for small farmers in Asia. This is discussed in the following section together with concerns of Central American peasants and NGOs vis-à-vis the CAFTA. The paper then presents a brief discussion on issues emerging in the Thailand-US FTA negotiations, and links the concerns raised by people's organizations and NGOs in Thailand. The final section provides some conclusions of the research, policy recommendations and recommendations for future research and action.

Overview of US FTAs

A free trade agreement (FTA) is a pact entered into by two or more countries to remove trade barriers between them. An FTA involving two countries is a bilateral (two-sided or two-party) FTA. An example of this would be the US-Singapore free trade agreement. The US also has FTAs with two or more countries. These are called plurilateral (many-sided) FTAs. Examples of these would be the North American Free Trade Agreement, or NAFTA, involving the US, Canada and Mexico, and the CAFTA—an FTA between the US and the Dominican Republic, Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. However even these plurilateral FTAs involve specific bilateral agreements between the US and each of these countries.

Originally, the United States had only three free trade agreements (FTAs) with other countries—Canada, Israel and Mexico. In recent years, however, the US has aggressively pursued FTAs with countries in the Middle East, Africa, Latin America and Asia. Today these bilateral FTAs number to at least two dozen. Since 2001, the Bush administration has concluded FTAs with 14 countries: Chile, Jordan, Singapore, Bahrain, Australia, Morocco, Oman, Peru, the Dominican Republic, and the Central American states of Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.

As of this writing the US has been holding talks with the governments of: Colombia, Ecuador, Peru (with whom it already has a bilateral FTA) and eventually, Bolivia, for an Andean FTA; Panama, Thailand, and the United Arab Emirates for separate bilateral FTAs; and with the Southern African Customs Union (SACU, composed of Botswana, Lesotho, Namibia, South Africa, and Swaziland) for a plurilateral FTA. More recently it launched negotiations with South Korea for what US Trade Representative Rob Portman claims to be "the most commercially significant free trade negotiation we have embarked on in 15 years."(http://www.ustr.gov/Document Library/Press Releases/2006/January/Statement of Barbara Weisel Assistant US Trade Representative Regarding the 6th Round of the US-Thai FTA Negotiations.html)

In October 2002 the US government launched the Enterprise for ASEAN Initiative (EAI), with the objective of creating "a network of bilateral FTAs" with members of the Association of Southeast Asian Nations: Singapore, Thailand, Malaysia, Indonesia, the Philippines, Brunei, Cambodia, Laos, Vietnam and Myanmar. Interestingly this initiative followed an ASEAN-US Joint Declaration, forged a few months earlier in August 2002, for cooperation "to combat international terrorism."

The road to bilateral FTAs with ASEAN member countries would involve US support for accession to the WTO by Laos, Cambodia and Vietnam. Separate trade and investment framework agreements (TIFAs) would then be forged with each ASEAN member country. At the time the EAI was launched by the US, it had just concluded a TIFA with Thailand and had existing TIFAs with the Philippines (1989) and Indonesia (1996). At the same time it was in the process of finalizing negotiations with Singapore for a free trade agreement. Although the FTA with Singapore had not yet been concluded when the EAI was launched, the US government already declared that FTAs with ASEAN countries would be based "on the high standards set in the U.S.-Singapore FTA." (http://www.whitehouse.gov/news/releases/2002/10/20021026-7.html)

By 2003 the Singapore-US free trade agreement was signed, the first FTA of the US with an Asian nation.

In February 2004 the US Trade Representative formally notified the US Congress of its intention to negotiate a free trade agreement with Thailand. Nearly two years later, in January 2006, both countries held their sixth round of FTA negotiations in northern Thailand, amid strong protests from farmers, health advocates, students and professors, other NGOs and people's organizations. The Assistant US Trade Representative at these trade talks, Barbara Weisel, acknowledged that while "some important progress" had been made, "we still face many challenges to concluding this agreement in the time available." The US government's own deadline for concluding the FTA with Thailand—spring or mid-2006—was drawing close, and the US appears bent on meeting it. In her statement regarding this round of talks, Assistant Trade Representative Weisel asked the Thai government to take urgent steps to meet the spring deadline, warning that failure of the Thai government to do so would result in Thai businesses losing out to "larger competitors in the region." (http://www.ustr.gov/Document_Library/Press_Releases/2006/January/Statement of Barbara Weisel Assistant US Trade Representative Regarding the 6th Round of the US Thai FTA Negotiations.html)

Apparently to carry the Enterprise for ASEAN Initiative further forward, the ASEAN and the US released a "Joint Vision Statement on the ASEAN-US Enhanced Partnership" in November 2005, a few weeks ahead of the ministerial meetings of the World Trade Organizations. The statement defined the "enhanced partnership" along security/anti-terrorism and economic lines. The statement affirmed the agreement of the ASEAN members and the US to continue to implement the EAI and work toward the establishment of a region-wide TIFA with the US. A Plan of Action would be developed with the end in view of strengthening the ASEAN-US partnership.

The table below summarizes US-ASEAN free trade efforts.

Country	FTA	TIFA	WTO	GSP
Brunei		✓	✓	Not eligible
Burma			✓	Not eligible
Cambodia			✓	✓
Indonesia		✓	✓	✓
Laos			Negotiating accession	Not eligible
Malaysia	Launched	✓	✓	Not eligible
Philippines		✓	✓	✓
Singapore	✓	✓	✓	Not eligible
Thailand	Negotiating	✓	✓	✓
Vietnam			Negotiating accession	Not eligible
ASEAN-10		Negotiating		

FTA — free trade agreement TIFA – trade and investment framework agreement
WTO — World Trade Organization GSP — generalized system of preferences
ASEAN-10 — all members of ASEAN (as listed above)

Note: The US also has a bilateral agreement with Cambodia on Trade Relations and Intellectual Property Rights Protection (8 Oct 1996); a bilateral trade agreement with Laos (entered into force on 4 Feb 2005); a bilateral agreement with the Philippines and Thailand on Protection and Enforcement of Intellectual Property Rights (6 April 1993 and 19 Dec 1991, respectively); and an agreement with Vietnam on Trade Relations (10 December 2001).

Source: Office of the US Trade Representative, http://www.ustr.gov/Document_Library/Recent_News/Section_Index.html

FTAs and US Global Concerns

The US government's push towards bilateral free trade agreements (FTAs) must be seen in the context of its geopolitical concerns and the global thrust of American corporations. Former US Trade Representative Robert B. Zoellick could not have been more succinct in summing up the US government's free trade policy:

> "The President wanted a synthesis: He would combine a free enterprise international economic policy with both US foreign policy and a dynamic, competitive American economy and society. This activist strategy required building coalitions both abroad and with the [US] Congress to benefit America's farmers, workers, consumers, and businesses, while strengthening the global economy and assisting developing nations.
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> "To achieve this vision, the President has been pressing ahead with trade liberalization globally, regionally, and bilaterally. By advancing on multiple fronts, the United States is *creating a competition in liberalization*, placing America at the heart of a network of initiatives to open markets. If others are ready to open their markets, America will be their partner. If some are not ready, or want to complain but not lower their barriers, the United States will proceed with countries that are ready.
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> "This competition in liberalization strengthens US leverage, which is already considerable given the size, innovation, and appeal of the American economy. Countries now knock on our doors to ask for free trade agreements...." ("So what is there to Cover: Globalization, Politics and the US Trade Strategy," Address to the Society of American Business Editors and Writers, Phoenix, Arizona, 30 April 2002; emphasis added)

In its study of regional and bilateral FTAs in Asia (Murray Gibbs and Swarnim Wagle, "The Great Maze: Regional and Bilateral Free Trade Agreements in Asia," UNDP Asia-Pacific Regional Centre in Colombo, December 2005, (http://www.undprcc.lk/web_trade/tradereports.htm) the UNDP identifies the motives of developed countries in pursuing these agreements as follows:

- To advance trade-related interests of specific sectors, such as garments and textiles, biotechnology, pharmaceuticals, telecommunications, finance, etc.;
- To support non-trade related strategic concerns such as:
  - securing long-term energy resources;
  - rewarding developing countries for supporting global foreign policy objectives;
  - mitigating pressures for migration from poorer neighboring countries by lifting living standards there; and
- To expand the trade agenda beyond multilateral agreements.

The third item on the FTA agenda of developed countries is seen by the UNDP as an attempt of the developed countries to "shift the rule-making process to the regional and bilateral stages," in response to what the UNDP sees as the "demonstrated power of developing countries acting in groups." The UNDP also notes that the developed countries are using regional and bilateral agreements to set precedents on TRIPS-plus disciplines, investment rules, environmental standards, which they can then reintroduce in the World Trade Organization processes. "Major trading powers are also attempting to bind smaller trading partners to commitments that consolidate their respective positions on issues where they find themselves in opposition in multilateral negotiations."

The use of regional and bilateral FTAs for all three aforementioned purposes is evident in the above quotation of former US Trade Representative Zoellick. Let us examine each of these aspects.

Combining Trade and Terror, Building Coalitions

The US FTA policy is a military and political strategy as much as it is economic. In fact, economic considerations appear to have taken a backseat to the former in the FTAs the US entered into under the administration of President George W. Bush. The 14 countries with whom the US entered into a free trade agreement since 2001 bought only eight percent of all US merchandise exports in 2005. They supplied even less—4.1 percent—of all US merchandise imports that same year. In the same vein, the 11 other countries (excluding South Korea) with whom the US is currently negotiating FTAs provided a mere 2.6 percent of all US commodity imports in 2005, and bought only 3.2 percent of all US commodity exports. In contrast, South Korea by itself bought 3.4 percent of all US commodity exports in 2005—more than the 11 other prospective FTA partners combined—and supplied the US with 2.9 percent of its merchandise import needs that same year.

Still, these figures pale in comparison with US merchandise trade with its original three FTA partners—Canada, Israel and Mexico. Together these three constituted 38 percent of the market for US exports, and supplied 28 percent of the total import needs of the US in 2005.

The economic value to the US of its more recent FTA partners may be less significant than Canada and Mexico, but the US also has non-economic reasons for pursuing FTAs, including to "reward" countries for supporting its global war on terrorism. The Enterprise for ASEAN Initiative, for example, came two months after the US and the ASEAN issued a joint declaration for cooperation to combat international terrorism.

For another, the US has entered into agreements with Middle East countries who have cooperated with it in its interventions in the region. Jordan, Bahrain, Morocco and Oman may not have significant trade relations with the US, but their partnership with the US is nonetheless strategic vis-à-vis US interests in the Middle East.

Building a "coalition of the willing" has been a key element of US foreign policy particularly since 9/11. FTAs are among the tools used by the US to broaden the circle of nations willing to cooperate with the US in its fight against international terrorism. When the US Senate announced in March 2003 that it had formed a "Coalition of the Willing" against Iraqi president Saddam Hussein, among the countries included in the list were Australia, Colombia, El Salvador, Singapore, South Korea, Costa Rica, Dominican Republic, Nicaragua and Honduras—all of them among the countries that had either entered into a free trade agreement with the US after 2001, or are in the process of negotiating such an agreement. Four of these nine countries lie in Central America and had entered into negotiations with the US government for a free trade agreement only a few months before this coalition was announced to the world. In the case of Singapore, it had just concluded its FTA with the US a few months before this coalition was formed. Meanwhile Australia was about to start negotiations with the US for the FTA when the coalition was established. South Korea was to follow a few years later.

Today, however, of the original nine post-2001 FTA partners and prospective partners named in the US Senate document, only Australia, Singapore, South Korea, Colombia and El Salvador remain in the coalition. Costa Rica, which had not sent any troops to Iraq, nevertheless withdrew from the coalition in 2004. Following Costa Rica's withdrawal, the Dominican Republic, Nicaragua and Honduras withdrew their respective troops from Iraq and left the coalition. Among those who remained, only South Korea has deployed a sizeable number of troops, numbering about 3,300, to Iraq. Singapore sent about 200 armed forces personnel for a two-month deployment, which ended in January 2004. It has no troops in Iraq. Australia has 450 personnel in Iraq, and another 500 stationed in Kuwait. Even South Korea, which has the third largest military contingent in Iraq, plans to withdraw 1,000 troops in the first half of 2006.

Still from the US perspective, its choice of FTA partner "is strongly dictated by strategic foreign policy objectives rather than the value of the trade involved," and as a tool of coalition building. (UNDP, Great Maze, 2005)

Busting Coalitions

In addition to using the FTAs as a tool for coalition building, the US is also seen to be using FTAs to bust coalitions. According to the UNDP, the only countries with whom the US has initiated FTAs and who do not belong to the Coalition of the Willing are those countries that are former G-20 members.

The G-20 is a coalition of originally 20 WTO member-countries, led by Brazil and India, who are pressing for ambitious reforms of agricultural policies in the developed countries, with some flexibility for the developing countries. Originally 20, their numbers grew then fluctuated with the exit of some members, settling at 19 countries today. Among the countries that have left the G-20 are Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Peru, Turkey and Uruguay. The US has concluded FTAs with Peru, Costa Rica, El Salvador and Guatemala, and is negotiating with Peru, Colombia, Bolivia and Ecuador for an Andean FTA.

Securing Oil

Another non-trade-related concern of developed countries' FTAs is to enable them to secure the oil and energy needed by their industries and consumers. According to the US Department of Energy, net imports of energy in 2004 met about 29 percent of demand for energy in the US. The share of imported energy is expected to rise to 32 percent in 2025. (http://www.eia.doe.gov/oiaf/aeo/production.html)

Oil and energy product imports of the US consist of crude oil, fuel oil, other petroleum products, liquefied petroleum gases, coal and related fuels, natural gas, nuclear fuel materials and fuels, and electric energy. The bulk of these imports (62.5%) in 2004 were crude oil. Other petroleum products, fuel oil and natural gas accounted for another 30 percent of the US imports of oil and energy in the same year.

Official trade data from the US Census Department show that in 2004, Canada and Mexico accounted for a third of the oil and energy product imports of the US. Canada's oil and energy exports to the US made up nearly a fifth of its total exports to the US in 2004. Owing to its proximity to the US, it is the only country that sells electric energy to the latter.

Ten of the 14 countries that joined the US FTA fold after 2001 also sold various oil and energy products to the US market in 2004, but together they constituted only one percent of the US imports of oil and energy that year.

Of the 12 other countries with whom the US is currently negotiating a free trade agreement, nine have sold oil and energy products to the US, which together constituted a tenth of their combined sales to the US. Two of these 12—Colombia and Ecuador—account for three percent of US foreign purchases crude oil, fuel oil, and other petroleum and energy products, and could contribute to the energy security of the US. The Andean FTA's strategic value to the US may thus be seen in this light. For the rest of the prospective FTA partners of the US, however, oil does not appear to be a significant factor.

Opening Markets, Forging Asymmetric Alliances

Many developing countries need the US market, investments and technology far more than the US needs them. The 14 FTA partners of the US since 2001 are no exception. In 2005, each one of them contributed less than one percent to the total imports of the US. Furthermore, except for Australia and Singapore, none of them bought more than one percent of the exports of the US that same year.

While they matter less as a market for US goods or as a supplier of US wants, the US is both an important source and destination of the goods they purchase and produce.

The CAFTA partners of the US best exemplify this pattern. Taken together, the Dominican

Republic, Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua bought $15 billion worth of goods from the US in 2005. They sold a bit more in exchange—$16.5 billion—that same year. This pales in comparison with the dollar value of US-Mexico trade: $265 billion of exports and imports in 2005, or nearly 10 times the level of US-CAFTA trade.

This is undoubtedly small by US standards, but from the CAFTA partners' point of view, the US is its dominant trading partner. Based on data from the UN Conference on Trade and Development (UNCTAD) for 2004, about two-thirds of the exports of El Salvador, Guatemala, Honduras and Nicaragua go to just the US and Canada In the case of the Dominican Republic, the US and Canadian markets absorb over 80 percent of the latter's exports. Nearly half of the imports of most Central American states are sourced from the US and Canada alone. Costa Rica depends on the US and Canada for a third of its imports, while Nicaragua's dependence is slightly lower at 25 percent.

The degree of dependence of Asian countries on the US and Canada as a market for their exports and supplier of their imports is understandably less than that of the Central American states and Mexico, primarily because of their physical distance from the US and the proximity of Japan and China. UNCTAD data show that Singapore's purchases from North America (US and Canada) constituted only 13 percent of its total imports in 2004; similarly, the US and Canada absorbed only 13 percent of Singapore's exports. That same year, Thailand bought only eight percent of all its imports from North America, while Indonesia purchased proportionately less (6.5%). For their part the US and Canada bought up 17 percent of Thai exports and 14 percent of Indonesian exports.

Perhaps because of its historical colonial and geopolitical ties to the US, the Philippines' trade relationship with North America is slightly more intense. In 2004 the latter had a 16 percent share in Philippine imports and an 18 percent share in Philippine exports. South Korea, whose economy is four times larger than the Philippines (in terms of per capita income) and which has long been of geopolitical importance to the US from the time of the Cold War to the present "war against terror", sells proportionately more—19 percent—to North America, and buys proportionately less—13 percent—from it than does the Philippines.

In terms of the dollar value of total bilateral trade (exports plus imports), US foreign trade statistics show that South Korea outstrips its Southeast Asian neighbors, registering total trade with the US of $71 billion in 2005. Singapore is a far second, with $33 billion that same year. Total Thailand-US trade has been hovering at the $24-$25 billion level in the last two years, while Indonesia-US trade is at the $13-$14 billion level. The Philippines is again different from these Asian neighbors in that total Philippines-US trade has fallen significantly, from $23 billion in 2000 to $15 billion in 2005.

Nonetheless the US remains a major trading partner of the Asian region, including the Philippines, and Asia is vital to the US for both economic and geopolitical reasons. Trade statistics of the World Trade Organization show, for example, that Asia is North America's biggest market for agricultural products outside North America.

Creating Competition, Advancing US Corporate Interests

Creating competition in liberalization, to quote former Trade Representative Zoellick, is also a euphemism for the decades old colonial tactic of "divide and conquer". In the case of CAFTA, for example, the US pushed ahead with negotiations despite the exit of Costa Rica from the group. Eventually the latter returned to the negotiating table and gave in to US demands regarding opening up its services to US businesses. Furthermore,

> "In the final days of the last negotiating round, the Central American unity collapsed, and common bargaining positions fragmented into bilateral negotiations on key products such as rice, poultry, pork, dairy, and sugar as well as in services and garment trade preference levels. *By pitting one country against the other, the U.S. succeeded in negotiating differential parallel bilateral agreements on sensitive products that forced Central Americans to lower their expectations*." (Vincent McElhinny, "CAFTA: Few Benefits, Many Costs," Americas Program Policy Brief, International Relations Center (formerly Interhemispheric Resource Center) Americas Program, 20 February 2004; emphasis added, http://americas.irc-online.org/briefs/2004/0401cafta.html)

The trade agenda of the US government is intimately linked to the fortunes of US corporations around the world. The trade and agricultural policy of the US is as much to benefit US corporations as

US corporations are, in the words of the US state department official quoted below, contributing to the broader interests of the US government.

> "The position of the United States in world affairs, including the achievement of our broader policy aims, rests firmly on the foundation of a healthy U.S and world economy. And in this light, we can see that *American business successes abroad directly benefit the U.S. economy* and can contribute to these broader interests." (Frank Mermoud, Special Representative for Commercial and Business Affairs, Remarks for the Annual Meeting of the Asia Pacific American Chambers of Commerce, Guangzhou, China, 16 March 2005; emphasis added)

According to Professor Peter Drahos, US trade policy is shaped and influenced by a well established private sector advisory system consisting of 33 advisory committees with provision for about 1,000 members. "It is a three-tiered system with ACTPN [Advisory Committee for Trade Policy and Negotiations] at the top, six policy advisory committees in the second tier and 26 sectoral, functional and technical advisory committees in the third tier." The members of these committees are key executives of US business. (Peter Drahos, "Expanding Intellectual Property's Empire: The Role of FTAs," Regulatory Institutions Network, Research School of Social Sciences of Australian National University, November 2003, pp. 11-12, http://bilaterals.org/article.php3?id_article=401.)

The close ties of US agribusiness with the US government is explained in detail in a study by ActionAid. Quoting an industry analyst:

> "Thanks to its political influence, big agribusiness has been able to pack USDA [US Department of Agriculture] with appointees who have a background of working in the industry, lobbying for it, or performing research or other functions on its behalf. These appointees have helped to implement policies that undermine the regulatory mission of USDA in favor of the bottom-line interests of agribusiness." — Philip Mattera, industry analyst, in USDA Inc. (2004), as quoted in Dominic Eagleton, "Power Hungry — Six Reasons to Regulate Global Food Corporations," ActionAid International, 2005, p. 24. http://www.actionaid.org.

The same ActionAid study talks about a 'revolving door' that "operates between government bureaucracies and agrifood corporations." (p. 25) A former vice president of the US agribusiness giant 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. This proposal eventually became the WTO Agreement on Agriculture. (ActionAid, 2005)

Expanding the Market for Services

Another important section in US FTAs is the chapter on services.

The significance of the chapter on services must be understood in light of the US trade in services. According to official US data, the US has been running deficits in its merchandise trade (in other words, imports of goods exceed its exports of goods). The US deficit in its merchandise trade amounted to $699 billion in 2005, from $436 billion in 2005. In contrast, however, the US has consistently registered a surplus in its trade in services: From a level of $115 billion in 1995, this surplus grew to $146 billion in 2000 and $163 billion in 2003 (the latest year for which complete data are available).

What is even more interesting about the US trade in services is that the bulk of its surplus comes not from cross-border trade, but from sales of US corporations to foreigners through their majority owned foreign affiliates (MOFAs) located outside of the US. In other words, it is the foreign operations of US service companies that are contributing significantly to the surplus in the US trade in services. In 1995, the MOFAs accounted for 35 percent of the surplus in the services trade. By 2003, their contribution to the surplus (net of sales to US

persons by affiliates of foreign corporations located in the US) rose to 59 percent.

After Europe, Asia and the Pacific is the second largest region wherein the US services occur. At present, Japan, Australia, Taiwan and Hong Kong are the biggest markets within the Asia-Pacific region.

Expanding Trade Agenda

The Cato Institute, which provides much of the ideological push for free trade in the US, likes to call the recent proliferation of US bilateral FTAs as creating institutional competition "to keep multilateral talks on track," particularly when multilateral negotiations "become stuck" —as, for example, with regard to the patenting of plant and animal varieties and on GMOs. "If other WTO members become intransigent, the United States should have the option of pursuing agreements with a 'coalition of the willing' in pursuit of trade liberalization." (Daniel T. Griswold, "Free Trade Agreements: Stepping Stones to a More Open World," Cato Institute Trade Briefing Paper No. 18, 10 July 2003, pp. 4-5, http://www.freetrade.org/pubs/briefs/briefs.html)

The previous quote shows a deliberate thrust on the part of the US to use the FTAs as a way to go beyond the trade agendas of multilateral venues such as that of the World Trade Organization. The FTA is particularly useful when the US is unable to obtain support in the WTO from developed and developing countries alike for its proposals particularly on intellectual property rights (IPRs) and genetically modified products.

In most of the FTAs, the US implicitly if not directly gets its trading partner to include patents on life forms (plant and animal) as IPRs. In the WTO agreement on TRIPS (Trade-Related aspects on Intellectual Property rights), such patents are excluded.

There is a serious implication underlying the inclusion of patents on life forms in the US FTAs with developing countries. Article 4 of the Agreement on Trade Related Intellectual Property Rights (TRIPs) has a most favored nation clause that says: "With regard to the protection of intellectual property, any advantage, favour, privilege or immunity granted by a Member to the nationals of any other country shall be accorded immediately and unconditionally to the nationals of all other Members."

What this means is that, whatever developing countries accede to in their FTAs with the United States vis-à-vis IPRs shall also be accorded all other WTO members. In short, through bilateral FTAs, the US succeeds in getting the TRIPS plus provisions it was pursuing at the multilateral level but could not muster enough influence to gain approval of. Bilateral FTAs are a longer, more circuitous route, but perhaps more effective in producing the results desired by US businesses, including US agribusinesses.

Furthermore, through FTAs, the US is getting developing countries to conform to its own standards of intellectual property protection. According to the South Center, the intellectual property chapters in US FTAs not only protect the proprietary interest of US business over intellectual property, they go further in many ways:

- by broadening the proprietary interest itself, from the "availability, acquisition, scope, maintenance and enforcement" of intellectual property as defined in TRIPS, to "the establishment, acquisition, expansion, management, conduct, operation, and sale or other disposition" of investments (including IPRs)

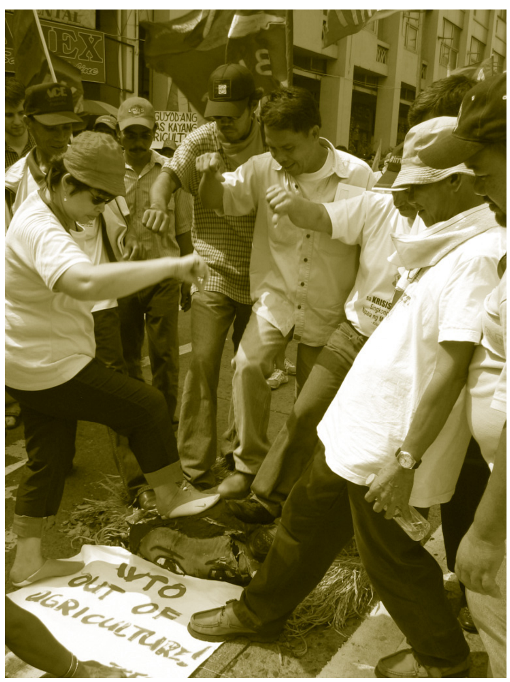
- by extending the treatment of intellectual property beyond protection, to cover as well the "enjoyment" of such rights and the entitlement to "any benefit derived from such rights."

The South Center thus concludes: "The investment chapters of FTAs have gone further to extend protection in *all* investment activities." (South Centre, "Intellectual Property in Investment Agreements: The TRIPS-Plus Implications for Developing Countries," South Centre Analytical Note, May 2005, p. 14; emphasis added)

The use by the US of FTAs to expand the trade agenda is described by Prof. Peter Drahos as "global ratcheting for intellectual property". When the US was pushing TRIPS at the WTO, it offered to desist from using bilateral agreements to push its IPR standards once TRIPS was approved. But rather than desist, the US has in fact become more aggressive in enforcing its IPR standards through bilateral FTAs, concluding more FTAs relating to IPRs in the 1990s than it had done a decade earlier.

> "In effect, it had created without anybody really noticing a global regulatory ratchet for intellectual property. Moreover the ratchet only travelled in one direction—up. Thus while many areas of business regulation were experiencing during the 1980s and 1990s deregulation, intellectual property was experiencing regulation." (Peter Drahos, "Expanding Intellectual Property's Empire: The Role of FTAs," Regulatory Institutions Network, Research School of Social Sciences of Australian National University, November 2003, pp. 11-12, http://bilaterals.org/article.php3?id_article=401.)

The ratcheting process has three basic elements: (a) shifting the forum from multilateral arenas such as the WTO to bilateral agreements where the US leverage is stronger; (b) coordinating its bilateral and multilateral IP strategies; and (c) putting in place in its FTAs the principle of minimum standards.



Global Trade in Agriculture and the US FTA Model

In order to understand better the provisions in the US FTAs that impact on agriculture in the US's trading partner, it is instructive to look at the global agriculture and food chain. This is composed of four major links or core activities (Dominic Eagleton, "Power Hungry — Six Reasons to Regulate Global Food Corporations," ActionAid International, 2005, http://www.actionaid.org):

1. production and distribution of genes, seeds and chemical inputs, other agrochemicals
2. food and fiber trading and primary processing of farm output
3. further processing; food manufacturing
4. food retailing; supermarkets

In the first core activity, genes, seeds and chemical inputs are generated and sold to farmers. In the second activity, trading companies purchase the farmers' output and either subject them to raw processing or sell them to food processors. In the final link, the food processors sell their output to consumers through retailing outlets such as supermarkets.

According to ActionAid, "the production, trading, manufacturing and retailing of food and agricultural goods—the 'agrifood' chain—is becoming industrialized, globalized and concentrated. A small number of TNCs [transnational corporations] … have come to dominate global and national agrifood markets, and their influence is transforming agriculture in many developing countries." (Dominic Eagleton, "Power Hungry — Six Reasons to Regulate Global Food Corporations," ActionAid International, 2005, p. 11. http://www.actionaid.org)

This report, together with a report on corporate concentration released in 2005 by the Action Group on Erosion, Technology and Concentration (ETC Group, http://www.etcgroup.org) provide the bare but most telling facts:

Seeds and pesticides:

- The 10 largest seed companies in 2004 control almost half of the commercial seed market worldwide. About one-fourth of all seeds sold globally are genetically modified (GM). The sales of GM seeds of one of the top 10 companies, DuPont, accounted for half of the company's total sales in 2004. That same year, Monsanto—the world's largest seed company—was responsible for 88 percent of the total crop area planted to GM seeds throughout the world.

- The 10 largest agrochemical companies (herbicides, fungicides and insecticides) accounted for 84 percent of global sales in 2004. Industry analysts expect that by 2015, there will only be three global players—Bayer, Syngenta and BASF.

Bulk trading: Two US TNCs—Chiquita and Dole Foods—handle nearly half of the world trade in bananas, while another three US companies—Archer Daniels Midland (ADM), Cargill and Zen Noh—control over 80 percent of US corn exports. The processing of cocoa in the Ivory Coast is controlled by TNCs, dominated by ADM, Cargill and Barry Callebaut.

Food manufacturing and processing: In 2004, the top 100 food and beverage processing companies controlled two-thirds of the global market. The share of the top five firms—the Altria Group (owner of Kraft and Philip Morris), Nestle, Cargill, Unilever, and Archer Daniels Midland (ADM) in the sales of the top 100 was 35 percent.

Food Retailing: In 2004, the top 10 global food retailers held a 24 percent share of the global food retail market. The share of the top 10 three years before had been 18 percent.

The Food and Agricultural Organization of the United Nations (FAO) gives us more data (FAO Committee on Commodity Problems, "Report on Major Policy Issues and Market Factors Having Implications for the Long-Term Performance of Agricultural Exports," Rome, 18-21 March 2003, http://www.fao.org/docrep/meeting/005/y8318e/y8318e00.htm#P73_23758):

- In 1996 only five TNCs accounted for half of world trade in green coffee, up from about a third in 1980.

- Four coffee roasters make up half of the roasted coffee market. Likewise the six largest chocolate manufacturers account for half of world chocolate sales.

- The number of cocoa trading houses in London has fallen to 10 in 1999, from 30 in 1980, an indication of growing concentration.

- A series of mergers and acquisitions in the 1990s has resulted in a small number of vertically integrated TNCs dominating the production, distribution and international trade of both oilseeds and oils.

- Through mergers and consolidations, a few big grains companies are turning into vertically integrated businesses engaged in the trading, storage, processing and milling of grain.

Global control of the agrifood chain must also be understood in the context of falling world prices for agricultural goods, the withdrawal of government subsidies for agricultural inputs in developing countries, the high level of subsidies in developed countries for agriculture, and food aid, particularly in countries like the United States. Subsidies in the developed countries have led to crop overproduction, contributing to the collapse of world prices. Meanwhile, increased control over seeds and agrochemicals, together with stronger rules worldwide on intellectual property rights, has enabled the seed and agrochemical TNCs to charge farmers more for these agricultural inputs. All of these result in a crisis for smallholder agriculture. ActionAid explains this further as follows:

> "Often the prices that smallholders get for their crops do not cover the cost of producing them, leaving farmers and workers struggling to feed their families.…Overall the number of hungry people in the developing world increased by 34 million from the mid-1990s to stand at 815 million in 2002 (FAO 2004)."
>
> "The crisis caused by rock bottom producer prices has been exacerbated by a rise in the cost of farm inputs such as seeds, pesticides, herbicides and fertilizers. The creation of strong global rules granting and protecting intellectual property rights (IPRs) over plant varieties and new seed technologies (such as GM seeds) has enabled TNCs to raise the prices they charge for these products. Meanwhile, the removal of state subsidies for agricultural inputs in developing countries has also increased farmers' costs. Smallholders who produce for commercial markets are being caught in a 'cost-price squeeze': companies are able to charge higher prices for agricultural inputs, and at the same time pay lower prices for farmers' goods." (Dominic Eagleton, "Power Hungry — Six Reasons to Regulate Global Food

Corporations," ActionAid International, 2005, p. 14. http://www.actionaid.org)

This is where US food aid—about two-thirds of all global food aid—tends to come in. According to the Institute for Agriculture and Trade Policy (IATP), the main beneficiaries of US food aid constitute an "iron triangle". The agribusiness giants (plus a few big cooperatives) form one side of this triangle. Non-government organizations or private voluntary organizations form the second side. The third side is composed of maritime companies that ship the food surpluses to the third world. The US law on food aid requires that at least 75 percent of the food is "sourced, fortified, processed and bagged" in the US. But the US government also sets the criteria for qualified bidders, effectively limiting these to only a few. In 2003, according to the IATP, just two companies—Cargill and ADM—"won the contracts to provide a third of all U.S. food aid shipments." (Sophia Murphy and Kathy McAfee, "U.S. Food Aid: Time to Get It Right," Minneapolis: Institute for Agriculture and Trade Policy, July 2005, p. 27, http://www.iatp.org)

In the US, Cargill and ADM are two of three US companies that control 80 percent of the corn business and 60 percent of the soy business. Cargill and ADM are two of three US companies that dominate flour milling in the US. Cargill and ADM are two of three firms that hold 71 percent of the soybean crushing business in the US. Cargill and ADM are two of three firms that control export terminal handling facilities through which the US food aid is shipped out. (Murphy and McAfee, 2005, p. 27)

Another irony about US food aid is that the US government pays 11 percent more for food aid than the prevailing market price. (Murphy and McAfee, 2005)

Unfortunately, the NGO side of the iron triangle can also be harmful to the small farmers in the developing countries. This is because the US NGOs are allowed to "monetize" the food aid that is channeled through them. That is, the US NGOs are allowed to sell the US food aid shipment they are handling in the local markets of the developing countries. According to a study cited by the IATP, since 1990, monetization of food aid "has become an important revenue stream" for these US NGOs.

But the act of monetizing is in effect a way of dumping US agricultural surplus in the developing countries, to the detriment of the farmers in the latter. "Since the food aid is not targeted to recipients who lack purchasing power to buy food in the market, and because the food aid is in direct competition with local producers and commercial market imports, monetized food aid neither meets the criteria for best food aid practice, nor satisfies long-standing requirements established by the international community to protect commercial markets from the use of food aid to undercut commercial sales." (Murphy and McAfee, 2005, p. 29)

There are other dimensions of the deepening concentration and control by a few giant TNCs over seeds, agrochemicals, food processing and retailing. The ETC Group explains why concentration could threaten the security of small farmers around the world.

> "When ownership of seeds—the first link in the food chain—is tightly held by a fistful of transnational firms—the world's food supply becomes vulnerable to the whims of market maneuvers. Corporate

Agriculture	All products are covered, except for sensitive ones such as sugar No commitments are required to remove subsidies and domestic support for agriculture. No anti-dumping measures are included. The developing country commits NOT to raise tariff at any time over any product or service.
Investment	The definition of investments is broadened to include IPRs and even debts. National treatment or most favored nation treatment, whichever is better, is accorded investors from the bilateral partner. The investor from the bilateral partner is not required to meet certain performance requirements as a condition to invest in the partner's economy. Disputes are settled on an investor-state, and not state-state, basis, to enable the investor to seek compensation in case of expropriation.
IPRs	Limits are imposed on compulsory licensing and parallel importation. Rights of IP holders are reinforced through extension of patent periods, and periods of data exclusivity. Patentability of life forms is implicitly recognized by not explicitly excluding life forms among processes and inventions that can be patented. Precedence is given to trademarks over geographic indications.
Services	Negative list approach is used, thus broadening liberalization to cover all services except those listed in an attached list. The US FTA departs from the GATS 4-mode system, and instead treats each service sector distinctly and separately by having different chapters for telecommunications, finance, government procurement, etc.
Others	"Yarn Forward" rules of origin for textiles and clothing are instituted. Provisions of competition law, labor standards, and environmental standards are established and enforced.

boards make decisions to support the bottom line and increase shareholder returns—not to insure food security." (ETC Group, "Global Seed Concentration 2005," in Communique, Issue No. 90, September/ October 2005; http://www.etcgroup.org)

"Because they sit high on the industrial food chain, multinational grocery retailers wield extraordinary economic and trade power. These companies ultimately decide how, where and by whom a staggering share of the world's food is produced, processed and procured." (ETC Group, Oligopoly 2005, p. 8, http://www.etcgroup.org)

The FAO sees opportunities and risks for small farmers arising from the increased concentration of food retailing in the hands of a few global retailers. "Buyers for a handful of giant food processors and retailers wield increasing power to set standards, prices and delivery schedules." Small producers who have been able to organize themselves to deal with the demands of retailers can benefit from this situation. At the same time the FAO warns: "Smallholders who fail to gain a foothold in this globalized marketplace risk finding themselves consigned to a permanently marginalized minority, excluded from the food system both as producers and as consumers." (FAO, *The State of Food Insecurity in the World 2004*, http://www.fao.org/documents/show_cdr.asp?url_file=/docrep/007/y5650e/y5650e00.htm)

Because US trade policy is synonymous to advancing US corporate interests across the globe, the US push for bilateral FTAs could also be seen as a way to further strengthen the global presence and position of its corporations. To pursue this objective, the US government needs a standard FTA with little if any major deviations. According to the UNDP, the essential elements of the US FTA model are as follows:

The US FTAs also go further than earlier free trade agreements, in the sense that they deliberately and purposively include domestic policies that the US trading partner must pursue as part of its commitment to the FTA with the US. For example, an important section in US FTAs is the chapter on intellectual property rights (IPRs). The FTAs also cover trade facilitation, sanitary and phyto-sanitary measures, liberalization of trade in services, particularly, telecommunications, finance and transport, including public services such as water delivery and health service provision, as well as investment and competition disciplines. Integration to the world economy is deepened through these measures.

How these elements interconnect and collectively impact on the food security of small farmers is discussed at length in the following sections, which compares the free trade agreements with Jordan, Chile, Singapore and Central America-Dominican Republic, and provides a matrix of relevant provisions together with a discussion of their implications.

Comparison of US FTAs

This section looks at the provisions in the US FTAs with Singapore, Chile, Jordan and Central America-Dominican Republic that would impact significantly on agriculture.

Of the four FTAs, the one with Jordan was signed the earliest (24 October 2000). It was the first FTA of the US with an Arab country. The FTAs with Singapore and Chile were signed three years later (6 May 2003 and 6 June 2003, respectively). Like the FTA with Jordan, the ones with Singapore and Chile were the first agreements with an Asian and South American country, respectively. The CAFTA is the most recent of these FTAs, having been signed in August 2004. The FTA with Jordan went into effect in December 2001; the FTAs with Singapore and Chile were in force on the first of January 2004; and CAFTA was in force at the start of 2006.

The FTA with Jordan has no chapter on investments. But the US has a bilateral investment treaty (BIT) with Jordan, and provisions in this BIT are compared with similar provisions in the FTA with Singapore and Chile. The US government has a standard format for a BIT, which is accessible through the website of the State Department (http://www.state.gov/e/eb/rls/othr/38602.htm). According to the website, the model BIT "…is substantively similar to the investment chapters of the free trade agreements the United States has concluded since the 2002 Act [Bipartisan Trade Promotion Authority Act of 2002]."

In light of the global control by a few TNCs of the agrifood chain, we have identified provisions in the FTAs that are consistent with the strategic objectives of agribusiness TNCs. Generally these provisions may be grouped into three main categories. The first set refers to those provisions in the FTA that further open the developing country's market to these corporations' products and services, be they inputs to production (seeds, agrochemicals, genetically modified organisms or GMOs), or US agricultural surplus (corn, soy, wheat, potatoes, etc.) for final consumption. The provisions on market access, the classification of commodities according to different degrees of protection, tariff base rates, and different liberalization schedules, specific chapters on specific commodities such as sugar, all have to do with this main objective.

The second set of FTA provisions aims to strengthen the market position of the US agribusiness firms relative to the trading partner-country. These can be done in many ways:

- by limiting the ability and flexibility of the trading partner-country to raise tariffs, to exercise safeguard measures, to impose trade sanctions even in clear cases of corporate violation, to set up standards and codes consistent with its traditions, the indigenous knowledge and practices of its small producers, and the like;

- by establishing a regime of intellectual property rights that recognizes patents on plant and animal varieties;

- by protecting and extending the patents of US corporations, and excusing them from having to divulge undisclosed data regarding the safety or efficacy of a product that was previously marketed in another country; and

- by requiring the trading partner-country to adhere to pro-business UPOV norms, standards and conventions, without any regard for the institutional capacities needed in order to meet these standards, nor the enormous costs involved.

The third set of FTA provisions safeguards the investments in the trading partner-country of the US agribusiness corporations (along with US corporate interests in other industries, particularly, the service sector). These provisions require, among others, national treatment of US investors (in other words, treatment is the same as that of a local investor), allow for investor-state dispute resolution, establish the right of investors to compensation, and prevent the imposition of performance requirements on US investors.

In short, the US agribusiness company's interests appear to be comprehensively protected in the US FTAs. Steve Suppan of the Institute for Agriculture and Trade Policy says of CAFTA:

> "…[E]ven without detailed economic analyses of these impacts, the discriminatory nature of some of the unique features described above indicates that CAFTA's prime beneficiary is the transnational investor, even one whose investment practices have been shown to violate a government's rules and laws." (Steve Suppan, "Analysis of the Central American Free Trade Agreement (CAFTA) Concerning Agriculture," 22 April 2004, http://www.tradeobservatory.org/search.cfm)

These provisions are contained in several chapters of the FTA: on market access, on agriculture, on sanitary and phytosanitary measures, on intellectual property rights, and on investments.

Many studies critical of US FTAs such as the NAFTA note that while the protection of all aspects of American investments is enshrined in the provisions and language of the free trade agreements, there is much less, if at all, protection given to labor and the environment. In fact, as the emerging experience on investor-state disputes will show (to be discussed in a later section of this paper), transnational corporations have challenged environmental decisions of local or federal governments as being tantamount to expropriation of investments, market discrimination or unfair treatment.

In the coming years, as the recently enforced CAFTA and the FTA with Chile are implemented and take actual shape, the interaction of all of these provisions will be increasingly revealed. In the meantime, NAFTA being over 10 years old serves as our best teacher.

Provisions to Open Markets

Agricultural Product Coverage

The Singapore-US FTA does not cover agriculture, since Singapore is a small island without any agricultural base. Nevertheless Singapore's FTA deserves mention because it agreed to liberalize *all* of its products, without any exception, on the date its FTA with the US entered into force. For this reason, the Cato Institute describes Singapore's commitment to liberalization as "a model of elegance and simplicity." However, even in its FTA with Singapore, the US excluded beef, dairy products and sugar among the goods whose tariffs it would reduce to zero upon enactment of the FTA with Singapore.

The Jordan-US FTA does not have a separate article explicitly covering trade in agriculture. But Article 2 on Trade in Goods covers agricultural products. The Chile-US FTA has a separate article, Article 3, which tackles bilateral trade in agriculture. In the FTAs with Jordan, Chile, Central America and Dominican Republic, the US maintains its controls on the export of logs.

Upon enactment of the Chile-US FTA, about 87 percent of the two-way trade in goods will be tariff free, with most of the rest eventually becoming duty free after four years. Chile chose some products to phase out over a longer period of eight, 10 or 12 years. These products will eventually also become duty free, but will enjoy a longer phase-out period. Among the agricultural and food products that Chile chose to liberalize over a longer time frame are beef, parts and strips of chicken and turkey, meat from duck and goose, milk, eggs, sweet corn, Chilean wines, soya oil, peanut oil, corn oil, other vegetable oils, sugarcane, sugar beets and sugar products, fruit juices, rice, rye flour, rice flour, flour from other cereals except wheat, fermented beverages, ethyl alcohol and denaturalized spirits.

Among the agricultural products of Chile that will become duty free upon enforcement of the FTA with the US are: live animals, pork and related products, meat from sheep, horses, mules, rabbits, different species of fish, all seeds and plants intended for sowing (except potatoes), most fruits and vegetables, flowers, tubers and bulbs.

US agribusiness groups estimate that once CAFTA enters into force, over half of US agriculture products can enter CAFTA countries duty free. (Steve Suppan, IATP, 2004) Members of CAFTA excluded some products from the Agreement. Costa Rica, for example, will maintain its controls over the export of logs, wooden boards and coffee, price controls over banana exports, and controls over the export and import of ethanol and crude rums. It will also continue to impose taxes on the exportation of coffee, bananas, and meat products. Guatemala likewise excluded the export of logs and coffee. Log exports are also not covered in the US trade with Honduras.

Nicaragua is the only country that specified temporary controls on the exportation of basic foodstuffs such as beans, brown sugar, chicken meat, coffee, corn, corn flour, corn tortillas, powdered milk, rice, salt and vegetable oil, when these are needed to alleviate a critical shortage in Nicaragua of the particular food item. 'Temporary' is defined as one year or less, or such longer period as may be agreed upon by both Nicaragua and the United States.

Tariff Elimination

All four FTAs have chapters that deal with tariff reduction. Basically, an annex is attached to the agreement containing specific products that are grouped into different categories. These are categories A to E in the case of Jordan, and A to H in the case of Chile and CAFTA. In the case of Singapore, there are only two product categories: A and E (no categories B to D).

Each category pertains to a different stage in the elimination of tariffs, as presented in page 16.

In addition, there are special categories for Jordan, Chile, Dominican Republic and Central America, as listed above. Chile's additional categories are also described in page 17.

In similar vein, El Salvador and Honduras have additional categories M, N, O, P and Q in their respective tariff schedule under CAFTA.

Jordan's special category **L** is unique among all the FTAs compared in this study. The tariff on goods in category L will not be completely eliminated.

Instead, Jordan has ten years to lower the base rate by 55 percent. By January 1 of year 10, the duty on category L goods will be 44.5 percent of the base rate. A scan of the tariff schedule of Jordan shows these category L goods to be about 17 product lines including beer, sparkling wine, other fermented beverages, distilled spirits and alcoholic beverages. The base rate is 180 percent for category L products, except for two lines which have a base rate of 50 percent.

The tariff schedules annexed to the FTAs also state the base rates for each of the products listed. In the case of Chile, the base rate of customs duty for most products is six percent. The highest base rate is 98 percent, for sugar and sugar products. Some 27 items in Category G carry a base rate of 31.5 percent, mainly for wheat and other cereals, flour and vegetable oil. Category H, which includes only four tariff lines (chicken and turkey parts and strips), has a base rate of 25 percent customs duty.

Tariff Rate Quota: Chile

However, in the case of beef, chicken and turkey, and sugar, the customs duty will be applied only to imports from the US that exceed the quantitative annual limits specified for each of these products in the FTA. These products are subject to what has been called the tariff rate quota (TRQ) system. In such a system, imports entering during a specific time period under the quota portion of a TRQ are usually subject to a lower or zero customs duty. Imports above the quota are charged a much higher (usually prohibitive) tariff. Currently, TRQs apply to US imports of certain dairy products, beef, cotton, peanuts, sugar, certain sugar-containing products, and tobacco. (http://www.webref.org/agriculture/t/tariff_rate_quota.htm)

For example, the first 1,000 metric tons of US beef entering Chile in the first year of its FTA will be free of any customs duty. This quota is raised slightly to 1,100 metric tons in year two of the FTA, and to 1,210 metric tons in the third year. By year four, an unlimited quantity of US beef will be allowed to enter Chile duty free.

The base customs duty rate on US beef entering Chile in excess of the designated quota volumes is six percent. This, too, will be lowered by 25 percent in each of the first four years that the FTA is in effect, until duties are completely eliminated in year four.

A similar TRQ is imposed on Chilean beef entering the US, with the same quota volumes. But the base tariff of the US is 26.4 percent.

In the first two years of the Chile-US FTA, no US chicken and turkey parts and strips can enter Chile duty free. In the third year, 8,000 metric tons will be allowed in duty free; anything in excess of this volume will be charged the appropriate customs duty (which itself will be gradually lowered in eight equal annual stages beginning in year three). By the tenth year there will no quantitative limits on the importation of US chicken and turkey.

With regard to sugar, a certain volume shall be given preferential treatment. For Chile, this volume should be equal to the amount of the US trade surplus from all sources, using latest available data, on four sugar product lines. Chile's base tariff rate on US sugar is 98 percent.

In the first year of the Chile-US FTA, Chile can sell up to 2,000 metric tons of sugar to the US without duty. This will gradually increase until, by year 12 there will be no limits to the entry of Chilean sugar into the United States. The base tariff that the US imposes on various sugar products imported from Chile in excess of quota ranges from about 34 US cents per kilogram to over 40 US cents per kilogram, about ten times the tariff it would apply on a non-preferential basis.

Other Chilean products that the US will subject to the TRQ system are as follows: cheese, milk powder, butter, condensed milk, other dairy products, tobacco, avocados, poultry, and such non-agricultural goods as tires, copper, and hotel or restaurant chinaware.

The US also imposes a condition on other non-agricultural goods entering Chile outside of the TRQ system during their respective tariff elimination periods. For as long as imports of these goods from Chile do not exceed half of all US imports of the same good from all sources, the preferential tariff duty on said products from Chile would be zero. But should Chile's share of total US imports exceed 50 percent, a non-zero tariff will be applied.

Tariff Rate Quota: CAFTA

Similar to Chile, agricultural goods specified by each of the parties to CAFTA (Article 3.13) are subject to the tariff-rate-quota system or TRQ for short.

The governments of the CAFTA members have the sole authority to allocate quotas to their respective exporters. They will not discriminate against any eligible entity in parceling out quotas. At the same time, they are prohibited from assigning quotas to industry associations and non-governmental organizations. Furthermore, food aid shipments of a commodity subject to TRQ shall not be counted as part of the quota.

Under CAFTA, the US has prescribed quotas for each trading partner-country for the following products: beef, sugar, peanuts, peanut butter, cheese, milk powder, butter, other dairy products, ice cream, fluid fresh milk and cream and sour cream, and ethyl alcohol.

El Salvador's TRQ system covers beef, pork, liquid dairy products, milk powder, buttermilk, curdled cream, yogurt, butter, cheese, ice cream, other dairy products, yellow corn, white corn,

Category P	Duties on goods to be eliminated in three annual stages. In stage one, duties are lowered by 80 percent. At the start of year 2, duties are reduced by 90 percent. At the start of year 3, goods in this category are duty free. The commodities in Category P are mostly petroleum-based products, with a six percent base rate of customs duty.
Category O	Duties on goods to be maintained at base rates in the first two years, and completely removed at the start of year three. This category contains six product lines, covering other corn, whiskey, rum, vodka, other liquors and alcoholic beverages.
Category V	A 12-year phaseout of tariffs is provided, wherein the base rate is maintained in the first six years. In year seven, tariffs are lowered by 3.3 percent. In the next year, duties are reduced by 21.7 percent. These are further reduced by 40 percent in year nine, 58.3 percent in year 10, and 76.7 percent in year 11. By January 1 of year 12 these goods are duty free. This category contains five product lines, all of them, wines.

sorghum, chicken leg quarters, rough rice and milled rice.

In the case of Honduras, the products included in the TRQ system are: pork, chicken leg quarters, milk powder, butter, cheese, ice cream, other dairy products, rough rice, milled rice, yellow corn and white corn.

CAFTA's Sugar Compensation Mechanism

Article 3.16 of CAFTA says that at the option of the United States, it may in any year compensate sugar exporters from CAFTA member-countries instead of giving them duty free treatment. The amount to be compensated is equivalent to the rents or profits the exporters would have earned from selling sugar to the US.

Because CAFTA entered into force only recently it is difficult to assess how this mechanism will hurt or benefit sugar producers in Central America and the United States. This early, there are apprehensions on both sides. For one, the sugar compensation mechanism is entirely at the discretion of the US government. For another, it is designed to appease exporters in Central America and protect sugar producers and processors in the United States, not necessarily sugar farmers in Central America. At the same time, sugar producers and processors in the US are aware that for 16 years ending in the 1998/1999 growing season, the price of sugar in world markets was "barely more than half of the world average costs of producing sugar." (Steve Suppan, IATP, 2004) The opening being given by the US government to Chile and Central America to export sugar to the US could be the start of an import surge of sugar from other developing countries with whom FTAs have been forged.

Agricultural Safeguard Measures

Article 3.18 allows Chile to impose additional duty if the import price of a product falls to more than 10 percent below a trigger price as stated in the Agreement, with many caveats. The resulting customs duty should not exceed the prevailing MFN rate or the MFN rate one day prior to imposition of safeguard measure, whichever is lower. Chile cannot apply an agricultural safeguard measure and at the same time apply a safeguard measure under the chapter on trade remedies. Furthermore, once the agricultural product has been liberalized, Chile cannot impose any additional tariffs.

CAFTA's Article 3.15 is similar to the Chile-US agricultural safeguard. One additional caveat contained in this agreement is that parties to CAFTA cannot apply safeguard measures if by doing so the tariff is raised on goods subject to the TRQ that are within the quotas set.

This lessened flexibility, particularly when the agricultural products become completely duty free, would mean greater vulnerability on the part of these countries to dumping by the US. Studies cited by the Institute for Agriculture and Trade Policy show that in 2003, the United States exported wheat at 26 percent below its cost of production, and rice at 28 percent below cost. (IATP, "US Dumping on World Markets," http://www.tradeobservatory.org/#)

Provisions to Strengthen Market Position

Provisions on Subsidy for Agriculture

Adhering to the US FTA model, the Jordan-US agreement has no commitments on anti-dumping or on the removal of agricultural subsidies. This is not so in the Chile-US FTA and in CAFTA. These agreements contain a provision (Article 3.16 in Chile-US FTA) that commits both parties not to subsidize exports destined for each other's markets. However the same provision gives the US and its Latin American and Caribbean partners a way out of this commitment. Article 3.16 states that if there is a Non-Party (to the FTA) who is subsidizing a product to, say, Chile that the US is also supplying to Chile, then the US can also subsidize its exports of this product unless Chile adopts measures to counter the effect of the subsidized imports from the other supplier. In effect, the burden of removing subsidies is placed on the country that is buying the subsidized product rather than on the country that is subsidizing the same product.

CAFTA's provision on subsidies (Article 3.14) runs along the same vein. However the license to subsidize is less general than Article 3.16 in the Chile-US FTA, in this sense: The license to provide export subsidies is limited "only to the extent necessary to counter the trade-distorting effect of subsidized exports of the good from the non-Party to the importing Party's territory."

Either way, there is no guarantee under the US FTAs that the US will stop providing export subsidies to its agricultural producers. Furthermore, there is no mention in the FTAs of the larger, more significant production subsidies that the US gives its farmers. According to Nobel Prize winner Dr. Joseph Stiglitz, "export subsidies make up only a small fraction (roughly 4 per cent) of total subsidies given to farmers in rich countries. The bulk of agricultural support comes in the form of production subsidies, which operate to increase the amount of food on the world market and hence lower the prices received by producers in the poor countries." (Joseph Stiglitz, "It takes more than Free Trade to end Poverty," London: *The Independent*, 3 February 2006, http://www.commondreams.org/views06/0203-31.htm)

The importance to the US of being able to maintain its subsidies for agriculture is evident in the fact that, after entering into more than two dozen FTAs, the US Congress passed the 2002 Farm Bill which authorizes a tremendous increase of 80 percent in subsidies to farms amounting to $180 billion over the next 10 years. The subsidies end up with big farmers who have production contracts with US agribusiness corporations. The latter receive export subsidies and cheap export-import financing. But the bigger indirect subsidy they receive is in the low price they have to pay for US farm produce. This enables them to sell US agricultural products around the world at prices that are way below their costs—for example, 46 percent below cost in the case of wheat, and 33 percent in the case of corn.

The act of selling a product below its cost is nothing more than dumping. In effect, US subsidies enable US agribusiness TNCs to dump about two-thirds of the US's agricultural production in world markets and, in the process, accumulate profits. (Laura Carlsen, "The Price of Trade Liberalization in Agriculture: The Mexican Experience," Presentation before the European Parliament Committee on Industry, External Trade, Research and Energy Public Hearing on WTO: Agriculture, TRIPS, Singapore Issues, 11 June 2003, pp. 123-134, http://www.twnside.org.sg/title2/FTAs /agriculture.htm)

> "There's a name for this—dumping—and it's supposed to be prohibited under both NAFTA and WTO rules.... [T]he over five million tons of US corn sold in Mexico in 2001 carried a dumping margin of 25 percent. Analyses from past years show dumping margins of over 30 percent." (Laura Carlsen, 2003, *Ibid*)

Provisions on Sanitary and Phyto-Sanitary Standards

No specific provision on sanitary and phyto-sanitary (SPS) measures exists in the FTAs with Jordan and Singapore. The provisions relating to the SPS are contained in a separate chapter (Chapter 6) in both CAFTA and the Chile-US FTA. The provisions in the chapter apply to all SPS measures that may directly or indirectly affect trade between the US and its partners. The SPS standards referred to are those reached in the WTO Agreement on the Application of Sanitary and Phyto-Sanitary Measures. The FTA commits the US and each of its partners to set up a bilateral committee to tackle SPS-related matters, facilitate technical cooperation, and improve regulatory processes in enforcing these standards.

Furthermore, should a dispute arise between the US and any of its FTA partners regarding any SPS matter, the FTA requires such disputes to be settled within the WTO.

Provisions on Intellectual Property Rights

Together with CAFTA, the US FTAs with Jordan, Singapore and Chile have many common features in the area of intellectual property rights. According to a World Bank study on the IPR provisions in recent FTAs of the United States, "All [US] bilateral agreements go beyond TRIPS in enhancing patent protection for plants and animals." (Carsten Fink and Patrick Reichenmiller, "Tightening TRIPS: The Intellectual Property Provisions of Recent US Free Trade Agreements," Trade Note 20, World Bank, 7 February 2005) The TRIPS-Plus provisions being pushed by the US in its bilateral FTAs are present in its agreements with Jordan, Singapore and Chile, as well as in CAFTA. Since there is a three-year gap between the agreement with Jordan and the other three agreements, the latter contain more TRIPs-plus provisions than does the former.

These provisions include extending the patent period beyond the 20 years set by TRIPS, particularly for delays caused by regulatory approval processes. For Singapore, Chile and CAFTA, an additional basis for granting an extension is when the delay in granting the patent exceeds a specified period (four years for Singapore, five years for Chile) from the filing of the application. Or if there is a delay of two years (for Singapore, for Chile this is three years) after a request for examination is filed by the patent holder, then an extension of the patent period is likewise given.

A major difference between the US FTA and the TRIPS is that in defining patentability, plants and animals are excluded in the TRIPS. Not so in the US FTAs. In the FTA with Jordan, there is no general exclusion of plants and animals from patentability; this opens the space for US companies to push for the patenting of life forms.

In the FTAs with Singapore and Chile, there is also no general exclusion of plants and animals from patentability. The Singapore FTA goes further than the Jordan-US FTA, by allowing exclusion only as defined in Articles 27.2 and 27.3(a) of TRIPS. In other words the general rule is no exclusions. Furthermore, the Singapore-US FTA says that patent protection must be available for plants, animals and plant/animal varieties. Within six months from the FTA's entry into force, Singapore must ratify the UPOV convention (1991) for the protection of new varieties of plants.

Both the Chile-US FTA and CAFTA require Chile, the Dominican Republic and the Central American states to undertake "reasonable" efforts to develop legislation related to patent protection within four years of the FTA's entry into force. Chile has until the end of 2008 to ratify the UPOV convention (1991). Jordan was required to do so one year from the entry into force of its FTA with the US. The Dominican Republic, El Salvador, Honduras and Guatemala must ratify the UPOV convention (1991) by 1 January 2006. Cost Rica's deadline for doing so is 1 June 2007, while Nicaragua's is 1 January 2010.

The US biotechnology industry is aggressively pushing for the patenting of life forms, which will give it tremendous monopoly power over seeds and what has been called the "commons". Life forms, by no means the invention of anyone and therefore accessible to everyone, suddenly become the private property of a firm. Patents place fences around the commons, and allow the fence-builders to charge high rents for access to the once-common commons. By compelling the developing country partner of the US to accede to the UPOV convention, the US FTA in effect greatly limits the poorer country from adapting and changing its system for plant variety protection to suit local conditions. For example, Article 14 of the 1991 UPOV Act extends patent protection to all plant varieties, vesting exclusive rights over vegetative, reproductive propagating material, derived varieties and harvested material. This means that farmers cannot save, use, exchange or sell farm-saved seeds. (Jakkrit Kuanpoth et al, *Free Trade Agreements and Their Impact on Developing Countries: The Thai Experience*, Bangkok: FTA Watch, 2005)

What is clear from the provisions on IPRs in the US FTAs is that the legal obligations of the developing country partners to enforce IPRs and police patent violators are monumental. Furthermore, the institutional requirements of adopting, implementing and enforcing often higher standards already in place in the US, entail resources and costs that are seldom readily available to the FTA partner—with the exception of a few countries like Australia and Singapore. The FTAs with Singapore, Chile and CAFTA specifically do not allow these countries to invoke resource constraints as an excuse for not meeting their obligations to enforce IPRs. This is another flexibility that is taken away from developing countries that enter into FTAs with the United States.

According to Michael Finger, "All in all, World Bank project experience indicates that it will cost a developing country $150 million to get up to speed in only three of the New Areas: intellectual property rights, SPS, and customs valuation." (J. Michael Finger, "The Doha Agenda and Development: A

View from the Uruguay Round," ERD Working Paper Series No. 21, Asian Development Bank, September 2002, p. 8)

It is helpful at this point to refresh our memories with estimates of who gains and who loses from the TRIPS, to help us appreciate further what the US stands to gain from insisting on TRIPS Plus provisions in its bilateral FTAs. Estimates of the World Bank show that six countries—US, Germany, Japan, France, the UK and Switzerland—stand to earn an additional $40 billion per year if the TRIPS obligations were fully implemented. The US alone will earn nearly half of this, or $19 billion every year. Add to this the losses of US businesses due to piracy, estimated by the International Intellectual Property Alliance at $20-$22 billion a year.

The benefits of the US from TRIPS are 13 times more than what the US had to give up by opening its market to the products of developing countries in the Uruguay Round. On the part of the developing countries, whatever gains they were supposed to have earned from the lowering of tariffs on industrial goods were more than wiped out by the heavy obligations imposed on them by the TRIPS. The World Bank estimates that for South Korea, TRIPS obligations are 18 times its gain from tariff liberalization. For Mexico, the TRIPS obligations are seven times its estimated gains from the Uruguay Round of tariff liberalization.

By securing the IPRs of its giant corporations the US through bilateral FTAs further strengthens its agribusiness TNCs' oligopolistic hold over seeds, agrochemicals, food processing, agricultural marketing and trading. The higher rents they can command from small farmers everywhere these FTAs are in force only serves to reinforce the current unjust structure of agricultural production and trade within these countries and in the world.

Provisions to Safeguard Investments

The Singapore-US and Chile-US FTAs as well as CAFTA all have a separate chapter on investments. In all three, as with the US bilateral investment treaty with Jordan, the definition of investment has been broadened to include both intellectual property rights and debts. Investments may not be expropriated except under three conditions: for a public purpose, if undertaken in a non-discriminatory manner, and in accordance with international law standards. Compensation must be made in case of expropriation. Jordan is obligated to provide compensation to US investors due to damages in times of war or armed conflict. In the case of Singapore and Chile, compensation in case of expropriation must be given without delay and at fair market value. Such compensation must be fully realizable and freely transferable.

The FTA with Jordan does not explicitly exclude the issuance of compulsory licenses from the scope of expropriation. The FTAs with Singapore and Chile explicitly state that compulsory licensing is not an act of expropriation, for as long as the compulsory license is issued in compliance with multilateral and bilateral trade rules.

In all three FTAs and bilateral investment treaty, dispute settlement through investor-state arbitration shall be allowed in case a conflict arises between, say, an American investor, and the host government (Jordan, Chile or Singapore). The implication of this is that the decision of the arbiter or arbitration panel usually involves an award or compensation by the party judged by the arbitration panel to be at fault. If the dispute were settled on a state-state basis, there is generally no compensation awarded to the aggrieved party; at most, punitive trade sanctions are imposed.

Investments of the bilateral trading partners in each other's territories shall be treated in the same way as the investments of the host country's nationals. Should the US or its trading partner extend a most favored nation treatment to a third country, and such treatment is even better than the treatment of nationals, then the MFN treatment shall apply to the bilateral partner as well. However, rather than accord national treatment or MFN treatment to IPRs, the FTAs prescribe the procedures established by the World Intellectual Property Organization.

All FTAs compared in this study prohibit the developing country partners of the US, and vice versa, to impose performance requirements on US investments as a condition to allowing them to set up a business in the country. Such conditions may be to use or purchase a prescribed minimum proportion of local content or domestic goods, to limit imports to a prescribed ceiling, to require the exportation of a given proportion of domestic production, to conduct research and development, and the like. In other words, the developing country FTA partners of the US cannot use American investments to protect or develop their domestic industry.

Furthermore, the agreements require the full and free transferability of capital, profits, dividends, earnings, interest and the like. The investor is also allowed to hire the managers of its choice, regardless of nationality.

Unlike TRIPS, the FTAs adopt a negative list approach in terms of investments. This means that all industries are covered by the FTA, except those included in the negative list. (In contrast, in the positive list approach, only those industries specified in the list will be covered by the agreement.) In the negative list approach, the FTA will cover even those industries that have yet to emerge (and therefore cannot be named at the time the agreement is signed) even if these may later turn out to be unacceptable to the developing country partner of the US.

As in TRIPS, the institutional requirements of investments and services obligations are huge and entail resources that the developing country may not have, or cannot afford to meet.

Mexico's experience under NAFTA

The North American Free Trade Agreement or NAFTA, involving the United States, Canada and Mexico, went into force in 1994. Prior to the NAFTA, the US and Canada had a bilateral FTA, which was superseded by this trilateral agreement. In all three countries, the effect on small farmers, particularly those not aligned with the global agribusiness TNCs, has been to marginalize them further. The impact on the poorest farmers in southern Mexico has been most severe. This section focuses on Mexico's experience under NAFTA.

Macroeconomic impact

Mexico's exports grew between 1993 and 2004: from $52 billion to $189 billion, or an average annual increase of 12.9 percent. (UNCTAD online database) Such growth has been commonly attributed to NAFTA. A closer look at the export data will show, however, that as exports grew, Mexico used less and less of its domestic inputs to produce these exports. The maquiladora industries of Mexico—bonded assembly plants that produce primarily for exports and that are owned or operated largely by TNCs—are an extreme example. They sourced only 2.97 percent of their components and packaging in Mexico. Alberto Arroyo of the Hemispheric Social Alliance considers this to be "the most profoundly negative macroeconomic impact of NAFTA: the disintegration of productive linkages and the de-nationalization of the productive structure." (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. 8. http://www.asc-hsa.org)

But the jump in exports appears to be shortlived. Between 2001 and 2004, Mexico's export growth in fact tapered off to a yearly average 3.5 percent, compared with an average of 18.3 percent per year in the first seven years of NAFTA. (UNCTAD) The number of maquiladora plants operating in Mexico also fell by nearly 900 during the 2000-2004 period. As these developments unfolded, the US imports from China soared. (Robert E. Scott and David Ratner, "NAFTA's Cautionary Tale," *EPI Issue Brief*, Economic Policy Institute, No. 214, 20 July 2005, http://www.epi.org subjectpagestrade.cfm?CFID=2296486 &CFTOKEN=67601614)

Between 1994 and 2002, Mexico received $153 billion in foreign investments, of which nearly 80 percent came in the form of direct investments. Direct investments are capital flows intended for actual physical production, while portfolio investments are capital flows used to purchase or sell equity shares in the stock market or securities and debt papers of private and public borrowers. Of the $121 billion in direct foreign investments that entered Mexico during this period, merely a quarter of one percent—0.25 percent—went to agriculture. The poorest areas in the Mexican countryside "were simply abandoned". (Alberto Arroyo, 2003, p. 13)

Furthermore, the economic growth promised under NAFTA has failed to materialize. Instead, Mexico experienced one deep recession in 1995, followed by a moderate one in 2001-2002. The average annual increase in gross domestic product (GDP) per capita (per person, total GDP divided by population) was just about one percent.

The biggest promise of NAFTA was job creation, and its supporters in Mexico cite statistics on jobs generated in the export sector. Official data show however that actual job creation in Mexico in the first nine years of NAFTA was 46.6 percent below the number needed to fully employ Mexico's working age population (from 15-62 years old). Half of the jobs created in the formal sector did not provide legally mandated benefits such as social security, a Christmas bonus, and 10 days of vacation a year. Moreover, there were job losses, too, resulting from the closure of local industries that used to supply Mexico's exports—not to mention the displacement of poor farmers, estimated to have numbered nearly two million, as a result of the dumping of North American corn, soy and other agricultural products.

Even in the United States, job losses have been attributable to NAFTA. The Economic Policy Institutes estimates that the growth of exports in the US since NAFTA accounted for the generation of about one million jobs. However, US imports also grew, which could have supported about two million jobs. On balance, therefore, one million job opportunities were lost in the United States alone. These losses took place mostly in manufacturing, and occurred in every state and major industry throughout the US. (Robert E. Scott and David Ratner, "NAFTA's Cautionary Tale," *EPI Issue Brief*, Economic Policy Institute, No. 214, 20 July 2005, http://www.epi.org/subjectpages trade.cfm? CFID=2296486&CFTOKEN=67601614)

While labor productivity did increase in Mexico, particularly in manufacturing, real wages fell by 36 percent after nine years of NAFTA.

An important lesson from Mexico's NAFTA experience is summed up as follows: "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, 2003, p. 10)

Impact on agriculture

NAFTA's first nine years did little to address the pre-existing inequalities between Mexico and its North American neighbors. But evidence suggests that NAFTA may have done everything it could to make life extremely hard for Mexico's poor and food-insecure farmers. According to Laura Carlsen of the International Relations Center's Americas Program,

> "NAFTA not only did not work to alleviate poverty where it was the worst but actively deepened it. NAFTA also stripped the government of many tools for promoting a more even integration of varying regions under a coherent national development plan." (Laura Carlsen, "The Price of Going to Market," 19 September 2005, based on presentation made at the Third World Network's Asian Regional Workshop on Bilateral Free Trade Agreements, Kuala Lumpur, 26-28 August 2005, http://www.americaspolicy.org)

The NAFTA experience witnessed the emergence of three types of practice that have resulted in what has been described as "the most profound transformation" of Mexican agriculture, one which raises serious doubts about the option of living in the rural areas. One is in the design and faithful implementation of the agreement itself, which reinforced the US government's support for its agribusiness corporations through a combination of a myriad of factors. The most important of these are as follows:

- greater access to the Mexican market
- increased subsidies for US farms (the richer and bigger ones among them)
- continued overproduction in the US (thus keeping the price of agricultural crops down and lower than the cost of production in Mexico for the same crop)
- food aid and export subsidies (channeled through the agribusiness TNCs), and
- cheap credit (with interest rates that were less than half of the prevailing interest rates in Mexico) as an incentive to Mexican importers to purchase US corn, among others.

The articles and provisions in NAFTA apparently did little if any to address this overriding

advantage enjoyed by US agribusiness TNCs. This set-up meant that the marginalized farmers of Mexico—who were already at a disadvantage vis-à-vis the US agricultural sector even prior to NAFTA—would have absolutely no chance of surviving when pitted against no less than the US Treasury.

While it is a fact that Mexico's agro-exports grew as a result of NAFTA, its importation of agricultural crops grew by even larger proportions, more than offsetting the gains of the new agricultural export sector that has emerged. Nearly two million farmers have abandoned their farms when the tripling of corn imports at rock-bottom prices rendered corn farming unviable. Mexico's food sovereignty has been severely undermined.

> "Some domestic sectors have been virtually wiped out—a recent study notes that 99% of soybeans are imported and wheat cultivation fell by half. With imports accounting for 80% of rice, 30% of beef, pork, and chicken and a third of Mexico's staple—beans, serious concerns about food dependency have arisen." (Laura Carlsen, "The Price of Going to Market," 19 September 2005, based on presentation made at the Third World Network's Asian Regional Workshop on Bilateral Free Trade Agreements, Kuala Lumpur, 26-28 August 2005, http:// www.americaspolicy.org)

The second practice emerging from the NAFTA experience is the non-utilization by the Mexican government of the few provisions in the agreement such as the TRQ mechanism that could have given some protection to certain agricultural crops.

The NAFTA provided a "TRQ or tariff-rate quota system" that was supposed to protect Mexican farm output for 15 years before completely eliminating tariffs. Quotas were set for each product within which these could be imported from the US and Canada duty free. Imports above the quota would be charged very high tariffs. Corn, for example, had an initial import quota of 2.5 million tons a year. Imports beyond 2.5 million tons would be levied a tariff of 215 percent.

However, the Mexican government ignored the TRQ system and simply did not enforce it. Almost from the time NAFTA came into force, the Mexican government allowed corn from the US and Canada, among other agricultural products, to flood Mexico's market at levels well in excess of the quota, all duty free.

> "The results were predictable. Prices plummeted as cheap imports flooded the market. Corn prices dropped nearly 50% in real terms, further threatening farmers who simultaneously experienced dramatic reductions in government price support programs and farm subsidies. Since NAFTA, Mexico's foregone fiscal revenues from the uncollected tariffs on above-quota corn alone is a remarkable US$3 billion." (Timothy A. Wise, "A Fate Worse than NAFTA: Mexico's Failure to Implement Farm Protections," 17 November 2003, http://www.fguide.org/Bulletin/mexico.htm)

The third practice that became apparent in NAFTA was that regardless of market access and other provisions in the agreement that compelled the US to open up its market to products, services and persons from Mexico and Canada, the United States continued to find ways to block or circumvent these rather than open its doors. For example, the fruits and vegetable growers in Mexico as well as Mexican trucking services that haul the goods from Mexico to the US have had to repeatedly overcome trade barriers set up by the US supposedly on sanitary and safety grounds. Off-season tomato growers in Mexico, as well as cantaloupe and avocado exporters, have met with barriers to their entry into the US in the form of "dubious phyto-sanitary barriers, antidumping complaints, and other pretexts. The U.S. government also has no qualms about protecting sectors it considers politically strategic." (Laura Carlsen, "The Price of Going to Market," 19 September 2005)

Despite the NAFTA establishing unrestricted movement of vehicles between Mexico and the US, the US imposed a moratorium on Mexican trucks in 1995. Mexico eventually obtained a decision from the WTO in 2001 ordering the US to lift the ban. The US Congress complied, but not without requiring that sufficient inspectors be contracted. However, before the law passed by the US Congress could take effect, the US again imposed a blockade, citing safety hazards posed by Mexican trucks on its highways.

Mexican farmers were clearly the big losers of NAFTA. But there were winners, too, from among the local elites and foreign business. Two US companies—Archer Daniels Midland (ADM) and Cargill—who account for over three-fourths of US corn exports, are among the largest beneficiaries. Mexico's animal feeds industry, corn sweetener industry, food processing industries also benefited from the flood of corn.

> "And what benefit have Mexican consumers seen from this avowed anti-inflation program? Real tortilla prices have increased 40% since NAFTA was implemented, with a notable deterioration in quality. In light of the rural disaster liberalization has caused in Mexico, renegotiating NAFTA's agricultural provisions seems an important, if unlikely, policy goal." (Timothy A. Wise, "A Fate Worse than NAFTA: Mexico's Failure to Implement Farm Protections," 17 November 2003, http://www.fguide.org/Bulletin/mexico.htm)

In January 2003 over 100,000 people marched in the streets of Mexico City to protest against the cruel blows being dealt to small farmers in Mexico as a result of NAFTA. At that time of this mobilization, the tariffs on key agricultural products had just been completely removed. But the thousands who went out in the streets were voicing their indignation rather than celebrating. Farmers organizations in Mexico are demanding a renegotiation of NAFTA, specifically, the removal of the chapter on agriculture—in particular the sections dealing with basic grains.

CAFTA Worries

A Gallup poll conducted in Guatemala from March 14-23 found that, when asked the question "Do you think the Central America Free Trade Agreement (CAFTA) will help or hurt the country?", two-thirds of respondents said that CAFTA would *hurt* the country. (Matthew Kennis, "Despite Ratification, Anti-CAFTA Protests Continue in Guatemala," International Relations Center, 14 April 2005, http://www.americas.org/item_19066)

The conditions in Central America, a region which is much poorer than Mexico, are similar to Mexico's under NAFTA: There is considerable asymmetry between American farmers and Central American farmers. The international financial institutions and other creditors do not allow Central American states to use price supports and provide other subsidies to the agricultural sector. Yet the US government has increased it subsidies to rich farmers through the Farm Bill of 2002. This leaves small agricultural producers with little if any chance to "compete" against American agribusiness TNCs that have been profiting from the US government subsidies as well as cheap financing and credit. Once Central America's doors are opened to the dumped agricultural surpluses of the United States, the threat of displacement becomes very real.

Farmers groups in Central America and the US are concerned that, like NAFTA, the CAFTA would favor corporate agribusiness over independent farmers and ranchers. Family farmers in the US and small and medium-scale farmers in Central America are among those expected to be adversely affected by CAFTA. "If CAFTA were to go into effect today, 420,000 Nicaraguan agricultural sector jobs—including those of the producers themselves—could just disappear, increasing migration to the cities, Costa Rica and the United States," Alvaro Fiallos told *Multinational Monitor* in April 2004. Mr. Fiallos is president of the Union of Farmers and Ranchers (UNAG) in Nicaragua. (Tom Ricker, "Competition or Massacre? Central American Farmers' Dismal Prospects under CAFTA," in Multinational Monitor, April 2004, http://www.globalpolicy.org/globaliz/econ/2004/04competition.htm)

Likewise, El Salvadoran groups are concerned that CAFTA, like NAFTA, would displace its 400,000 families responsible for producing basic grains, plus thousands more engaged in hog, poultry and cattle raising as well as dairy production. (Popular Resistance Movement October 12th (MPR-12) et al, "Position of the Salvadoran Social Movement before the Central American Free Trade Agreement with the United States Goes Into Force," 22 February 2006, www.citizenstrade.org/pdfpositionofsalvadoransocialmovement_02222006.pdf)

The impact in Central America is also expected to be widespread, considering that a significant number of people depend on agriculture for their survival. In Guatemala, for example, 60 percent of the employed are in agriculture; the comparable figure in Nicaragua is 44 percent.

Oxfam International, in a briefing paper, estimates there to be 80,000 rice producers in Central America and the Dominican Republic, with about 1.5 million jobs which depend on rice production. Three-quarters of rice producers do not have access to such basic services as credit, technology, or irrigation. In stark contrast, the amount of price support and other subsidies that went to US rice producers in 2003 was a staggering $1.3 billion, more than the entire budget of the Nicaraguan central government for 2004. (Oxfam International, "A raw deal for rice under DR-CAFTA," Oxfam Briefing Paper 68, November 2004, http://www.oxfam.org)

The Oxfam briefing paper looked at the negative impact of trade liberalization on rice farmers in Honduras as a precursor to the potential effects of DR-CAFTA. In 1991 the government of Honduras opened its market to US rice, which flooded the market at prices well below the costs faced by rice producers. The hardest hit by what has come to be known as the "arrozazo" (rice scandal) have been small rice producers. Since this event, says Federico Mejia, a rice producer and vice president of the Honduras Rice Producers' Association: "The sector never recovered." (Oxfam, 2004, p. 14)

Between 1991 and 2002, rice production in Honduras fell by 86 percent. From a level of 25,000 prior to the arrozazo, the number of rice producers fell to below two thousand by 2002. Rice imports now constitute over 90 percent of all the rice consumed in Honduras in one year. The small producers in Honduras have been wiped out, in the face of heavily subsidized US grain. And even for consumers in Honduras, especially the poor, the price of rice has increased and is vulnerable to violent fluctuations. (Oxfam, 2004)

Not surprisingly, the heightening of food insecurity as a result of CAFTA among those who are already least prepared for the onslaught of US agriculture, is another major concern. Furthermore, the introduction of dangerous foods and chemical-intensive agricultural varieties of food crops raise the risk of environmental damage and health hazards.

In a collective paper produced by groups of women and men from Central and North America, CAFTA is described as "the nail in the coffin of traditional agriculture in Central America." (Bloque Popular Centroamericano et. al, "Why we say No to CAFTA—Analysis of the Official Text," March 2004, http://www.art-us.org/index.html)

Lessons for small farmers in Asia

The previous sections have given us a number of key lessons with regard to the design, intent, actual practice and impact of US FTAs on the agricultural sector and small producers in developing countries. Among the key lessons learned are as follows:

1. US FTAs will not hinder the continued support by the US of its farmers and agribusiness corporations through subsidies.

2. US FTAs formalize and reinforce the US practice of dumping its highly subsidized agricultural surplus onto third world markets.

3. What little (and generally illusory) protection developing country governments can secure for their farmers in the FTAs is no use if they choose not to implement or enforce them.

4. Corollarily, corporate gain tends to be preferred over the welfare of small producers, whether in the US or in its developing country partners. In other words, if a big corporation or an influential business interest stands to gain from the failure of a developing country to utilize the protection it has secured in the FTA for its farmers, the likelihood is that the government will abandon such protection.

5. The US government will continue to protect its market, notwithstanding its free trade rhetoric and its internationally binding commitments in its FTAs to open its own markets to its "free" trade partners.

6. The US FTA does not recognize poor farmers as the bearers of their country's rich cultural heritage, or as key holders of intellectual property and indigenous knowledge.

7. The US FTA is about more than trade. "In U.S. FTA negotiations, everything—trade being often a minor issue—is on the table, whether explicitly or implicitly." (Laura Carlsen, 19 September 2005) And there is nothing "free" about it. The concessions developing countries are compelled to make in exchange for access to the US markets are much more than the benefits they could possibly earn from the FTA. In the final analysis, the FTA is about supporting corporate global integration and sustaining domination of world markets and production by a few corporate global giants.

8. The rural sector's abilityto nurture and feed its own people and to provide key inputs for industry (fiber for textile and garments, corn for processed cereals and animal feeds, sugar and

barley for beverage manufacturing, etc.) is being severely hampered by the FTAs. This results in a growing dysfunction between production and consumption, resulting in food insecurity for both consumers and producers, high jobless rates in the industrial sector, unabated poverty in the agricultural sector, and a growing reliance on incomes earned by relatives who have migrated abroad.

9. The US model of chemical-intensive and biologically harmful agriculture, if allowed by the FTAs to be more widely propagated throughout the world, may contribute further to the degradation of the environment in third world countries and pose greater health risks to consumers everywhere.

10. The experience of Mexico in NAFTA has shown that the actual benefits tend to be much less than what had been promised prior to the passage of NAFTA. The benefits also tend to be more narrowly confined to a particular sector, class, locality, and time frame. In short they are less widespread than originally claimed. On the other hand, the real costs to Mexico's economy, social fabric, environment and culture, tend to outweigh whatever benefits have actually been bestowed on Mexico through NAFTA.

Of all the FTAs compared in this study, mention is made of only one country—El Salvador—where non-government, non-business groups were given "side-room status" during the negotiations. However, the proposals of these groups were "consistently squelched either by the negotiating teams of their own governments or U.S. refusals." (Laura Carlsen, "The Price of Going to Market," International Relations Center, 19 September 2005, www.americaspolicy.org)

Protest and Resistance in Thailand

"IPR and agricultural market access is a threat to small-scale farmers. Both would be perfect tools for the US to use to control the Thai agricultural sector. An IPR system, with patents at its core, would force Thai farmers to buy seeds from US firms every year and market access would lead them to control the price of produce." — Ubon Yuuwaa of the Alternative Agricultural Network (*The Nation*, 9 January 2006)

"The lesson from the Thai-China FTA is that we can't let the agreement with the US, which is richer and more powerful than China, go through. Since the agreement with China, I have been unable to sell garlic produce because imports from China are cheaper. The FTA might be good for some people, but for small-scale farmers like me it's a death sentence." — Prayad Mongkolthep, garlic farmer from Chaiya Prakan district, Chiang Mai, northern Thailand (*The Nation*, 9 January 2006)

"We hope the [Thai] government will not sell the lives of people across the entire country in return for the interests of some groups.'' — Senator John Ungpakorn (*The Nation*, 12 January 2006)

"The FTA (free-trade agreement) with the United States is not fair for Thai people. Only the United States will get benefits out of this deal." — Witoon Liamchamroon, director, Biodiversity and Community Rights Action, Thailand (Biothai) and member, FTA Watch (Reuters, 9 January 2006, http://www.focusweb.org/content/view/805/36/)

Negotiations between Thailand and the US officially began on 19 October 2003. Six rounds of negotiations have taken place between the governments of both countries. In the notification letter sent to the US Congress on 12 February 2004, then US Trade Representative Robert Zoellick stated that an agreement with Thailand would particularly benefit US agricultural producers. A U.S.-Thai FTA Business Coalition was formally launched in March 2004, made up of about 100 US companies interested in a Thai-US FTA. The US ASEAN Business Council and the National Association of Manufacturing (NAM) act as the secretariat to this business coalition. At the launching of this business lobby group, NAM vice president Frank Vargo said that with the removal of tariff and non-tariff barriers in Thailand, opportunities for US manufacturers to reach Thailand's growing consumers and industrial base would promote US exports. Furthermore, "a successful accord here will also pave the way for further opening in other Association of South East Asian Nations (ASEAN) members." ("US Thailand FTA Business Coalition Official Rollout Takes Place in the US Capitol," 23 March 2004, http://www.us-asean.org/Press_Releases/2004/us-thai-fta_coalition.htm)

Among the members of this American lobby group are the American Forest and Paper Association, Cargill, the Corn Refiners Association, the Coalition of Service Industries, the National Pork Producers Council, Starbucks Coffee, the Grocery Manufacturers of America, and the Pharmaceutical Research and Manufacturers of America (PhRMA). (http://www.us-asean.org/us-thai-fta)

The sixth round of FTA negotiations took place in Chiang Mai, northern Thailand, in January 2006. These were marked by loud and angry protests involving nearly 10,000 Thai citizens from all walks of life. Farmers, HIV/Aids victims and workers comprised the largest segments of protestors. The mobilizations succeeded in temporarily disrupting the trade talks and forcing the negotiators to move to another site 20 kilometers away. (*The Nation*, 10-15 January 2006)

Thai groups opposed to the FTA with the United States see it as a threat to the life and livelihood of Thai farmers, the further marginalization and weakening of people with HIV/Aids, and the destruction of the path to communities' sufficiency economy. They are concerned that US multinational companies will take control of vital industries such as seeds and drugs/health service provision, and even public services like water provision, and thereby endanger their social, economic and cultural life. They are against the entry and widespread use of GMO in agriculture as well as the use of intellectual property rights to enable US multinational companies to charge higher prices for drugs, seeds and related products.

They also observe that, in the push for an FTA with the US, the Thai government has employed a process that is "plagued with conflicts of interest and a lack of transparency." This process thoroughly excludes those citizens who would be adversely affected by the FTA with the US, and has failed to give any opportunity for meaningful participation to the affected sectors. Furthermore, the Thai government has completely ignored the constitutionally mandated Parliamentary approval process in forging such agreements. Nor has it drawn lessons, apparent to hundreds of thousands of Thai fruit and vegetable farmers, from the Thailand-China FTA.

The demands of the Thai NGOs, activists and farmers are as follows:

- Immediately halt all FTA negotiations until "reforms are instituted to ensure transparency and public participation in the negotiation process." (Jakkrit Kuanpoth et al, *Free Trade Agreements and Their Impact on Developing Countries: The Thai Experience*, Bangkok: FTA Watch, 2005, p. 218)

- Exclude IPRs in any FTA or other trade negotiations or agreements.

- Conduct detailed inter-disciplinarian studies on the effects of all proposed trade liberalization measures on each sector of the economy, including overall impact on economy, society, culture, environment and sovereignty.

- Publicly disclose results of studies as well as government negotiating positions, and conduct public hearings on these, reaching out to all stakeholders in all regions of the country.

- Submit to Parliament at least 90 days prior to negotiations the negotiation framework and maximum negotiating positions that reflect the research results and public responses.

- Create a legislative committee to monitor closely the negotiation process.

- Institute a mechanism to ensure that the public, not just the business sector, has access to information and the opportunity to express opinions at all stages of the negotiations.

- Submit results of negotiations to both houses of Congress for approval at least 90 days prior to signing of the agreement.

- Make available all documents in Thai.

- Legislate an international economic negotiations bill to regulate negotiations on the basis of information, transparency and public participation as described above.

Forty-one groups from Asia, Africa, Europe and America issued a solidarity statement to coincide with the Thai people's protests against the US-Thai FTA in January 2006. The groups called on the US government to "suspend negotiations on intellectual property rights and that it drop all intellectual property provisions affecting access to pharmaceutical products, specifically all TRIPS-plus terms, in the Thai FTA and in other FTAs as well." The groups also demanded the public disclosure of the proposed text for the entire FTA with Thailand, and that the Thai people be given ample time "to hold public consultations on the proposed agreement." (50 Years is Enough Network et al, "International NGO Solidarity Statement: US-Thai Free Trade Negotiations Threaten Access to Medicines," 9 January 2006, http://www.bilaterals.org/article.php3?id_article=3512)

In late January and February of this year a copy of the proposed chapter on IPRs submitted by the US to Thailand during the sixth round of negotiations was posted in the website of bilaterals.org. The latter describes itself as "a collective effort to share information and stimulate cooperation against bilateral trade and investment agreements that are opening countries to the deepest forms of penetration by transnational corporations." (www.bilaterals.org) A review of the proposed text posted in this website confirms the fears of Thai environmental, health and farmers groups.

As in the US FTAs with Singapore, Chile and CAFTA, the proposed text on IPRs in the US-Thai FTA will effectively extend patent terms particularly for drugs and agro-chemicals, allow the patenting of plant and animal varieties and 'inventions', restrict the use in Thailand of generic drugs, compel Thailand to accede to the UPOV convention and disregard its own laws and Constitution protecting Thailand's plant varieties, animals and local wisdoms from "biopiracy".

The network FTA Watch, which has opposed the Thai-US FTA, has warned that a "catastrophe" would arise from the US proposal on Intellectual Property Rights. It stressed the need to stop the negotiations and called for vigilance on the part of the public to closely watch the process and prevent amendments to existing Thai laws that might be surreptitiously passed. FTA Watch is particularly concerned that the US proposed text on IPRs would ruin Thailand's public health care system and result in the biopiracy of Thailand's rich biodiversity amounting to trillions of baht. (FTA Watch, "FTA Watch adamant Thailand-US FTA must be stopped," 9 February 2006, http://www.bilaterals.org/article.php3?id_article=3772)

Indonesia and Philippines' Concerns

At present, no FTA negotiations have been launched or are formally in place between the US and two other ASEAN members, Indonesia and the Philippines. In fact, the US has more recently indicated it was in talks with South Korea and Malaysia towards the negotiation of FTAs with each of these countries. However, feasibility studies are already being conducted in both Indonesia and the Philippines for an FTA with the United States. In Indonesia, the Center for Strategic and International Studies, based in Jakarta, is preparing a cost-benefit analysis of an Indonesia-US FTA, intended primarily to advise the Indonesian Ministry of Trade. In the Philippines, it is the Philippine Institute for Development Studies, attached to the National Economic and Development Authority, which is coordinating and conducting a similar research.

Both countries are strategic to US geo-political concerns in the ASEAN region. At the same time, IPRs and enforcing IPRs in both countries is of major concern to the US government.

Both countries have also had to liberalize their economies as part of IMF conditions. Indonesia, which had traditionally protected its economy, was compelled to change its policies at the height of the Asian currency crisis, which deeply affected Indonesia. Sugar, soy and rice now enjoy lower tariffs in Indonesia. However, the Indonesian government remains ambivalent to the neoliberal agenda of trade liberalization, deregulation and the like, preferring to take a pragmatic attitude towards these.

In contrast, economic policymakers in the Philippines have wholeheartedly embraced said agenda for more than two decades, although without the supposed accompanying benefits to the economy, which now lags behind many of its Asian neighbors. Given the extent of liberalization in the Philippines, one is even inclined to believe that an FTA with the US would not be necessary for US companies like Monsanto to operate freely in the country. For one, Monsanto has been able to secure approval of four of its GMO varieties from the Philippine Department of Agriculture's Bureau of Plant Industry. Monsanto is in fact cited in the website of this department for, among others, having developed glyphosate (tradename: POWER), a special herbicide which the Department of Agriculture says is "ideal" for the eradication of weeds and stubbles. (Department of Agriculture, "9 Basic Steps Toward a Bountiful Corn Harvest," 1999, http://www.da.gov.ph/9%20Steps/annex2.html)

Nor would it be unusual in the Philippines for an agriculture official, rather than Monsanto itself, to announce the company's plan to commercially produce a new variety of genetically engineered corn. (Beverly T. Natividad, "Monsanto to produce new genetically modified corn variety," *BusinessWorld*, 31 October 2005, http://codex.bworldonline.com/php new_webget.php?htm=0505103106.htm&uid=fssiorg) With the Philippine government so readily speaking on behalf of a US corporation absent an FTA with the US, one wonders whether an FTA would be at all necessary.

Should an FTA proceed between Indonesia and the US, analysts in Indonesia expect the first "line of attack" of the US would be Indonesia's IPR regime. Eventually, too, agriculture would be targeted, in which case farmers could be hurt by the influx of US agricultural produce and inputs. Although agriculture contributes about 16 percent to 17 percent of Indonesia's gross domestic product, half of the country's workforce is still in agriculture, as are majority of the poor.

A free trade agreement between the Philippines and the US is considered a treaty, and would therefore require approval by a two-thirds vote of the Philippine Senate. At present a conflict exists between the Senate and President Gloria Arroyo, after the Senate began investigating allegations that the President and her family regularly receive payoffs from illegal gambling, and after recordings of tapped phone conversations of an election commissioner with government officials—including the President herself—were made available to the opposition and the media. To add to the current political turmoil in the Philippines, women's groups have called on the Philippine government to revoke the Philippines-US Visiting Forces Agreement after a Filipina filed rape charges against US soldiers who were in the Philippines for joint military exercises with the Armed Forces of the Philippines. The refusal of the US embassy to turn over custody of the accused servicemen to Philippine authorities has only reinforced the perception that the bilateral military agreement between the Philippines and the United States is disadvantageous to Filipinos, especially women. These factors, plus the pending negotiations with Japan for an economic partnership agreement (EPA, similar to FTA), make it highly unlikely for the Philippines and the US to enter into an FTA in the near future.

The scenario could change, however, if the US-Thai FTA were approved and signed. The Philippines may be compelled to enter into negotiations with the US for a free trade agreement if only to try and put the country on the same competitive footing as Thailand vis-à-vis the United States. So even if the Philippine government were not strongly in favor of an FTA with the US, the "domino effect" of a Thai-US FTA might draw the Philippines to the negotiating table. It is in this sense that the outcome of the FTA negotiations between Thailand and the US will shape the course of US FTAs with Indonesia and the Philippines.

Conclusions and Policy Recommendations

Farmers groups in Asia, not just in Thailand, have every reason to worry about a Thai-US FTA, as this may set the ball rolling for a round of FTA negotiations in their own countries that will have dire consequences on their already threatened livelihood, traditions and culture, and the social fabric of their communities.

Many fair trade experts and advocates have offered policy prescriptions to make agricultural trade more responsive to the needs of small producers and communities around the world. Among the suggestions that bear repeating are as follows:

- A major rethinking of the global agrifood chain is in order. The dominant mode being pushed by the US and Europe does little to benefit small producers and health-conscious consumers. Through bilateral FTAs and multilateral agreements this dominant mode of agricultural production, trading and retailing is deepening poverty and inequalities within and across countries. This is undesirable as well as unsustainable. A new framework can be built on the proposal to "go local on a global scale," launched by the Institute for Food and Development Policy in the US in 2005.

- People, and not giant agribusiness corporations, must be at the core of a new framework of agricultural production, trade and food consumption. This framework must be pushed not only at the local and national levels, but in regional and multilateral levels as well.

- The food security and sustainability of small farmers must be the primary target of all local, national, regional and multilateral trade programs and agreements.

- We need to put development concerns back on the national and international agenda of states, ahead of trade and liberalization. Trade should serve development objectives, and not vice versa. A coherent, sustainable and equitable national development plan that builds on stronger linkages between the various sectors of the economy, and that builds local food systems to meet the needs of both producers and consumers, should take precedence over any trade program.

- Efforts to articulate a new framework for agricultural production and trade must be accompanied by an action plan to set this framework into motion and operationalize it. Furthermore, the latter will also need a program to address the current inequalities within and across countries, and mechanisms to call global agribusiness corporations to account for whatever harm they have done to environments and communities. Elements of such an action plan could include, among others: a ban on agricultural dumping, reform of food aid, the regulation of market concentration, greater transparency in commodity markets and trading, and in all trade negotiations, reform of existing rules to allow greater flexibility on the part of developing country governments to adapt trade to their national development plans.

In this regard, it may be useful for organizations of Asian farmers, activists and NGOs to institute a process through which they can make their unique contribution to the global effort of peoples' movements to formulate a new common framework for agricultural production, trade, and food consumption. They can then work to have this adopted in their respective communities and countries, as well as in regional and multilateral venues.

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