

AUSFTA as Free Trade Imperialism

The Regionalisation of all Australia

CHRISTOPHER LLOYD explains the implications of the free trade agreement for Australia.

Free trade imperialism

AUSTRALIANS should be as much concerned about the social, cultural, and geopolitical consequences of Howard's 'free trade' agreement with the US as the economic ones. In the famous phrase from Hegel, history repeats itself: the first time as tragedy, the second time as farce. In Australia's case the tragedy was 1941-45 when we were required to seek American help to defend ourselves from a real threat of invasion. The farce is John Howard's attempt to make out that the world crisis since 2001 is a re-run of history requiring us to sell our sovereignty over economic, socio-cultural, and geopolitical policies to Uncle George for a small, even illusory, slice of American pie and the illusory protection of the 101st Airborne.

As Ross Garnaut and Bill Carmichael, John Quiggin, Philippa Dee, and many others, have argued recently in submissions or reports to the Senate enquiry, the AUSFTA is economically of little benefit to Australia. Even the US International Trade Commission says the gains from removing tariffs are very small. Moreover, the Agreement fails to meet even the most basic requirement of free trade theory – the principle of comparative advantage, which states that

countries should specialise on what they do best and then trade for the other things. Australia's comparative advantage is in agriculture but the US is not opening its agricultural markets. Conversely, we are opening or long ago opened our manufacturing, financial, and audio/visual markets and have agreed to weaken our intellectual property protections. Without agricultural access to the US the benefits are largely to America's advantage. Why did the government agree to such a deal? We have to look to the geopolitical, cultural, and social areas for the answer.

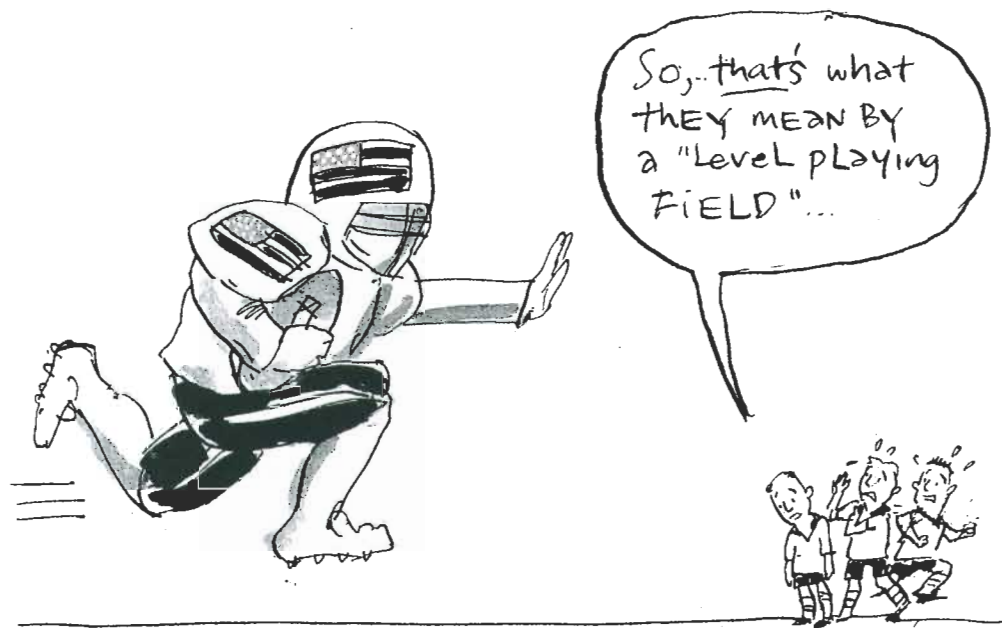
Culturally and socially the deal seems to me much worse than worthless, but, to those of a certain neo-liberal, subservient, globally fearful and pro-American mindset, it serves as the Trojan Horse of so-called institutional integration. The real agenda, then, is deeper and more worrying than merely 'free trade'.

We have to see these kinds of unequal 'agreements' in the light of salutary historical experiences in worlds where empires are trying to dominate their colonies. For example, until the mid-19th century India had been one of the greatest centres of cotton textile manufacturing. The rise of Britain's industrialised textile industries and the imposition of British rule upon India, especially after the defeat of the Indian Revolt of 1857, largely

destroyed India's textile industry and thereby severely wounded (using Naipaul's word) its society and civilisation. The colonial government of India was prevented by Westminster from protecting the struggling Indian industry so that it could adjust and rebuild. It was said that the bleaching bones of the textile workers covered the plains of Northern India. The Indian market for British textiles was too lucrative for the British government to allow a nationalist economic policy within their subject colony.

This is one of the most notorious examples of free trade imperialism. This is the process of forcing open the markets of certain backward or colonised regions and countries so that firms and sectors of metropolitan industries can have free market access, knowing full well that the industries of the colonies cannot compete. Similar cases occurred with the Dutch impact on Java, the British opium trade in China, and there are many others. All of these were justified by the 'theoretically irrefutable' doctrine of 'free trade' and the 'progressive necessity' of its imposition around the world. The colonised peoples of the world know all about the 'necessity' of 'free trade'.

But the debate must move on while bearing this history in mind. Today in Australia the debate about AUSFTA should not be about 'free trade' versus a lingering desire for an



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'old-style' protectionist policy, such as was needed to stop the destruction of India's manufacturing; or of the kind that was successful in aiding the industrialisation of the USA and Australia behind their walls of tariffs in the late 19th and early 20th centuries. Nor is it about the desire for a 'new style' industrial policy using subtler forms of protection to industrialise rapidly, such as Japan and many other successfully developed Asian countries are using today. It is not even about a nationalistic social and cultural policy to keep the dreaded globalisation at bay. No, it should be about the effects of the imposition of 'free trade' within a new kind of less visible but just as powerful one-way imperialistic context, and about how Australia can possibly survive as an independent culture and society in order to play an important role within a genuinely (rather than a highly distorted) globalising world in the future. That world will be Asia-Pacific centred rather than America-centred but where will we be centred? On the Atlantic coast of North America as the 51st state?

Australia is Americanising, not Globalising

Globalisation is a misnomer. What in the early 90s looked like being an emerging new multipolar, multilateral global regime, centred on the UN and other globally cooperative economic

arrangements, is being overtaken by the struggle between American hegemonic designs and nationalist resistances. It's not a globalising world; it's more an incoherent (in Michael Mann's term) Americanising world. Even *The Economist* is now calling it the American 'empire' and Nobel-prize-winning economist Joseph Stiglitz refers to the argument that American economic power is today's equivalent of the old gunboat diplomacy. America's economic power is very great and though its military dominance and so-called soft power (*a la* Joseph Nye) are waning, partly as a consequence of Middle East policy, the big danger to Australia is that American social norms and culture (soft power) come as a non-optional extra in train with economic power.

American culture is centred on an extreme model of competitive individualism and inequality within both social life and the exploitative capitalist enterprise, such as Wal-Mart, that concedes nothing to the quality of working life or standard of living or social solidarity of its workforce. This is a model somewhat different from the Australian tradition and one that is already threatening to sweep away more than a century of Australia's evolution of the historic compromise between capital, labour, and social equality. The AUSFTA will speed up this transformation of the distinctive Australian capitalism into an outpost

of American capitalism.

America's dominance is unprecedented in history. The clear vision of the Bush regime, to which the Blair and Howard governments have submitted, is global supremacy rather than global democracy, global diversity, and global solutions. The trajectory of American capitalism and geopolitics since the mid-90s, speeding up after the election of Bush and 9/11, has been towards uniformity and dominance – either for us or against us and we will decide what goes on in the world. This is an imperialistic vision, which has produced its own blowbacks of course. The AUSFTA has to be understood squarely within this context and we have to ask, therefore: will we be a better society if, because of it, we are more Americanised?

True globalisation would see a diffusion of power to a multiplicity of centres and possibilities. The optimistic hope of globalisation sees it as a mosaic of more or less equal cultures and polities, which would jostle and negotiate peacefully with each other for mutual benefit within truly global institutions that are not controlled by a few big powers. Multilateral global cooperation was to be the system after the bipolarity of the Cold War. A global trading system was to be negotiated globally and would have centred on the willingness of the rich countries >

to open their markets, to genuinely assist the global poor, and to cooperate in mutually beneficial global solutions to global economic-environmental interactions. That vision died with the birth of the WTO as the unmasked instrument of the global domination of the capitalist core states. Their refusal to begin to level the playing field revealed the true agenda of their vision for globalisation.

The true corporate context of the AUSFTA

A fundamental law of free-market, capitalist economies is the constantly increasing scale of businesses, usually via takeovers. The big gobble up the little and the medium size merge with each other. It has been thus during the past century and more, ever since the joint-stock company and stock markets came to be the dominant business form in the 19th century. Of course there are exceptions but they tend to prove the rule. Take-overs are the route to greater market power as well as shareholder short-term gains in the American model of the business enterprise.

Corporations do not really enjoy true competition, they prefer market dominance. The building or retaining of market power through size and market share is the name of the game. Ask Qantas, Telstra and News Limited. And the size of the domestic market has largely determined the average size of firms. Small, isolated economies like Australia have relatively small firms. Small but not isolated economies like The Netherlands and Sweden can have large firms.

These realities of the free enterprise economy give the clue to the true, underlying short-term nature of the AUSFTA, which is the enrichment of large shareholders through the wholesale throwing of Australian shares onto the American market. What is euphemistically called 'economic integration' is in fact economic takeover.

The FTA reflects the basic nature of capitalism today – the total dominance of finance (especially

funds management), with its very short-term and materialistic outlook, over production and social relations and culture. To pretend otherwise, to believe that the opening of markets between the two countries (as if that could ever really be achieved given all the political, institutional, and geographical barriers) will somehow lead to Australian firms and employees on the whole and on average being better off is naive at best. Of course a few firms and individuals will thrive, if they're big enough or nimble enough to withstand or use the new rules of the game, but most will not. Some will migrate to the US, *a la* News Limited.

Thus the biggest danger to Australian firms is the lifting of the foreign takeover threshold away from FIRB scrutiny. And in the present climate even the FIRB will not save some of the big banks from foreign predators or many of the large resource or service firms either. The big ones are political decisions and the Washington pressure on those decisions will be immense.

Australia is already one of the most foreign-owned economies in the world. The long-term consequence of the AUSFTA is the almost complete take-over of many sectors of the Australian economy by large American corporations. How could it be otherwise? How can it be pretended that without so-called 'national interest' considerations firms up to \$800 million in value can survive when their American counterparts are \$8 billion in size, looking to expand their ownership and market share into Australia and the Asia-Pacific? Why would Australian shareholders, especially funds managers, in these Australian firms not sell out when the big Americans come with their attractive offers? The power of capital on each side is very unequal.

The economic regionalisation of Australia and its consequences

Thus the Australian economy will in effect become a region of the US

economy, very like another state. Is that what was envisaged by the FTA negotiators? Of course they must know it will happen but haven't said so. And they haven't said what happens to regions within certain developed economies if they are starved of investment and entrepreneurial dynamism, and out-competed in their own markets – they whither.

The geographical distribution of production is greatly affected by regionalisation. If profits are not retained locally investment can dry up. Head offices can die, leaving only branches behind. Employment declines. Australian internal regions know all about that. This has been going on around the world for more than a century. There are numerous examples within all advanced countries and within all the European empires of the late 19th and early 20th centuries. Does it matter? I think so.

It isn't until local states and regions have the power and will to intervene constructively and actively to develop their local economies and protect their local cultures that development actually occurs. There is not a single example from the whole world of economic development over the past two centuries (and continuing today) of a successful process of economic development that was achieved without state protection and assistance. Singapore, India, and China know very well the truth of this today. And the same goes for regions within nations, as the economic history of Tasmania and its present situation attests. State-assisted development is the story of the economic history of the world. But this does not mean simply a return to the distortions of old protection. State-assistance can take many forms, including protecting cultural and social integrity, the necessary foundations of economic confidence. It's one reason why some parts of the EU are thriving today. Cultural confidence is essential to economic prosperity and social harmony and will be more important in the

globalised future.

Firms, sectors, regions, states, cultures are not equal in efficiency, degree of development, market power, or cultural strength. There is no such thing as a genuinely level playing field. There is only a spectrum of power from strong to weak. The inefficient American farmers know this very well so they save themselves through the nationalistic political process. The protection of agriculture in most rich countries is a disaster for poor countries but it's a reality of distorted globalisation when bilateralism tilts the playing field.

Thus just as we do not have an Australian-owned car firm, soon, under the FTA, we will not have many Australian owned and based component firms either. Or pharmaceutical companies, or transport companies, or food processors, or packagers, or civil engineering firms, or The list could be very long. Those that survive as independent Australian firms will do so largely due to the erosion and cheapening of labour conditions and costs. The AUSFTA chapter on labour regulation does virtually nothing to protect Australian working conditions.

Economic colonisation means cultural colonisation

Does it matter if the Australian national capitalism goes and the economy becomes an American region? And that Australian culture will be even more threatened? Or are these inevitable consequences of the long march of global capitalism over the past two centuries?

In fact we are not seeing the emergence of a global culture, which would be a genuine hybrid allowing local variations. We are witnessing the development of a monoculture because local cultures are dying. This has always been the consequence of imperialism, ever since the ancient world. A good example is the disappearance of almost all non-Arabic languages and almost all pre-Islamic religions

across the whole of the present-Arabic-speaking Middle East and North Africa consequent upon the Arab imperial construction.

If you want an example of a foreign region that has become an American economic region and then an American cultural region, look at the Canadian state of Alberta. And the case of New Zealand is also instructive – it has steadily become an economic and cultural region of Australia. There are almost no New Zealand-owned corporations of any size left, such as banks, media companies, or manufacturing firms. Cultural autonomy, represented by sport and television, has been eroded. The New Zealand film industry, like Australia's, is rarely reflecting national culture.

Already the autonomy of Australian culture is eroding from the bottom up as children adopt American modes of speech and cultural tropes because of the vast weight and power of American popular culture. Our commercial networks, cinema studios, and cinema chains are offshoots of Hollywood's childlike view of the world. As an English-language culture we are already very vulnerable. But we still have some strong elements of a distinctive culture and social system that can be saved with the right policies.

Can anybody truly show that AUSFTA is going to lead to greater cultural integrity, greater social equality, and greater social cohesion, or even just greater employment? Economic unions of already similar cultural and economic zones or states or regions within the present global communications environment, must inevitably lead to cultural and social hegemony, certainly if local culture is not actively protected. Is AUSFTA the final nail in the coffin of a socially democratic and culturally distinctive Australia?

Can we sustain national autonomy and integrity under Americanisation?

The socialisation of basic necessities such as health care, education, justice, welfare, and information are

fundamental to a democratic, cohesive and fair society. America lacks most of these basic prerequisites and so is no model for us to emulate or be corralled into. Even George Soros argues for a better public broadcasting system in America. Under the fully marketised rather than interventionist state that AUSFTA represents, the holding on to vestiges of social provision, cultural and intellectual diversity, and our independence is largely illusionary. Americanisation will make us a worse society.

The PBS, Medicare, public hospitals, social welfare, TV content rules, media foreign-ownership rules, autonomy of ABC and SBS, are at best public sector stopgaps unless defended and resurrected. They are eroding and becoming inadequate as the basis of a fair society. Minimally this must also include active labour market programs to solve the fundamental failure of the marketised state to overcome the real levels of unemployment. Pressure will mount and a future government could 'bargain' all these away because of inducements or arm-twisting by powerful corporate interests based in the US and wanting even greater 'market penetration'. The process has already started.

The Howard government has already sold out on economic and geopolitical policies, which are now made in Washington. Workplace, social, and health policy are going. Are culture and education soon to follow?

National and local identity and integrity is becoming the big issue in the present so-called globalising world. This is a big test for social democrats, in Australia as elsewhere. The Conservatives long ago derided even the test itself and the Third Way noises emanating from Mr Latham are not all comforting, but hopefully he's beginning to see the picture.

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