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(No content from Human Trafficking Network this month)

THE TPP IS DEAD: A CANADIAN PERSPECTIVE

In November we published an Australian analysis of President Trump's policy to withdraw from the TPP. This is a Canadian response both similar and different..

On his first working day in office, President Donald Trump fulfilled a long-standing campaign promise to withdraw the USA from the Trans-Pacific Partnership (TPP) trade agreement. The deal is now dead in the water. Because of the way the TPP was written, it cannot come into force without the USA. What does this mean for Canada?

There are plenty of reasons to fear the new Trump administration, but the death of the TPP isn't one of them. Had it come into force, the TPP would have threatened public services, increased the cost of prescription drugs, hobbled the open internet and weakened efforts to combat climate change.

The 12-country agreement would have provided few, if any, notable economic benefits for Canadian exporters or workers: Canadian businesses already have extensive duty-free access to TPP countries through the World Trade Organisation and other free trade agreements. And even the most optimistic government forecasts predicted only a tiny boost to economic growth from the deal. Independent studies by, for example, the Global Development and Environment Institute at Tufts University predicted that the TPP would lead to negligible or negative economic growth, not to mention net job losses and wage suppression.

Though the demise of the TPP is a victory for the workers, environmentalists and social justice activists who fought the deal over the

past decade, we now face a new test in Trump's disruption of the global trading order.

First, the most problematic elements of the TPP are likely to resurface in future trade negotiations. The Trump administration has already said it will pursue bilateral trade agreements with all TPP members. In most cases, this will give US negotiators the stronger hand to push for even more concessions than former President Obama was able to achieve for powerful US corporate interests in the TPP. In Canada, we have every reason to worry. Trump will use a promised renegotiation of the North American Free Trade Agreement (NAFTA) to demand enhanced intellectual property rights for pharmaceutical corporations, weakened foreign ownership controls in strategic sectors and an end to the supply system that ensures Canadian dairy, poultry and egg farmers earn a fair income. The USA made these and other demands of Canada during the TPP negotiations and the Stephen Harper government gave way in many cases.

The second challenge is the way Trump has co-opted the progressive critique of free trade. Despite his surface-level objections to the unjust impacts of globalisation, Trump is no ally to the workers, immigrants, indigenous peoples, women and others most negatively affected by free trade deals. Trump despises environmentalists, who have been among the TPP's fiercest opponents, with their demands for action on climate change and an end to the fossil fuel economy.

Trump's solution is to build walls, physically along the USA - Mexico border, and legally with huge tariffs on imports. Our answers

must be grounded in equality and sustainability. The world needs a new global deal for responsible, cooperative development.

Meanwhile, Canada is pushing ahead with a global TPP-style deal on services (TiSA), a new free trade agreement with China and internationalisation of NAFTA's controversial investor-state dispute settlement process, which allows corporations to sue governments

for compensation when new legislation or policies affect their investments.

The TPP in its current form is dead. But the watchword is vigilance: the corporate project embodied by the TPP lives on.

Source: Hadrian Mertins-Kirkwood, Canadian Centre for Policy Alternatives, February 2, 2017. Slightly edited by Mary Boyd

AID IN REVERSE – HOW POOR COUNTRIES DEVELOP RICH COUNTRIES

The world givers are more like takers. There is an illusion that the rich nations give generously to the poorer nations of the 'global south', to help them eradicate poverty and push them up the development ladder. They give more than US\$125 billion in aid each year.

The US-based Global Financial Integrity (GFI) and the Centre for Applied Research at the Norwegian School of Economics tallied up all the financial resources that get transferred between rich countries and poor countries each year: not just aid, foreign investment and trade flows (as previous studies have done) but also transfers such as debt cancellation, workers' remittances, and unrecorded capital flight – probably the most comprehensive assessment of resource transfers ever undertaken. The flow of money from rich countries to poor countries pales in comparison to the flow that runs in the other direction.

In 2012, the last year of recorded data, developing countries received a total of US \$1.3 trillion, including all aid, investment and income from abroad. But in the same year, some US\$3.3 trillion flowed out of them. Developing countries sent US\$2 trillion more to the rest of the world than they received.

If we look at all years since 1980, these net outflows add up to a total of US\$16.3 trillion, roughly the Gross Domestic Product (GDP) of the USA.

What this means is that aid is effectively flowing in reverse. Rich countries aren't developing poor countries, poor countries are developing rich ones.

These outflows from developing countries include payments on debt. Developing countries have paid US\$4.2 trillion in interest payments alone since 1980 – a direct cash transfer to big banks in New York and London on a scale that dwarfs the aid they received during the same period. The income that foreigners make on their investments in developing countries and send back home shifts a lot of money from the poorer to the rich. Other examples are the profits BP extracts from Nigeria's oil reserves or that Anglo-American extracts out of South Africa's gold mines.

The biggest chunk of outflows has to do with the flight of capital that goes unrecorded – and usually illegally. GFI calculates that developing countries have lost a total of US \$13.4 trillion through unrecorded capital flight since 1980. Most of the unrecorded outflows take place through the international trade system. Basically, corporations – foreign and domestic alike – report false prices on their trade invoices in order to spirit money out of developing countries directly to tax havens and secrecy jurisdictions, a practice known as trade 'mis-invoicing'. Usually the goal is to evade taxes, but sometimes this practice is used to launder money or avoid capital controls. In 2012, developing countries lost US\$700 billion through trade mis-invoicing, which outstripped aid receipts that year by a factor of 5.

Multinational companies also steal money from developing countries through 'same-invoice faking', ie, shifting profits illegally between their subsidiaries by faking trade invoice prices on both sides. For example, a

subsidiary in Nigeria might dodge local taxes by shifting money to a related subsidiary in the British Virgin Islands, where the tax rate is effectively zero and where stolen funds can't be traced. GFI estimates that fake-invoicing amounts to another US\$700 billion per year. And these figures only cover theft through trade in goods. Adding theft through trade in services to the mix brings total net resource outflows to about US\$3 trillion per year, or 24 times more than the aid budget. **For every \$1 of aid that developing countries receive, they lose \$24 in net outflows.**

Companies that lie on trade invoices are clearly at fault but it is easy for them to get away with it. Customs officials can no longer make it impossible to cheat by holding up transitions that look dodgy. Thanks to a 1994 WTO demand for efficiency, customs officers are required to accept invoiced prices at face value.

Illegal capital flight wouldn't be possible without more than 60 tax havens based in

places such as Luxembourg, Belgium, Delaware and Manhattan in the USA and London, which has by far the biggest network of tax havens.

These illegal and unethical practices are directly responsible for the maldistribution of resources around the world. The takers look like givers, granting them a kind of high ground, and prevents us, who really care about global poverty, from understanding how the system really works.

Poor countries need justice through: debt cancellation, closing down secrecy jurisdictions; penalising banks and accountants for facilitating illicit outflows and imposing a global minimum tax on corporate income to eliminate the incentive for corporations to secretly shift their money around the world.

Source: Jason Hickel, The Guardian, www.theguardian.com/global-development-professionals-network/, January 2017. Edited by M. Boyd.

TEN THINGS YOU NEED TO KNOW ABOUT TiSA

While global attention has been focused on other trade deals, such as the failed TPP, governments and corporations have been working hard to complete a **Trade in Services Agreement (TiSA)**. Negotiations have been shrouded in secrecy, but leaked documents show the efforts of these governments and corporations to push a **deregulation and privatisation agenda**. A deal could be reached in early 2017. Here's what you need to know.

1. It's massive, but excludes most low income countries

Mostly high income countries are involved in TiSA negotiations, meaning the deal will cover around 70% of global trade in services.¹ Emerging economies such as Brazil, India, China, Russia, and over 100 developing country members of the World Trade Organisation (WTO) are not included in making the rules, but would be pressured to join later.

¹ Countries involved are Australia, Canada, Chile, Colombia, Costa Rica, European Union (28 countries), Hong Kong, Iceland, Israel, Japan, South Korea, Liechtenstein, Mauritius, Mexico,

2. Negotiations are secret

TiSA negotiations are held behind closed doors, with very little public consultation and no public access to the negotiating texts. But corporate advisors representing global services companies have access to negotiators to push their deregulation and privatisation agenda.

3. Almost all services will be affected

TiSA could set rules affecting the provision of almost all services, including healthcare, education, water, telecommunications, postal services, aged care, child care, energy, retail and banking services. People use these every day. It's claimed that 'public services' are not included in the negotiations but TiSA's definition of a 'public service' is very ambiguous.

4. Deregulation is the aim

Instead of reducing tariffs on goods, TiSA aims to reduce government regulation on

New Zealand, Norway, Panama, Pakistan, Peru, Switzerland, Taiwan, Turkey, and USA.

services. It proposes to freeze regulation at current levels and reduce it over time. This suits the corporations, but not the peoples' needs. Many services require regulation to ensure that they are delivered safely and equitably. For example, in democratic societies like Australia, we expect government to ensure that everyone has access to services such as healthcare and education. As well, services such as electricity generation, water and transport require regulation to ensure people's access to these and to protect consumers. TiSA could prevent or limit future regulation needed to achieve these goals.

5. Hidden privatisation agenda

TiSA pushes for the privatisation of public services in many ways: through its ambiguous definition of what constitutes a 'public service'; by allowing greater access to services markets for global corporations; and through rules which will make reversing a decision to privatise almost impossible. Privatisation is a politically sensitive issue in Australia where, according to the Chair of the Australian Competition and Consumer Commission (ACCC), privatisation has often failed to deliver promised outcomes, has led to price rises for consumers and has damaged the economy. Any decision to privatise, or to reverse a privatisation, should be made through an open democratic process and should not be bound by rules made in secret trade negotiations.

6. Re-regulation not an option

TiSA would stop governments from putting stronger regulations in place in the future, limiting their ability to respond to future crises or changed circumstances. For example, if the TiSA had existed in 2008 at the time of the global financial crisis, it could have restricted government regulation of the financial sector. Another example is the deregulation of, and private tendering for, Australian vocational education services. Several companies engaged in fraudulent advertising, failed to provide courses to students and misused millions of government funds. If TiSA had already

been in force, it could have prevented the government from re-regulating the vocational education sector, because of provisions preventing future increases in regulation.

7. Race to the bottom on quality, safety, more temporary workers

TISA rules requiring that licensing, qualifications and service standards not be 'burdensome' could prevent future improvements in staffing and qualifications in services such as child care and aged care. TiSA also has provisions to increase the numbers of temporary foreign 'contractual service providers' without testing if local qualified workers are available. Studies show that these foreign workers are vulnerable to exploitation; and that wages and conditions in these areas of work are undermined.

8. Online privacy at risk

Governments could effectively lose their ability to protect their citizens' personal data through national laws. TiSA rules could bypass national privacy laws and enable personal data to be stored in countries which do not have effective privacy laws.

9. Limited regulation for future services

Trade agreements like the TiSA bind governments for decades, limiting their ability to respond to future challenges such as climate change, corporate tax evasion or another financial crisis. TISA could also prevent regulation of future new services - services which don't yet exist.

10. TiSA could be signed this year

Negotiators had aimed to finish TiSA negotiations in 2016. However, a November Ministerial Meeting was cancelled, in part due to concerns in the European Union (EU) about data privacy, market access and the regulation of new services. Nonetheless, negotiations are in their final stage and the new aim is to conclude the Agreement in early 2017.

Source: Australian Fair Trade and Investment Network (AFTINET), www.aftinet.org.au. Slightly edited by A Healey.

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