

**Submission on proposed New Zealand-China
Free Trade Agreement (FTA)**

Council for International Development (CID)

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1. The Council for International Development represents 64 New Zealand-based non-government organisations working in international development. Several of our member organisations support projects in China.

CID's policy on international trade and trade liberalisation

2. In 2003, CID produced a policy statement on international trade and trade liberalisation. This policy, which was developed through a process of discussion and consultation with our member organisations, established the framework of principles and analysis that CID uses for submissions on the New Zealand government's trade policies.
3. The following principles from CID's trade policy seem most relevant to the proposed New Zealand-China FTA:
 - International trade rules should promote sustainable development and poverty reduction in developing countries.
 - International trade should benefit the poorest sectors of society, including women, children, and people affected by discrimination or social exclusion.
 - Developing countries must retain the flexibility to employ a mix of policies appropriate to each country's circumstances and level of development, and should not be pressured into opening their markets. They require special and differential treatment within international trade rules if development goals are to be achieved.
 - Decisions by developing-country governments about all aspects of their trade policies should be made with the involvement of civil society (particularly the poorest sections of society), and trade negotiations should allow ample time for such involvement.
 - Food security must be given top priority, and must be protected in all trade rules and policies relating to agricultural exports and imports.
 - Investment in developing countries by transnational corporations can be complementary to, but cannot be a substitute for, the development of sustainable, locally-owned enterprises.
 - International trade must be environmentally sustainable.
 - International trade rules must not undermine human rights obligations or internationally-agreed labour standards.

Multilateral versus bilateral agreements

4. CID notes the statement in the information paper on the proposed FTA that trade liberalisation through the WTO remains New Zealand's primary

trade policy objective, but that bilateral trade agreements play an increasingly important role, and that such agreements can open up important new market access opportunities for New Zealand exporters.

5. CID's trade policy is very critical of the serious inequities that currently exist in the multilateral system governed by the World Trade Organisation. We will continue to urge the government to work for the elimination of these inequities. At the same time, we believe that a proliferation of bilateral agreements could put developing countries at an even greater disadvantage as they will lose the strength in numbers that they possess at the WTO. A trend towards bilateralism raises the prospect of some developing countries receiving more favourable treatment than others, and of developing countries being compelled to make major concessions in exchange for quite limited gains in access to developed-country markets.
6. CID urges the New Zealand government to focus on working for a fairer deal for developing countries in multilateral negotiations, rather than on negotiating bilateral agreements with developing countries.

Poverty in China

7. China has experienced spectacular economic growth, accompanied by a rapid reduction in the number of people living in poverty, in recent decades. These successes, however, mask growing inequality and the continued existence of extreme poverty in China. Many poorer households have faced a combination of declining incomes and increasing costs, due to factors such as the closure of state-owned enterprises, the introduction of user fees in health and education, and the end of the 'iron rice bowl' policies that guaranteed a livelihood for all. Such people are being left behind by China's economic boom.
8. While there are significant pockets of poverty in urban areas, overall there is a growing gap in incomes and living standards between urban and rural districts, and between coastal regions and the interior. Urban incomes are more than three times higher than those in rural areas, while the infant mortality rate among the rural population is 3.5 times higher than among people living in cities. The Chinese government recently admitted that the number of farmers living in poverty increased by 800,000 last year despite a 9% economic growth rate. This took the total number of people living in extreme poverty (less than 637 yuan per year, or about 32 New Zealand cents per day) to more than 85 million (one in eleven rural residents). Chronic poverty is concentrated in the western regions of China, and particularly affects ethnic minorities; households supporting older, sick or disabled people; orphaned and abandoned children; and people who have lost livelihoods due to economic restructuring or resettlement to make way for major infrastructure projects.¹

¹ Jonathan Watts, 'China Admits First Rise in Poverty since 1978', *Guardian*, 20 July 2004
<http://www.guardian.co.uk/china/story/0,7369,1264917,00.html>
Chronic Poverty Research Centre, *Chronic Poverty Report 2004-05*, pp. 87-88
www.chronicpoverty.org/pdfs/CPR1%20FINAL/CPRfinCH10.pdf

9. CID is concerned that the proposed FTA should not worsen the situation of the poor in rural areas. The livelihoods of some poor farmers may be threatened by competition from cheaper New Zealand imports. There could also be a threat to food security if Chinese farmers shift from production for the domestic market to export-oriented agriculture. Such a shift could lead to a decline in availability of nutritious and culturally-appropriate local foods and an increasing reliance on cheap but poor-quality imports.²
10. China is already reducing protection in the agriculture sector as a result of its accession to the WTO, and it may be unable to make further major reductions without seriously harming its rural population. The FTA with New Zealand will probably be the first such agreement negotiated between China and an OECD country, so it may provide a model for future agreements with other, more powerful developed countries. It is therefore important to ensure that it does not set a dangerous precedent.
11. CID believes that the joint study on the proposed FTA must specifically address the possible effects of the FTA on food security and on the livelihoods of poor farmers in all parts of China. Furthermore, if an FTA is negotiated, it must protect the right of the Chinese government to protect food security and to take steps to ensure that poor farmers are not further impoverished by competition from New Zealand agricultural products. We recognise that New Zealand and Chinese agricultural production may be complementary rather than competing with each other, but if so we would like to see this demonstrated in the study.

Labour rights

12. The question of linking labour standards and trade agreements is a controversial one, with many developing-country governments arguing that attempts to link the two are simply a form of protectionism by developed countries. While this is a legitimate concern, CID considers that the core labour rights identified in the ILO's Fundamental Principles and Rights at Work are basic human rights. Enforcement of these basic rights is not a luxury affordable only by rich countries, though developing countries may need assistance to build capacity in the application of labour laws. All countries must protect the right of workers to organise and bargain collectively, and the exercise of this right is essential to the achievement of improved working conditions.

² For an overview of some of the effects of trade liberalisation on food security and rural livelihoods in developing countries see Gauri Sreenivasan and Ricardo Grinspun, 'The Rural Poor and Food Security' (Canadian Council for International Cooperation, 'Global Trade/Global Poverty' series, paper 2), 2002 www.ccic.ca/e/docs/002_global_trade_paper_2.pdf

13. The Chinese government has persistently failed to respect core labour rights.³ It has ratified only three of the eight core ILO conventions that form the basis of the ILO Declaration on Fundamental Principles and Rights at Work. It has not ratified the conventions relating to the right to organise and bargain collectively, or the conventions prohibiting forced labour. The right of workers to form and join trade unions of their choice is not protected under Chinese law. Only unions that come under the umbrella of the Communist Party-controlled All-China Federation of Trade Unions are recognised by the government. The right to strike was removed from the Chinese constitution in 1982.
14. Any attempts by workers to organise independently are suppressed. Labour activists face arrest, and some are sentenced to forced labour or psychiatric detention. Dozens of labour activists are currently imprisoned in China, and such treatment acts as a deterrent to others. Likewise, the right to strike is not protected, and in practice strikes or other forms of collective protest by workers are not tolerated by the government. For example, when more than 5000 workers in the Nanchong city textile mill, in Sichuan province, went on strike in October 2003 over redundancy plans and wage arrears, regular and armed police were called in to break the strike and many workers were arrested.
15. In the absence of independent workers' organisations, workers have little bargaining power. Contracts are almost always drawn up by employers, and many workers have no formal contracts. This is especially true of workers in export processing zones, most of whom are women. Wages and working conditions are very poor in factories manufacturing electronics, garments and other products that are exported internationally.⁴
16. CID notes that the New Zealand government's 'Framework for Integrating Labour Standards and Trade Agreements' puts the core labour rights at the centre of the government's trade and labour policy. This framework states that the government sees bilateral trade agreements as an opportunity 'for dialogue and to co-operate on specific initiatives to improve employment outcomes'. The government prefers 'dialogue and consensus ... to penalties and sanctions as a way of making progress on labour standards issues'.⁵ CID supports the government's focus on core labour rights and on improving living standards and conditions of work in developing countries. We urge the New Zealand government to take a strong stand on promoting labour rights and standards as part of any negotiations for a New Zealand-China FTA.

³ For more information see International Confederation of Free Trade Unions, 'China, People's Republic of: Annual Survey of Violations of Trade Union Rights (2004)'

<http://www.icftu.org/displaydocument.asp?Index=991219483&Language=EN>

⁴ On working conditions see CAFOD, 'Clean Up Your Computer: Working Conditions in the Electronics Sector', 2004, pp. 30-34 www.cafod.org.uk/var/storage/original/application/phpYyhizc.pdf

Oxfam International, 'Trading Away Our Rights: Women Working in Global Supply Chains', 2004

www.maketradefair.com/en/assets/english/taor.pdf

⁵ <http://www.mfat.govt.nz/foreign/tnd/wtonegotiations/labourframework.html>

Feasibility Studies

17. CID would like the Joint Feasibility Study to be carried out by New Zealand and China to address the issues of impact on the rural poor and labour rights raised above. It is important that the study should not be based simply on economic modelling, but should make use of specific case studies and comparisons with other trade agreements. In addition, we would like the New Zealand government to undertake its own independent analysis, with input from New Zealand civil society. This independent analysis should address the impacts on China as well as on New Zealand, and should not rely solely on Chinese government sources. CID and its member organisations can assist MFAT in finding independent sources of information about the situation in China. One of our member organisations, *New Internationalist* magazine, will be producing an issue focusing on China in September 2004. This will be based on information from inside China, and we suggest that it will make very useful reading for the New Zealand trade negotiators.

Parliamentary approval

18. If a New Zealand-China FTA is negotiated, it should be subject to debate and approval by the New Zealand parliament. It is of concern that China is not a democracy, so there is no opportunity in China for public comment on or scrutiny of trade agreements entered into by the Chinese government.

Conclusion

19. At this stage, CID is sceptical about the value of the proposed FTA for the poor in China. We will read the joint study assessing the proposed FTA with interest, and may make a further submission at that point. We thank MFAT for the opportunity to provide a submission, and look forward to being kept informed of progress in the negotiations. We would also like to discuss our submission with the Trade Negotiations Division, and will be contacting you to arrange a meeting for this purpose.