Even Singapore Has Its Limits on U.S. 'Free Trade Agreement' Scam

by Michael Billington

Since November 2000, Singapore and the United States have been engaged in negotiations which would establish the first Free Trade Agreement (FTA) between the United States and an Asian nation. From the beginning, other Southeast Asian nations worried—often out loud—that the deal was calculated to be a "foot in the door," a precedent for the United States to impose conditions unacceptable to the other economies of the region. Singapore was seen as playing its old role as a colonial outpost for the British banking oligarchy, undermining the sovereign interests of its neighbors.

This may still be true, but there is now a major hitch in the deal. In what were supposed to be the last hours of trade negotiations, the government of Singapore may just scuttle the deal altogether, due to a combination of unmitigated greed and stupidity from the Bush Administration, and the emerging recognition in Singapore that at least some people in Washington are trying to set up Southeast Asia—including Singapore—for the slaughterhouse.

The crisis over the FTA broke into the open on Nov. 19, when U.S. Trade Representative Robert Zoellick, a prominent member of the Cheney/Wolfowitz warhawk faction in the Bush Administration, held a press conference in Singapore. "I am delighted to announce," he reported, "that Singapore and the U.S. have completed the substance of a free trade agreement, except for one issue." He said that he fully expected that that "one issue" would be resolved, and the deal would be completed by the end of the year.

However, that "one issue," according to Singapore's chief negotiator, was a "deal breaker." Washington is demanding that Singapore agree to renounce the right to impose any type of currency or exchange controls, even in an extreme crisis—a right guaranteed even under the provisions of the International Monetary Fund (IMF) and the World Trade Organization (WTO). Trade Minister George Yeo, trying to be accommodating, said, "The U.S. would like us to modify our commitment. We are not comfortable. We are still having discussions. . . ."

Why did Zoellick insist on holding a press conference, prompting headlines in all the financial press, that the deal was essentially done? The only evident answer is that Zoellick and his sponsors intended to give Singapore a "bum's rush" into giving in on the outstanding issue regarding currency controls, or risk appearing to have sabotaged the deal.

At a conference sponsored by the U.S. Chamber of Commerce in Washington on Nov. 21, an American businessman belligerently asked Singapore Ambassador Chan Heng Chee, why Americans should agree to a deal that doesn't allow them to pull their money out anytime they wish—i.e., which doesn't forbid the implementation of currency controls, even in a crisis situation. The Ambassador answered that, as is well known, Singapore is a nation which concurs with the liberalizing trend in the world economy, and is not likely to use currency controls "*à la* Malaysia" except in the most dire circumstance, but that a sovereign state must retain that right when the nation is threatened by a severe crisis. She added, that she had read the free trade agreements signed between the United States and Canada, Mexico and Jordan, and had found that they allowed the use of controls in an emergency, and that Singapore was being asked to go too far.

The establishment in Singapore may have read the writing on the wall—not only in regard to the dirty trade deal itself, but also the fact that the U.S. "Emperor" is wearing no clothes. The collapse of the U.S. financial bubble is now evident to all but the blind. One insightful commentary by a senior journalist at Singapore's prestigious *Straits Times,* Janadas Devan, caught the irony of the situation in his Dec. 6 column. Pointing to the huge U.S. trade deficit, and the equally huge influx of foreign money to finance that deficit, Devan writes: "But what if the world stopped? What if Japanese, Chinese, Indians, Arabs, and Singaporeans suddenly decided 'it is time these Yanks grew up; we will put our money in the hands of adults who know the value of money, in Swiss francs or euros'?"

Devan continues: "So far, that [U.S.] deficit has been more than adequately funded by net capital inflows, but this cannot go on forever, despite Treasury Secretary Paul O'Neill's novel theory that current account deficits do not matter. If the reversal, when it comes, is slow, things will be fine. But if it is sharp, and there is an exodus from U.S. assets, the U.S. will be in serious trouble. The dollar will collapse, prices will rise, interest rates will skyrocket, and standards of living will plummet. But no matter how dire the situation becomes, the U.S. will never impose capital controls to stop the hemorrhaging, right? . . . Think again."

Devan points out, "Both John Maynard Keynes and Harry Dexter White, the architects of Bretton Woods, believed that 'controls of capital movements, both inward and outward, should be a permanent feature of the system,' for they feared capital flows would become 'an independent and disruptive force.' As Thailand, Indonesia, South Korea and Malaysia discovered in 1997-98, Keynes and White knew a thing or two."

Devan concludes that, just as Washington scrapped the fixed-exchange-rates provisions of Bretton Woods "in one fell swoop," on Aug. 15, 1971, so it would not hesitate to impose currency controls in an emergency, whether it had signed treaties forbidding it or not. "The trouble is, Singapore does not have similar leeway to choose which international undertaking it will abide by in a crisis. Unlike the U.S., its foreign obligations are not denominated in its own currency. . . . Singapore cannot, must not, cede its right to restrict capital mobility in a dire financial crisis."

Chile Also in the Fight

Another nation which has all-too-willingly allowed itself to be used by the United States to break the back of regional resistance to "free-trade" looting, is Chile. Chile is at precisely the same point of negotiations for an FTA with Washington as is Singapore, and is stuck on the same "one issue." In Chile's case, the free-trade mafia hopes to break up the Mercosur agreement (the Common Market of the South, in South America), by providing special trade concessions to Chile, in exchange for the right of largely unregulated foreign intervention, thus undermining Chile's neighbors, and forcing acceptance of the same conditions across the region. According to the Dec. 9 *Wall Street Journal,* Chile, like Singapore, is unwilling to give up its right to impose currency controls, and "is under pressure from many of its neighbors not to give in to U.S. pressure." The *Journal* quotes Gary Hufbauer from the Institute for International Economics, "They are standing up for the right of developing countries to control speculative, short-term capital."

The *Journal* also reports that there is an open fight between the U.S. Treasury and U.S. manufacturers over this issue of currency controls. John Taylor, Undersecretary of the Treasury for International Affairs, defended the U.S. position before 20 business leaders, who are more interested in the trade and financial benefits of the deal, than the looting that will result during another speculative assault on the developing economies, like George Soros' and fellow hedge-fund pirates' 1997-98 attack on the Asian currencies. Taylor, however, responded: "Capital controls impose a cost on both the investor and the host country, because the controls increase the cost of capital, divert capital to other countries, and damage investor confidence."

Taylor, as usual, is lying, since he knows full well that Malaysia, which rejected IMF advice and imposed partial currency controls after the 1997-98 speculative assault, successfully saved its population from the devastation imposed on its neighbors under IMF-dictated free-market conditionalities. It is highly relevant that a team of leading economists in the Malaysian government are travelling to Argentina in mid-December, at the invitation of the Argentine Businessmen's Association, who explained that "Argentine officials were very interested to know how Malaysia solved its financial and banking problems."

The U.S. Treasury is not giving in, says the *Wall Street Journal,* and this is not likely to change with the firing of Secretary Paul O'Neill. That is yet to be seen, however, since, with crisis conditions in the economy and within the Bush Administration itself, anything can happen.

As to the original fear in Southeast Asia, that the Singapore FTA would be used against the other nations in the region, Zoellick's itinerary shows that the concern was justified. From Singapore, he travelled to Indonesia, arguing that the supposedly "done deal" in Singapore meant that the Southeast Asian nations had better jump on board with their own FTAs with the United States, or lose out to Singapore on U.S. trade. Again, the "Emperor's New Clothes" comes to mind, since the rapid collapse of the U.S. economy means that the United States as an importer of last resort is a phenomenon of the past.

Singapore, despite (and, in part, due to) its history as a British banking outpost in colonial Asia, has extensive ties with offshore Chinese business networks throughout the region. If it were to choose to defend its own potential as a member of the concert of sovereign nations of Asia and the world, it could spoil the Anglo-American "Free Trade Agreement" scam before it gets started.