Negative: Iceland Free Trade Agreement

By “Coach Vance” Trefethen

AFF Plan offers a Free Trade Agreement to Iceland based on duplicating Iceland's existing EEA trade agreement with the European Union. Because, China!

Negative: Iceland Free Trade Agreement 2

INHERENCY 2

1. WTO means already low trade barriers in Status Quo 2

Iceland is a member of the World Trade Organization 2

WTO means very low tariffs / low trade barriers anyway 2

HARMS / SIGNIFICANCE 3

1. No Arctic threat from China 3

No dangerous intentions: Hype about China in the Arctic is exaggerated. China's goal is to keep it open, not dominate it 3

Very limited capabilities: Hype about China in the Arctic is exaggerated because there's not much China can do 3

2. No geopolitical threat from China 4

US/China rivalry isn’t a zero-sum game: China can gain influence without the U.S. being harmed 4

China isn’t interested in replacing US hegemony 4

3. No military threat from China 4

Neither China nor Russia are a threat to the US, just moving the world back into healthy balance of power 4

China poses little danger to the U.S. 5

China "threat" exaggerated 5

SOLVENCY 6

1. Iceland breaks the rules of the EEA (European Economic Area) 6

Example 1: EEA is AFF's model for agreement, but Iceland breaks EEA rules to favor its own businesses 6

Example 2: Iceland broke EEA rules on animal by-products in 2013 and still not in compliance as of 2022 6

2. No proven link between trade liberalization and economic growth 7

No evidence that countries that trade freely grow faster 7

Trade liberalization follows growth, it isn’t the cause. Examples: China and India grew first, then opened their markets later 7

Correlation doesn’t prove cause: Increased growth after trade liberalization doesn’t prove trade policy caused the growth 7

No specific correlation between trade openness and economic success 8

DISADVANTAGES 8

1. Increased agricultural pollution 8

Link: AFF claims to increase US farm commodity exports to Iceland 8

Link: Must increase US agricultural total output to gain the advantage 8

Impact: Increased farm production increases fertilizer run-off and its pollution impacts 8

2. Negative economic side effects of trade agreements 9

Lower wages: Trade agreements put downward pressure on workers' wages in order to boost corporate profits 9

Lost jobs: If you believe AFF's claim that exports create jobs, then in total, a balanced trade agreement destroys jobs 9

Voting Impact: We shouldn't adopt any new trade agreements without a plan in place to offset the adverse effects on those negatively affected 10

Negative: Iceland Free Trade Agreement

INHERENCY

1. WTO means already low trade barriers in Status Quo

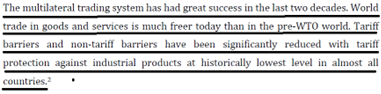
Iceland is a member of the World Trade Organization

International Bar Association 2014. (association of international legal practitioners, bar associations and law societies) "IBA Global Regulation and Trade in Legal Services Report 2014" (accessed 20 Apr 2023) https://papers.ssrn.com/sol3/Delivery.cfm/SSRN\_ID2530064\_code340745.pdf?abstractid=2530064&mirid=1

Is the jurisdiction a member of the WTO? Iceland joined the WTO on 1 January 1995.

WTO means very low tariffs / low trade barriers anyway

Dr. Jagdish Bhagwati, Dr. Pravin Krishna and Dr. Arvind Panagariya 2014 (Bhagwati – PhD; prof. of economics at Columbia Univ. Krishna – PhD; Professor of International Economics and Business, Johns Hopkins Univ. Panagariya – PhD; prof. of economics at Columbia Univ.) 3 May 2014 “The World Trade System: Trends and Challenges” <https://www.sais-jhu.edu/sites/default/files/JB-PK-AP-SIPA-SAIS%20Draft.pdf> (accessed 26 June 2022)

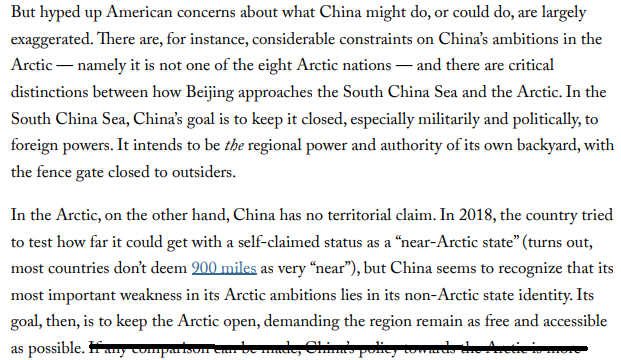


HARMS / SIGNIFICANCE

1. No Arctic threat from China

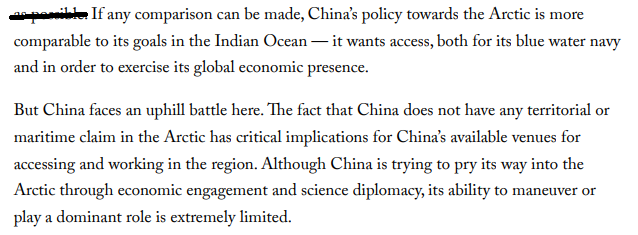
No dangerous intentions: Hype about China in the Arctic is exaggerated. China's goal is to keep it open, not dominate it

Yun Sun 2020 (Senior Fellow and Co-Director of the East Asia Program and Director of the China Program at the Stimson Center) 26 June 2020 "Why China’s Interests in the Arctic are Constrained" (accessed 26 Mar 2023) https://www.stimson.org/wp-content/uploads/2020/06/Why-China%E2%80%99s-Interests-in-the-Arctic-are-Constrained-The-Wire-China.pdf



Very limited capabilities: Hype about China in the Arctic is exaggerated because there's not much China can do

Yun Sun 2020 (Senior Fellow and Co-Director of the East Asia Program and Director of the China Program at the Stimson Center) 26 June 2020 "Why China’s Interests in the Arctic are Constrained" (accessed 26 Mar 2023) https://www.stimson.org/wp-content/uploads/2020/06/Why-China%E2%80%99s-Interests-in-the-Arctic-are-Constrained-The-Wire-China.pdf



2. No geopolitical threat from China

US/China rivalry isn’t a zero-sum game: China can gain influence without the U.S. being harmed

Minghao Zhao 2019 ( Senior Fellow at the Institute of International Studies, Fudan University) 26 Aug 2019 “Is a New Cold War Inevitable? Chinese Perspectives on US–China Strategic Competition “CHINESE JOURNAL OF INTERNATIONAL POLITICS (accessed 8 Apr 2023) https://academic.oup.com/cjip/article/12/3/371/5544745

The United States cannot contain China in the region; nor can China exclude the United States from the Asia-Pacific. China needs to respect US interests and traditional influence in the Asia-Pacific and carefully manage the security implications of its expanding economic footprints. In the meantime, there is no need for the United States to see China’s rising influence in the region through a Cold-War lens and deem it a zero-sum game.

China isn’t interested in replacing US hegemony

World Economic Forum 2019 (international organization for public-private cooperation; non-profit foundation headquartered in Switzerland) Is a U.S. – China power transition inevitable? 15 Jan 2019 (accessed 89 Apr 2023) https://www.weforum.org/agenda/2019/01/is-a-us-china-power-transition-inevitable/

Perhaps most critically, though, China has evinced little desire to replace the United States in its present capacity. While increasingly global in scope, Beijing's foreign policy remains parochial in objectives, aimed more at sustaining its growth and cementing its centrality within the Asia-Pacific than at furnishing global public goods. The economist Charles Kindleberger [observed (TXT)](http://bev.berkeley.edu/fp/readings/WorldinDepression.txt) in 1973 that the Great Depression persisted “because the international economic system was rendered unstable by British inability and United States unwillingness to assume responsibility for stabilizing it.” We may witness a variant of this dynamic nine decades on, with neither the lone superpower nor its putative replacement able or willing to invest in the current order's modernization. Should that dynamic indeed prevail, China might continue to chip away at America's margin of pre-eminence without actually ascending to the commanding heights of geopolitics.

3. No military threat from China

Neither China nor Russia are a threat to the US, just moving the world back into healthy balance of power

Vijay Prashad 2018 (Indian historian, editor and journalist. He is a writing fellow and chief correspondent at [Globetrotter](https://independentmediainstitute.org/globetrotter/), a project of the Independent Media Institute) A paranoid America is greatly exaggerating Russian power 22 Feb 2018 <https://www.salon.com/2018/02/22/a-paranoid-america-is-greatly-exaggerating-russian-power_partner/> (accessed 5 June 2021)

Neither China nor Russia is making a push to become the global powerhouse. They are merely seeking to rebalance a world order that has — since the end of the Cold War — tilted unhealthily towards the United States. So is Russia a threat? Is China a threat? The question really is, to whom? They are threats to any assertion of US dominance over the planet. But they are no threat to the United States as such. They are committed to a multi-polar planet: a sensible solution in our very unstable and dangerous times.

China poses little danger to the U.S.

Doug Bandow 2022 (JD from Stanford Univ.; senior fellow at the Cato Institute, specializing in foreign policy and civil liberties. He worked as special assistant to President Ronald Reagan) 15 Nov 2022 " The Real China Threat: Treating Beijing as an Enemy Risks Turning It into One" (accessed 8 Apr 2023) https://www.cato.org/commentary/real-china-threat-treating-beijing-enemy-risks-turning-it-one

Both Democrats and Republicans increasingly agree that the People’s Republic of China [is a “threat”](https://www.bloomberg.com/news/articles/2022-11-03/-sloppy-talk-on-china-threat-by-us-is-decried-by-some-skeptical-experts) to the U.S.. Yet despite the torrent of hostile words now passing between the American and Chinese governments, the PRC poses little direct danger to the U.S.. China most certainly is not the Soviet Union 2.0. That doesn’t mean Washington should ignore the challenges posed by Beijing. However, American officials should not exaggerate the task facing them. First, the PRC, though possessing enormous potential, remains relatively poor and [faces manifold difficulties](https://www.19fortyfive.com/2022/10/china-may-never-become-a-superpower/). Banks are filled with bad debt and under increasing pressure as China’s property bubble bursts. The economy remains heavily dirigiste, while Xi Jinping is increasing regulation by the state and Chinese Communist Party. The population, rapidly aging and suffering a surplus of males but dearth of workers, is beginning to shrink.

China "threat" exaggerated

Doug Bandow 2022 (JD from Stanford Univ.; senior fellow at the Cato Institute, specializing in foreign policy and civil liberties. He worked as special assistant to President Ronald Reagan) 15 Nov 2022 " The Real China Threat: Treating Beijing as an Enemy Risks Turning It into One" (accessed 8 Apr 2023) https://www.cato.org/commentary/real-china-threat-treating-beijing-enemy-risks-turning-it-one

Second, Beijing poses no direct military threat to the U.S., other than China’s small nuclear force. Washington enjoys near absolute power in the Western Hemisphere. In contrast, in its neighborhood China shares a land border with 14 countries and close ocean contact with another six nations. It has been at war with several—Russia, Japan, South Korea, Vietnam, and India—in recent decades. The PRC has only one military base outside its own territory, in Djibouti, compared to several hundred American military facilities around the world, including in East Asia. That region is an important interest for the U.S., of course, but not nearly as important as it is to the PRC, located in it. The issue for America is a matter of influence rather than survival. Any war would be fought almost wholly on Chinese or nearby territory. And Washington has several military allies upon which it might rely in the event of hostilities.

SOLVENCY

1. Iceland breaks the rules of the EEA (European Economic Area)

Example 1: EEA is AFF's model for agreement, but Iceland breaks EEA rules to favor its own businesses

European Free Trade Association Surveillance Authority 2021. (EU enforcement agency for the EEA trade agreement) 15 Dec 2021 "Iceland in breach of EEA rules over campaign encouraging consumers to choose Icelandic products and services" (accessed 20 Apr 2023) https://www.eftasurv.int/newsroom/updates/iceland-breach-eea-rules-over-campaign-encouraging-consumers-choose-icelandic

**The EFTA Surveillance Authority (ESA) has today sent a reasoned opinion to Iceland over the involvement of the authorities in a campaign encouraging people in Iceland to favour domestic products and services.** In its reasoned opinion, ESA concludes that Iceland, through its involvement in a campaign encouraging consumers to choose Icelandic products and services, has failed to fulfil its EEA obligations to ensure free  movement of goods and freedom to provide services   
Following a request for information sent by ESA to Iceland in June 2020, the Icelandic authorities argued that the campaign was part of wider measures to support the economy and local businesses in response to the COVID-19 pandemic. Following correspondence with Iceland, ESA in December 2020 sent a [letter of formal notice](https://www.eftasurv.int/cms/sites/default/files/documents/gopro/Letter%20of%20formal%20notice%20to%20Iceland%20concerning%20the%20compliance%20of%20the%20Icelandic%20campaign%20encouraging%20consumers%20to%20pur.pdf) to Iceland pointing out that the “Choose Icelandic’’ campaign was not in line with EEA rules.  
In its reasoned opinion delivered to Iceland today, ESA concludes that the measure is in breach of EEA law, in particular the EEA Agreement’s provisions on the free movement of goods and the freedom to provide services. In ESA’s view the measure cannot be justified by the circumstances in Iceland related to the COVID-19 pandemic.  
In addition, a campaign aimed at protecting domestic businesses and products at the expense of those from other EEA States, is contrary to the fundamental aim of the EEA Agreement to strengthen trade and economic relations within the EEA.

Example 2: Iceland broke EEA rules on animal by-products in 2013 and still not in compliance as of 2022

Written report of the EFTA Surveillance Authority 7 June 2022. "E-3/22 - EFTA Surveillance Authority v The Republic of Iceland" (accessed 20 Apr 2023) https://ecer.minbuza.nl/-/e-3/22-efta-surveillance-authority-v-the-republic-of-iceland

Iceland is required to verify that obligations concerning the disposal of animal by-products are fulfilled by operators, to ensure accordance with EEA law under Regulation No 1069/2009. During a fact-finding mission carried out by the EFTA Surveillance Authority (ESA) in 2013, several infringements regarding the disposal of animal by-products in Iceland were discovered. In some municipalities in Iceland, unprocessed animal by-products were collected in containers and transported for direct disposal, without prior processing. In other municipalities, these animal by-products were buried on farms. ESA argued that these forms of disposal are contrary to articles 12(c), 13(c) and 14(c) of Regulation No 1069/2009. Iceland acknowledged the shortcomings, but a subsequent ESA fact-finding mission in 2018 found that Iceland still failed to comply to EEA law obligations concerning the disposal, and had not taken significant action in the past 9 years. The wrongful burial of animal by-products on farms remained common practice. In this application, the ESA therefore seeks a declaration that Iceland has breached its obligations concerning the disposal of animal by-products.

2. No proven link between trade liberalization and economic growth

No evidence that countries that trade freely grow faster

Dr. Nicole Hassoun 2011 (PhD philosophy; Assistant Professor, Department of Philosophy, Carnegie Mellon University) Free Trade, Poverty, and Inequality (brackets added) <https://global-health-impact.org/nhassoun/Disclaimer_FreeTradePovertyInequality.php> (accessed 26 June 2022)

Next, consider the [World] Bank’s argument for the conclusion that free trade is reducing poverty because it has increased growth rates without increasing inequality in recent decades. Or, as they put it, “the combination of rapid growth with no systematic change in inequality has dramatically reduced absolute poverty in the globalizing countries”. The first problem with this argument is that it does little to show that countries that trade freely grow more than those that do not. Consider the Bank’s evidence for a link between free trade and growth. The Bank only establishes a correlation between population weighted trade to GDP ratios and real GDP per capita in developing countries but, even setting aside the distinction between liberalization and free trade, this is not enough to show that free trade increases growth**.**

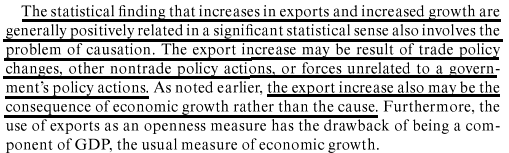
Trade liberalization follows growth, it isn’t the cause. Examples: China and India grew first, then opened their markets later

Dr. Nicole Hassoun 2011 (PhD philosophy; Assistant Professor, Department of Philosophy, Carnegie Mellon University) Free Trade, Poverty, and Inequality (brackets added) <https://global-health-impact.org/nhassoun/Disclaimer_FreeTradePovertyInequality.php> (accessed 26 June 2022)

Including countries like China and India, which have low trade/GDP ratios, in the group of globalized countries virtually “guarantees that the globalizers, weighted by population, show better performance than the nonglobalizers.” It is not clear why the IFIs [International Financial Institutions] would consider trade to GDP [Gross Domestic Product] ratios a good measure of free trade. They are probably just confusing free trade with liberalization although some have accused the Bank of trying to confuse others. This is worrisome because the kinds of policies pursued by countries like China in achieving growth were a-liberal. China and India began to open up their markets only after their growth rates increased. The World Bank may have the causality backwards.

Correlation doesn’t prove cause: Increased growth after trade liberalization doesn’t prove trade policy caused the growth

Prof. Robert E. Baldwin 2004 (professor emeritus of economics at Univ. of Wisconsin and research associate of the National Bureau of Economic Research) Challenges to Globalization: Analyzing the Economics <https://books.google.fr/books?id=Bc35EC5BFZYC&pg=PA517&lpg=PA517&dq=other+policy+changes+aimed+at+eliminating+large+government+deficits,+curtailing+monetary+policy&source=bl&ots=AXaT80e-mx&sig=LfWdZSQabiTu6Wh8zI_pptxlZXU&hl=en&sa=X&ved=0CCIQ6AEwAGoVChMImqiRj_W3yAIVytsaCh3vVAuH#v=onepage&q&f=false> (accessed 26 June 2022)



No specific correlation between trade openness and economic success

Prof. Richard B. Freeman 2003. (prof. of economics, Harvard Univ.;  Senior Research Fellow in Labour Markets at the London School of Economics' [Centre for Economic Performance](http://cep.lse.ac.uk/)) Trade Wars: The Exaggerated Impact of Trade in Economic Debate, World Economy Annual Lecture, 26 June 2003, revisions Sept 2003 <http://citeseerx.ist.psu.edu/viewdoc/summary?doi=10.1.1.198.1253> (accessed 26 June 2022)

In any case, my reading of country cases is that they do not line up on one side or the other of the trade wars. Granted that Hong Kong succeeded with openness policies; that Singapore did as well, although under much greater government control; that Korea grew through increased exports, though again with considerable government control and a national industrial policy, and that Taiwan benefited from openness. But South Africa did just about everything the World Bank wanted it to do as part of its GEAR (Growth, Employment, and Redistribution) program and failed to deliver either growth, employment or redistribution.

DISADVANTAGES

1. Increased agricultural pollution

Link: AFF claims to increase US farm commodity exports to Iceland

It's one of their advantages

Link: Must increase US agricultural total output to gain the advantage

Total US farm output has to increase to meet their advantage. Otherwise, they're just shifting existing crops around from some other buyer to Iceland and there's no net increase in sales by farmers. The advantage only happens if farm production increases. But that's bad because of the…

Impact: Increased farm production increases fertilizer run-off and its pollution impacts

Virginia Gewin 2018 (journalist) 8 May 2018 "Farm Runoff in U.S. Waters Has Hit Crisis Levels. Are Farmers Ready to Change?" (accessed 20 Apr 2023) https://civileats.com/2018/05/08/farm-runoff-in-us-waters-has-hit-crisis-levels-are-farmers-ready-to-change/ (brackets added)

[Ohio farmer Bill] Kellogg is all too aware that many more eyes need to be opened to realize the [Ohio Phosphorous Task Force’s goal](http://lakeerie.ohio.gov/Portals/0/Reports/Task_Force_Report_October_2013.pdf) of reducing excess phosphorous flowing off farms by [40 percent](http://lakeerie.ohio.gov/Portals/0/Reports/Task_Force_Report_October_2013.pdf)—the amount needed to reduce or eliminate algal blooms in Lake Erie. The Blanchard River is one of the waterways delivering farm runoff to the lake, where it fuels [toxic algal blooms](https://civileats.com/2017/04/27/the-2017-algae-almanac/). As they do throughout the Corn Belt, Ohio row crop farmers—notably of corn and soy—typically apply fertilizer on their fields in fall. When winter precipitation arrives, the system of tile drainage pipes used on [46 percent of farm fields](https://sera17dotorg.files.wordpress.com/2015/03/oh-nutrient-reduction-strategies-williams.pdf) provides a perfect pathway for fertilizer runoff to enter waterways. In fact, [Lake Erie’s 2014 algae bloom](https://news.nationalgeographic.com/news/2014/08/140804-harmful-algal-bloom-lake-erie-climate-change-science/) left more than 400,000 residents of Toledo, Ohio without drinking water for three days.

2. Negative economic side effects of trade agreements

Lower wages: Trade agreements put downward pressure on workers' wages in order to boost corporate profits

Prof. Joseph Stiglitz 2019 (professor of economics at Columbia Univ., chief economist at the Roosevelt Institute. Formerly chief economist at the World Bank and was chairman of the Council of Economic Advisers under President Bill Clinton. He won the Nobel Prize in Economics in 2001) Joseph Stiglitz: US trade deals were designed to serve corporations at the expense of workers 21 Apr 2019 (accessed 16 Sept 2022) https://www.cnbc.com/2019/04/22/joseph-stiglitz-us-trade-deals-helped-corporations-and-hurt-workers.html

It’s true that American workers have been disadvantaged — low-skilled workers in particular have seen their wages reduced, in part because of globalization. But that is partly because American negotiators got what they asked for: the problem was with how we managed globalization and with what we wanted — trade agreements simply advanced corporate interests at the expense of workers in both developed and developing countries. We as a country didn’t do what we should have to help workers whom globalization was hurting. We could have ensured that globalization benefited all, but corporate greed was just too great. The winners didn’t want to share their gains with the losers. Indeed, they liked it that wages were pressured down as American workers had to compete with workers from developing countries. It increased corporate profits all the more.

Lost jobs: If you believe AFF's claim that exports create jobs, then in total, a balanced trade agreement destroys jobs

Prof. Paul Stiglitz 2017 (professor of economics at Columbia Univ., chief economist at the Roosevelt Institute. Formerly chief economist at the World Bank and was chairman of the Council of Economic Advisers under President Clinton. He won the Nobel Prize in Economics in 2001) Lecture, delivered at the meetings of the National Association of Business Economists, Washington D.C., March 6, 2017 "The Overselling of Globalization" https://policydialogue.org/files/publications/Volcker\_Award\_Speech\_Paper\_1.pdf

The standard theory recognized that the opening up of trade to cheap imports would result in the loss of jobs in the import-competing sectors. But it also assumed that new jobs would be created in the export sectors—and that those new jobs would pay far better than those that were lost. Contrary to what our politicians assert(including the US Trade Representative, or USTR, which is in charge of trade policy), trade agreements are not about creating jobs. Maintaining the economy at full employment is the responsibility of monetary policy (the Federal Reserve in the US, the Bank of England in the UK, and the European Central Bank in the eurozone) and fiscal policy (the setting of taxes and expenditure). It is not the purview of trade policy. Even the narrow argument put forward by the USTR that trade agreements create jobs is unpersuasive—indeed, almost certainly fallacious. If, as the USTR claims, exports create jobs, then imports destroy jobs; and if trade is roughly balanced, what advanced countries export uses less labor than what they import. Hence, net, for advanced countries like the US, any balanced trade agreement by itself destroys jobs.

Voting Impact: We shouldn't adopt any new trade agreements without a plan in place to offset the adverse effects on those negatively affected

**[And AFF cannot propose such a plan because it wouldn’t be a foreign trade policy, but rather a set of domestic economic or social welfare policies happening separately from foreign import/export trade.]**

Prof. Paul Stiglitz 2017 (professor of economics at Columbia Univ., chief economist at the Roosevelt Institute. Formerly chief economist at the World Bank and was chairman of the Council of Economic Advisers under President Clinton. He won the Nobel Prize in Economics in 2001) Lecture, delivered at the meetings of the National Association of Business Economists, Washington D.C., March 6, 2017 "The Overselling of Globalization" https://policydialogue.org/files/publications/Volcker\_Award\_Speech\_Paper\_1.pdf

There is a simple lesson in all of this: economists as public servants have, of course, a responsibility to tell those that they advise of the consequences of alternative policies. But their responsibility goes further: they have to understand and explain the limits of their models and the limits of our knowledge; to articulate what we know and what we don’t. Economists might, in the end, decide that globalization’s distributive effects are outweighed by or outweigh the aggregative effects. But it was wrong not to explain its potentially large distributive effects, the large adverse effects on employment in certain locales, the consequences of imperfect risk markets and imperfections in competition, and the implications for dynamic comparative advantage. It was wrong not to accompany any globalization proposals—any new trade agreements—with a set of measures that would have ensured that large segments of the population were not worse-off as a result.