AFTINET Australian Fair Trade & Investment Network Ltd

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1. China trade negotiations make little progress

By Hugh Bennett

Australian officials entered a sixth round of trade negotiations in Beijing in September making strident demands for greater market access and bearing "generous offers" on tariff reduction but have emerged more humbled.

The Australian government holds hopes of securing a comprehensive free trade agreement, covering both goods and services, which might allow better access for Australian service providers and agricultural producers to heavily protected Chinese markets. Following the well established pattern of previous trade negotiations however, China appears reluctant to expose its young services sector and already suffering farmers to further international pressures.

Holding out significant tariff reductions on manufactured goods as enticement, Australian trade officials had indicated that they would "insist" on instituting negotiations on services by the next round of talks in December and would push for the easing of Chinese agricultural tariffs. Despite the incentives however, China has refused to commit to a firm timetable for negotiations on services and was unprepared to make any offers on market access for Australian goods at the most recent negotiations. The Australian Services Roundtable has previously called for talks to be suspended if negotiations on services and investment cannot be initiated by the end of 2006. (Australian Financial Review 23/8/06.)

Australian manufacturers are also worried about the impact of tariff cuts on the Textile, clothing and footwear (TCF) and motor vehicle industries. Both Trade Minister Mark Vaile and Industry

Minister Ian McFarlane, have given assurances that current tariffs on TCF and vehicles will remain in place until the expiry of Industry Plans in 2015. Given however, that Australia already maintains some of the lowest tariff rates in the world on agricultural products and most manufactured goods, it is more than likely that the "generous offer" tabled in Beijing raised the prospect of the eventual elimination of these tariffs after 2015.

China's delays in making a substantive offer at the recent round of negotiations reflect an understandable reluctance to expose its rural poor to further price competition. Although dwarfed by the agricultural tariffs of parties such as the European Union and Japan, China's average applied tariff of approximately 15% provides some protection for Chinese farmers against a wave of agricultural imports which is growing at a rate of 25% per annum. Speaking in the context of recent WTO negotiations, China's Minister for Agriculture, Du Qinglin, gave indications that further liberalisation in agriculture was unlikely in the near future, *"China's agricultural industry would not be able to cope if its farm produce market is thrown open over a short period of time,"* dampening Australia's prospects of securing significant concessions in the next round of negotiations scheduled for December.

With services and substantial agricultural concessions seemingly off the negotiating table for the present time, December's seventh round of negotiations in Canberra will be decisive in determining whether the negotiations have a future.

2. AFTINET call for end to China FTA talks published in Australian Financial Review

The following letter from Dr Patricia Ranald was published in the in **Australian Financial Review** on September 13.

The report "Trade talks with China stall" (AFR September 8) shows once again that the promised benefits of bilateral free trade agreements have been greatly exaggerated. As with the US Free Trade Agreement, the China FTA Feasibility Study ignored potential social impacts and predicted benefits for both countries based on unrealistic assumptions of full free trade, which your report confirms will not happen.

In reality the two governments have incompatible goals. The Australian government wants greater access to Chinese agriculture and services markets. But China has already experienced rural employment loss and social unrest from the impacts of agricultural liberalisation through the WTO, and unequal access to health and education through unchecked commercialisation of those sectors. The Chinese government wants greater access to markets in Australia, including vehicles, clothing textiles and footwear, which would have major employment impacts in Australian regional areas. Neither government is prepared to implement basic agreed international labour rights and environmental standards that would prevent a race to the bottom on these standards.

China is already Australia's second biggest trading partner. We do not need another preferential bilateral agreement that fails to deliver on impossible claims. The Australian government should abandon these talks, rather than invest so much in them that there is a vested interest in cobbling together any face-saving deal, as happened with the USFTA. We should take the opportunity of the collapse of the WTO talks to ask why the multilateral system is so dominated by the US and the EU that it is incapable of meeting its commitments to the majority of its members that are developing countries. We need to rethink the structure and the content of multilateral trade to deliver genuine gains for developing countries and enable all governments to retain their central role in fostering local development and regulating essential services.

3. Labor urges caution on China FTA

Australian Associated Press 7 August 2006

Federal Labor Leader Kim Beazley has urged caution in negotiating a free trade agreement with China, as federal cabinet shows signs of a split over parts of the proposed deal. Industry Minister Ian Macfarlane and Finance Minister Nick Minchin are challenging Deputy Prime Minister and Trade Minister Mark Vaile’s plan for a broad agreement with China, The Australian newspaper reported today. The ministers were nervous about abandoning tariffs to protect the automotive and clothing industries from cheap Chinese imports, the report said. Mr Vaile has asked for all industry sectors to be part of the next round of negotiations with China.

Mr Beazley today urged slow and careful progress towards a deal, saying it should not jeopardise Australian manufacturing. "We have a good relationship with China and an excellent trading relationship, and an FTA would not necessarily add that much to it," he told ABC radio.

"We must not do it in an environment in which there is wreckage in Australian manufacturing industry, and there is a very severe danger of that." Mr Beazley said his preference was for multilateral rather than bilateral trade deals. "I have supported one or two bilateral agreements in the past but I think it’s more important that we get the multilateral agenda up," he said. "As far as China is concerned, we want to keep that good relationship with China but on that free trade agreement with them we should hasten very slowly."

The government maintains heavy protection for the motor vehicle and clothing sectors, although tariff rates are set to fall from 2010.

4. Textile, car plans ’not negotiable’ in China FTA

The Age, August 20, 2006

Industry plans for Australia’s manufacturing, textile and clothing industries are not up for negotiation in a free trade deal with China, the federal government says.

Australia and China are in the early stages of trade negotiations, and agriculture, services and manufacturing are proving the most contentious areas.Earlier this month, rifts emerged in the government frontbench over abandoning tariffs to protect Australia’s automotive and clothing industries from cheap Chinese imports.

Industry Minister Ian Macfarlane and Finance Minister Nick Minchin were reportedly nervous about relinquishing the taxes. Mr Macfarlane said existing plans for the sectors would remain. "We will stick by those plans and those plans run through until 2015," he told the Nine Network. "They’re not negotiable and it’s understood that those plans have given the industries involved a decade of certainty and it would be unwise to interfere with those plans."

5. U.S. Turns Tough on Trade after WTO collapse

By Greg Hitt

Quotes and summary from the Wall St Journal August 19, 2006; Page A4

Here's the new U.S. strategy for reviving global trade talks: threaten to cut off sweetheart trade deals with big developing nations like India and Brazil to make them more willing to compromise.

The Bush administration is conducting a highly publicized "review" of whether to pare special trade benefits that the U.S. offers to Brazil, India and 11 other trading partners. Those nations are part of a 32-year-old program called the Generalized System of Preferences, or GSP, designed to help the world's poorest nations by giving them duty-free access to the U.S. market on farm and manufactured products.

The U.S. says the review is technical in nature and involves a recalculation of whether Brazil and India, whose economies are growing strongly, still should qualify for the trade preferences. But the review's timing, just a few weeks after the collapse of the global trade talks at which Brazil and India -- leaders of a bloc of developing nations -- didn't come through with market-opening concessions sought by the U.S. and Europe, suggests it is at least in part politically motivated.

The tough-guy tactics could backfire, though, as have other efforts to press developing nations to yield to the U.S. For instance, Washington has negotiated a series of regional free-trade agreements, in part to pressure big developing nations to cut a global trade deal for fear of being ignored by the U.S. But the targeted nations haven't budged much, and trade experts complain that the Bush administration has spent too much time negotiating pacts with small nations such as Morocco, Bahrain or Peru that add next to nothing to the U.S. economy.

Gawain Kripke, senior policy adviser at Oxfam America said the threat to take back the benefits isn't going to change the political dynamic in Doha. "Inciting trade wars isn't likely to move negotiations forward," he said. Moreover, the U.S. stance could undermine its credibility as a free-trade advocate. " Susan Sechler, a former U.S. agriculture official who works at the German Marshall Fund, a think tank that focuses on U.S.-European relations, says removing GSP preferences isn't the best way to go about opening other markets.

The administration may feel it has little to lose. President Bush's authority to negotiate trade deals under a special arrangement, known colloquially as fast-track, expires July 1, 2007. Under fast-track, Congress can vote either yes or no on a trade deal but not to amend it. U.S. Trade Representative Susan Schwab is making yet another last-ditch effort to revive the talks. On Monday, she embarks on a weeklong trip to Asia, including a meeting of the Association of Southeast Asian Nations Economic Ministers in Kuala Lampur, Malaysia. She plans to talk with trade ministers from Australia, New Zealand, India, Korea and Japan. Brazil and India figure so prominently because they are leaders of the developing nations involved in the World Trade Organization. After the prior round of trade talks fell apart in 2003 because divisions between rich and poor countries deadlocked talks in Cancún, Mexico, the two countries have been trying to act as an economic and political counterweight to the U.S. and Europe, which have long dominated global trade.

The GSP program was launched in 1974 to provide duty-free treatment to goods exported to the U.S. from developing countries. Textiles and apparel don't qualify, but most farm products and manufactured goods do, at an annual cost of $352 million. In most cases, GSP exports represent a small share of total trade between beneficiaries and the U.S. Only 15% of Brazil's exports to the U.S., for example, come in under GSP. But poor nations are wary of losing any edge they have in the world marketplace.

From time to time, as GSP participants have grown wealthier, they have been "graduated" out of the program. Besides India and Brazil, the latest review covers Argentina, Croatia, Indonesia, Kazakhstan, the Philippines, Romania, Russia, South Africa, Thailand, Turkey and Venezuela.
In November, Mr. Bush will face a decision whether to remove any of these countries from the program; his ruling isn't subject to congressional review.

6. Civil society calls for new approach to world trade

The following are extracts from a letter sent to the meeting of G20 developing governments held in Brazil in August by 44 civil society organisations from around the world, including AFTINET.

The World Bank's Fall 2005 study of projected Doha Round outcomes found extremely limited possible gains from a "Doha Round" overall. The study projected net losses for many developing countries. The study found that the vast majority of possible gains would accrue to rich countries, and that developing countries would gain mere $16 billion – in ten years. *That's a miniscule 0.16 percent of developing-country gross domestic product or less than a penny a day per capita*. The Least Developed Countries would gain only 1.9 percent of the total gains of $54 billion: *that means that the poorest billion people are projected to increase incomes by a mere $1 per year*. Meanwhile, the Middle East, Bangladesh, much of Africa and (notably) Mexico would actually face net losses under the Doha Round. A proper analysis of the World Bank data is available in the study "Doha Round and Developing Countries: Will the Doha deal do more harm than good?" available at http://ase.tufts.edu/gdae/Pubs/rp/DohaRIS2Apr06.pdf.

In addition, a recent study by the Carnegie Endowment for International Peace also demonstrated that the poorest countries may actually lose from any agreement based on what is on the table at present, and that additional special measures will be needed to ensure that the Least Developed Countries succeed. The study is available at http://www.carnegieendowment.org/publications/index.cfm?fa=view&id=18083&prog=zgp&proj=zted.

The United Nations Conference on Trade and Development has estimated that losses to developing countries from reduced tariff revenue – incomes that are used to fund national health care and education budgets – would be 2 to 4 times the projected gains for developing countries from the Doha WTO expansion.

These are some of the reasons why civil society organizations from the global South and North have been unified in our opposition to the conclusion of the Doha Round in its current form.

As a basic rule of democracy, and in accordance with the WTO's procedures and mandate, any negotiations towards potentially concluding the Doha Round must allow for the effective participation of all Ministers. We can understand that many Ministers have expressed concern that the G-6 countries and the WTO Secretariat are continuing to hold informal discussions in an attempt to break the present impasse. While no one objects to negotiators holding private meetings, matters affecting the possible resumption of the talks must be transparent and inclusive of all Members. This period offers an important moment to reflect upon the undemocratic, non-inclusive process of the WTO negotiations and the right of all Members to take part in any decision-making about the future of the Round.

As the WTO Expansion Agenda Fails, it's Time for a New Model

The current crisis in the Doha Round has demonstrated that the current framework of the WTO has not achieved and will not achieve the goal of expanding trade to promote development. Instead of pinning blame on specific countries, the focus of energy should now be on how the world's governments can develop a multilateral trade system that would actually leverage trade to promote development. The current failure of the Doha negotiations is, indeed, a clarion call for a new system of democratic multilateral governance based on people-centred, ecologically sustainable development. The critics of corporate globalization are *for* international trade between different, unique countries or regions when it is mutually beneficial.

The future of global trade lies in a fundamental shift away from the model of corporate globalization embodied in the WTO and towards a different vision. We offer the following as next steps in the reflection process.

1. The future of the global trading system must be designed with the widest participation of all WTO members and communities that would be affected by the outcomes, particularly the poorest and most marginalized. The Director General must not be

permitted to work with a selected group of members to push through final decisions in a Round that is projected to harm the poorest members.

2. Years of experience with the WTO have demonstrated its negative impact on workers, farmers and the environment in rich and poor countries alike. Assessments by the World Bank, Carnegie Endowment and trade unions have shown the negative impact the potential conclusion of the Doha Round would have on the world's poorest countries. After your and our reflection on the past failure to promote development and the current meagre and negative projections for growth, the current Doha Round agenda should be set aside permanently.

3. Following this period of reflection on the WTO's past impacts and present negotiations, it has become clear that we now face an unprecedented opportunity to transform the multilateral trading system for the good of the vast majority of the world's people. We must develop a completely new global economic system based on proven policies that reduce poverty, promote people centred ecologically sustainable development and that is subordinate to global agreements on human rights, labor rights, and environmental protection. The Doha Round must be replaced by a course of negotiations actually designed to fix the current problems in the global trading system and that preserves the policy space essential for governments to pursue domestic strategies that will bring true development to their populations.

7. Successful trade justice dinner, farewell to Jemma Bailey and AFTINET job vacancy

Thanks to everyone who contributed to our successful dinner held on August 16. Everyone enjoyed Julian Morrow and Sharan Burrow and we got lots of positive feedback. We raised $6340, which was more than our target .

Jemma Bailey our former campaigner has left to take up a full time job with Lee Rhiannon, in the NSW Legislative Council , and we thank her for her work and wish her well in her new job.

The position has been advertised separately and the advertisement is on our website www.aftinet.org.au