



## Trading Australia Away?

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**What if the Australian Government signed a legally binding agreement with the United States which meant that Australians had to pay higher prices for medicines, had to change our food labelling laws and could no longer have laws for minimum Australian content in film and television?**

What if the negotiations for such an agreement took place behind closed doors and it was legally binding on all levels of government through a decision of Federal Cabinet, not through a vote of the Parliament?

These could be the outcomes of the negotiations for an Australia-US Free Trade Agreement (AUSFTA). The negotiations started on March 17, 2003, and will proceed behind closed doors over the next year.

The objective is a legally binding agreement which would remove all trade barriers between the USA and Australia. The Trade Minister and Australian negotiators have said that this would mean closer integration of the Australian and US economies.

*The government's own background paper says that the US sees Australia in economic terms "as the addition of another medium sized state roughly equivalent in GDP to that of Pennsylvania."*

Source: Australian APEC Study Centre, *An Australia-US Free Trade Agreement: Issues and implications*, Commonwealth of Australia, Canberra, 2001, p 48.

### No clear economic benefits for Australia

The negotiations are proceeding despite the fact that the APEC Study Centre paper, based on an economic study by CIE consultants, predicted very low economic gains after ten years only if all trade barriers, including in goods and agriculture, were removed, and then conceded that this was very unlikely. An independent study by ACIL Consultants, equally orthodox economic consultants, has confirmed that removal of all barriers is unlikely. It concluded that an agreement would bring no economic benefits and could actually mean slight losses to the Australian economy, in part because of trade lost to Asia Pacific countries, which currently take 55% of our exports. CIE has in turn criticised this study. The point is that neither study is predicting significant economic gains.

Source: *A Bridge too Far? An Australian Agricultural Perspective on the Australia/United States Free Trade Area Idea*, prepared for the Rural Industries Research and Development Corporation, ACIL, Canberra [www.rirdc.gov.au/reports/GLC/ACIL-ABridgeTooFar.pdf](http://www.rirdc.gov.au/reports/GLC/ACIL-ABridgeTooFar.pdf)

### Why have a Free Trade Agreement?

Both the US and Australian governments have linked the AUSFTA with the post-September 11 security alliance. The Australian government's recent White Paper on Trade and Foreign Affairs (DEAT) said it would "put our economic relationship on a parallel footing with our political relationship".

Source: Department of Foreign Affairs and Trade, *Advancing the national interest: Australia's Foreign and Trade Policy White Paper*, Commonwealth of Australia, Canberra, 2003, p xvi.

The government clearly hopes that its commitment of Australian troops to Iraq will make the US give concessions in the trade negotiations. This ignores the long history of US trade policy which shows that domestic US lobby groups have much more influence in trade negotiations than small military allies. Even many traditional trade commentators see the linking of trade and defence policy as a serious mistake likely to create perceptions of Australia as a satellite of the US and to damage trade and diplomatic relationships with other countries, especially those in our region.

The government argues that integration with the US economy, the largest in the world, will be beneficial. But the US has far fewer social safety nets than Australia. For example, the US has a privatised health system which leaves many uninsured and without access to health care, and the price of basic medicines is three times the price of those in Australia. Australia still has a public health insurance system, which has strong public support, despite government promotion of private health insurance, and proposed changes to Medicare. Perhaps integration with the US economy is a way of achieving further privatisation of health and other essential services, despite public opposition.

The government's background paper argues that the influence of US business culture would bring benefits to Australia. It ignores the negative aspects of US business culture, as illustrated by the collapses of Enron, WorldCom and others.



## Australia's weak bargaining position

*The Australian economy is only 4% of the size of the US economy. This puts Australia in a very weak bargaining position.*

The government hopes to gain access to US agricultural markets. But US farmers are an entrenched and powerful lobby group, and the US Congress has recently passed legislation which increased subsidies paid to individual farmers. These subsidies are paid across the board and cannot be changed by bilateral negotiations. Bilateral negotiations can only deal with tariffs (taxes on imports) and quotas (limits on quantities), which can be lowered for the products of individual countries. However, as both of the economic studies point out, even reduction of tariffs and quotas in key areas like sugar and dairy products will be extremely difficult given the power of US farm lobbies.

Moreover, Australia has few remaining tariffs in goods and agriculture, and these are in strategic industries like the clothing and car industries (See *Impacts on manufacturing employment* below).

### Impacts on manufacturing employment

Australia's main remaining tariffs (taxes on imports) are in the textile, clothing and footwear industry, (15-25%) and in the car industry (5-15%). Successive governments have reduced tariffs but have made the judgement that these are strategic industries which provide key skills and employment in our economy. Complete removal of these tariffs could threaten thousands of jobs.

The Australian Productivity Commission reports that 78,000 people work in the textile, clothing and footwear industry. Most of these workers are women of non-English speaking background. The car industry employs almost 54,000 people, mostly men over 35, of whom 26% are of non-English speaking background. Both industries provides significant employment in regional areas where there is little alternative, including Northern Adelaide, Mt Gambier, Bordertown, Geelong, Albury, Ballarat, Burnie, Devonport, Launceston, Wollongong, Taree, Ipswich and Toowoomba.

*Abolition of tariffs would have a devastating impact on these vulnerable workers and these regional communities.*

Source: Productivity Commission reports on the Auto Industry, 2002 and the Textile Clothing and Footwear Industry, 2003, [www.pc.gov.au](http://www.pc.gov.au)

## Social policies as Trade Targets

The main negotiating targets for the US are Australian laws and regulations, which we see as important social policies, but US trade negotiators and corporations see as barriers to trade. These are listed by the US Trade Representative Bob Zoellick in his report to the US Senate in November 2002 and by US companies which gave evidence to the US Trade Representative in January 2003. The danger is that these will be traded off for limited gains in agricultural markets. The Trade Minister and the Australian negotiators have confirmed that the social policies listed below are on the negotiating table.

Sources:

Zoellick, R, (2002) Letter to the US Senate dated 13 November 2002, [www.ustr.gov/releases/2002/11/2002-11-13-australia-byrd.pdf](http://www.ustr.gov/releases/2002/11/2002-11-13-australia-byrd.pdf)

Vaile, M, (2003) Australia-US Free Trade Agreement: Australian Objectives, 3/3/03, [www.trademinister.gov.au/releases/2003/mv1013\\_03.html](http://www.trademinister.gov.au/releases/2003/mv1013_03.html) and interview on ABC TV Business Breakfast Programme, 18th March 2003 [www.abc.net.au/businessbreakfast/content/2003/s809167.htm](http://www.abc.net.au/businessbreakfast/content/2003/s809167.htm)

## The Australian Pharmaceutical Benefits Scheme (PBS)

The Australian government uses its purchasing power to exercise price control for commonly prescribed medicines. This makes medicines affordable to most Australians, especially those on low incomes. The price of prescription medicines in the US is more than three times the price of medicines in Australia. Higher prices for medicines would make them unaffordable for many in Australia. This is a social equity and health policy that should not be negotiated in a trade agreement.

The US pharmaceutical companies want higher Australian prices for their products. The Pharmaceutical Research and Manufacturers of America gave evidence to hearings of the Office of the US Trade Representative about the Australia-US Free Trade Agreement on January 16, 2003. Their representative quoted US trade legislation which seeks the elimination of "government measures such as price controls and reference pricing which deny full market access for United States products".

In answer to media questions following the initial negotiations on March 21, the US chief negotiator confirmed that the PBS was on the table and said

"At this point, we are very much in a fact-finding mode and we have to do it from both sides, from the Australian side and from the PHARMA [US pharmaceutical industry] side. I will take the information we got here and go back to PHARMA and we will see where we go".

Sources:

Pharmaceutical Research and Manufacturers of America, Transcript of evidence to the Trade Policy Staff Committee of the Office of the US Trade Representative, January 16, 2003, p3

Transcript of media conference on the AUSFTA March 21, [www.dfat.gov.au/media/transcripts/2003/030321\\_fta\\_brief.html](http://www.dfat.gov.au/media/transcripts/2003/030321_fta_brief.html)



## Removing all controls on foreign investment and giving corporations the right to sue governments

The US wants to abolish all regulation of foreign investment, including the power of the Foreign Investment Review Board to review foreign investment in the national interest, and to remove any limit on foreign investment in media, telecommunications and airlines.

The US also wants to give corporations the right to challenge laws and to sue governments for damages if such laws harm their investments. If this sounds familiar it is because it is the same agenda as the North American Free Trade Agreement and the infamous Multilateral Agreement on Investment (MAI), which was defeated by community campaigning in 1998. Corporations have been given these rights in the recently completed Singapore Australia Free Trade Agreement. Australian negotiators have stated in evidence to the Joint Standing Committee on Treaties that this is the model for the AUSFTA (See *Corporations sue governments under NAFTA rules* box at right).

Joint Standing Committee on Treaties Transcript, 24 March 2003,  
[www.aph.gov.au/house/committee/jsct/march2003/tor.htm](http://www.aph.gov.au/house/committee/jsct/march2003/tor.htm)

## Privatisation and challenges to regulation of essential public services

*The US wants to remove all restrictions on trade and investment in services, including essential services like health, education, and water.*

This would allow corporations to challenge government provision and regulation of services, and lead to privatisation. This is the same agenda as the multilateral Trade in Services (GATS) negotiations currently proceeding in the World Trade Organisation, but it is in a worse form. The GATS is a "positive list" agreement. This means it is limited by the fact that it covers only those services which each government agrees to list in the agreement. The model for the AUSFTA, which has been used in the Australia Singapore Free Trade Agreement, is to use a "negative list" for both services and investment. This means all services, all regulation of services and all regulation which could affect foreign investment, will be automatically included in the agreement unless they are specifically excluded. Shades of the MAI again.

The irony of this agenda for services is that community campaigning against the GATS agenda forced the government as recently as April 1 2003 to announce that it would not make additions to its GATS list, in the first round of negotiations, in health, education, water and postal services. But all these services will be on the agenda again in the bilateral AUSFTA negotiations. Given the size of the US services industry, we could yet face privatisation of these essential services and challenges to their regulation by US transnational corporations.

## Corporations sue governments under NAFTA rules

*Under the North American Free Trade Agreement (NAFTA), US corporations have aggressively sued the Mexican and Canadian governments to challenge their laws and seek compensation for laws that affect their interests.*

- The US company United Parcel Service (UPS), the world's largest express carrier and package delivery company is suing the publicly owned Canada Post. UPS argued that Canada Post's monopoly on standard letter delivery was in violation of provisions on competition policy, monopolies and state-run enterprises. UPS is arguing, among other things, that Canada Post uses its public infrastructure to cross-subsidise its parcel and courier services. The public postal service enables all Canadians access to affordable postal services wherever they live. Australia Post provides a similar service and could be challenged under a free trade agreement.
- The US Metalclad Corporation was awarded US\$15.6 million, because it was refused permission by a Mexican local municipality to build a hazardous waste facility on land already so contaminated by toxic wastes that local groundwater was compromised.
- Ethyl Corporation, a US chemical company which produces a fuel additive called MMT containing manganese, hazardous to human health, successfully sued the Canadian government when it tried to ban MMT. In April 1997 the Canadian Parliament imposed a ban on the import of MMT, on grounds of public health as well as to reduce air pollution and greenhouse gas emissions. Ethyl Corporation successfully sued the Canadian Government, which was forced to settle the suit by reversing its ban on MMT and paying \$13 million in legal fees and damages to Ethyl Corporation.
- The U.S.-based Sun Belt Water Inc. is suing Canada for US\$ 10.5 billion because the Canadian province of British Columbia interfered with its plans to export water to California. Even though Sun Belt has never actually exported water from Canada, it claims that the ban reduced its future profits. This case reinforces the concerns of many Canadians that NAFTA rules treat an essential service like water as a traded commodity.

Sources:

Shrybman, S. (2002) *Thirst For Control*, Council of Canadians, Toronto, [www.canadians.org](http://www.canadians.org)

Public Citizen (2001) *NAFTA Chapter 11 Investor-to-State Cases: Bankrupting Democracy: Lessons for Fast Track and the Free Trade Area of the Americas*, Public Citizen, Washington, [www.citizen.org](http://www.citizen.org)



education and water services along with manufacturing jobs.

## Australian Content Rules in film and television

The US is also challenging Australian content rules in film, television and music as barriers to trade. These rules ensure that Australian voices are heard and Australian stories are told. Without them, Australia's cultural identity and diversity would be swamped by US imports, which already have a large share of the Australian market.

## Labelling of genetically modified food

The US is the largest producer of food containing genetically modified organisms (GMOs). Lobbying by agribusiness companies has ensured that there is no US requirement for labelling to show GMO content in food. Australia has labelling requirements and a regulatory regime for GMO crops because there is an overwhelming desire by consumers to know whether food contains GMOs, and to ensure that non-GMO food remains available so that they can make an informed choice.

## The Australian Wheat Board and quarantine laws

Two of the other US targets could damage the interests of farmers, who are supposed to benefit from the AUSFTA. The Australian Wheat Board provides a single point of sale for wheat which increases farmers' bargaining power in global markets. The US has also identified Australian quarantine law as a barrier to trade. Australia is an island continent and has high quarantine standards because we are disease-free in some areas. Removing these standards could have a devastating impact on plant crops and both farm and native animals.

## Abolition of local preferences in government purchasing

The US is seeking the removal of all barriers to government purchasing markets. There are some Federal and state government purchasing arrangements which ensure that smaller local firms have access to purchasing contracts, or require transnational companies with government purchasing contracts to develop relationships with local firms. These arrangements contribute to local jobs and economic development and should not be negotiated away in a trade agreement.

## Community support for Australian social policies and opposition to trading them away

Most Australians support these social policies, which help make Australia a more equitable society than the US, with a distinctive culture. A survey by UMR Research reported in the *Australian Financial Review* on March 21, 2003 showed that 90% of respondents rejected a trade deal that changed the Pharmaceutical Benefits Scheme and 70% opposed a deal that threatened Australian content in film and television. Social policies which protect the public interest should be publicly debated here and decided by parliaments at the national or state level, not secretly signed away in a trade agreement.

## What can we do about it?

AFTINET is a national network of 65 community organisations and many more individuals which supports fair regulation of trade consistent with human rights, labour rights and protection of the environment.

There is a strong community campaign developing against the agreement, which is now opposed by the all the Opposition parties, ALP, Democrats and Greens. A Senate Inquiry will hold public hearings from May 2003.

Join AFTINET to get regular Bulletins on the AUSFTA. Give a donation to help with the campaign (see form below)

See our website [www.aftinet.org.au](http://www.aftinet.org.au) for a subscription form, sample letters to politicians and more information

Use the sample letters to demand:

- no trade negotiations which could endanger important social policies;
- comprehensive independent research into both the social and economic impact of all proposed trade agreements should be published for public debate before negotiations begin;
- essential public services like health, education and water, and health and social policies like access to medicines, food labelling and quarantine should be excluded from trade negotiations;
- cultural and audio- visual services should be excluded from trade negotiations; and
- all trade agreements be debated and decided by Parliament, not just by Cabinet.

Research by Dr Patricia Randal and Louise Southalan, Public Interest Advocacy Centre.

Thanks to the Sisters of Charity Foundation, the Uniting Church, the Australian Education Union and the Australian Manufacturing Workers Union for funding support.

**I would like information about joining AFTINET**

Name / Organisation: \_\_\_\_\_

Postal Address: \_\_\_\_\_

Email: \_\_\_\_\_

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

**I would like to make a donation to AFTINET's campaign (please tick the amount)**

\$10    \$20    \$50    \$100    \$200    \$ \_\_\_\_\_ Other amount

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**Federal Cabinet is planning to approve the Free Trade Agreement without a vote of Parliament.**