



AFTINET
Australian Fair Trade
& Investment Network Ltd

AFTINET Ltd
Level 9, 299 Elizabeth Street
Sydney NSW 2000
Phone: 02 8898 6540
Fax: 02 8898 6555
Email: jbailey@piac.asn.au
ACN 097 603 131
ABN 83 659 681 462
www.aftinet.org.au

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If you would like to contribute to the Bulletin, please contact Jemma Bailey at jbailey@piac.asn.au or on (02) 8898 6540. Our website is <http://www.aftinet.org.au>.

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1. Report of AFTINET meeting with DFAT

On Friday 2 June, AFTINET went to Canberra for a lobbying meeting with representatives from Department of Foreign Affairs and Trade (DFAT). We met regarding:

- WTO negotiations on agriculture, services and goods
- Proposed China FTA
- Proposed Malaysia FTA
- Proposed ASEAN – Australia – NSW FTA
- Proposed United Arab Emirates FTA
- Study into a potential Mexico FTA

DFAT confirmed that the next couple of months are crucial for the WTO. Deadlocks remain in negotiations on agriculture and goods. DFAT is currently drafting Australia's second round revised offer in the services negotiations. We raised particular concerns about keeping essential services, such as water, education and post, out of Australia's offer. We also raised concerns that Australia not make requests to developing countries to open up their essential service sectors.

We understand that the negotiations with China and Malaysia are gaining momentum,

while negotiations with ASEAN are moving more slowly due to the number of countries involved. DFAT is conducting a study into a potential FTA with Mexico. AFTINET is working on a submission to this study and will circulate this to members in the coming weeks.

2. Update on WTO negotiations: New June deadline set

WTO Director General Pascal has called a new Mini-Ministerial Meeting for 29 June. This is in response to the continuing deadlock in the negotiations on agriculture and NAMA (Non Agricultural Market Access, including goods and natural resources).

In agriculture, many key areas remain unresolved. In NAMA, there seems to little convergence in proposals between developed and developing countries. The 'NAMA 11' group of developing countries has put forward a comprehensive proposal that allows flexibilities for developing countries. Meanwhile a group of developed countries has put forward proposals that would see poor countries make much larger percentage cuts from their tariffs than rich countries. The NAMA 11 have asserted during the negotiations that this is against the WTO's principle of 'less than full reciprocity' for developing countries and would lead to job losses and de-industrialisation in poor countries.

This June Mini-Ministerial fits the mold of previous Mini-Ministerials. That is, an exclusive meeting of selected governments, with the majority of governments excluded from proceedings. It is expected that only 30 – 40 Ministers will attend this Mini-Ministerial and the Chairs are currently drawing up draft texts on agriculture and NAMA, despite ongoing disagreements.

There was a stocktaking meeting planned to discuss trade in services (GATS) on 26 June, but we understand that this has been cancelled. The next deadline date for GATS is for second-round revised offers on 31 July.

As the months of failed deadlines continue, there is also a mounting body of evidence that the Doha Round is anything but the Doha Development Round. Many of the proposals on will foreclose domestic policy options for poor countries and will curtail people-centred development. A series of economic reports on the projected outcomes of the Doha Round (as reported in previous AFTINET bulletins, from the World Bank and the Carnegie Endowment for International Peace) predict that most of the gains expected from the Doha Round would flow to rich countries. The remaining gains would be distributed among a few exporters from middle-income developing countries. According to the Carnegie Endowment for International Peace, "Bangladesh, East Africa, and the rest of Sub-Saharan Africa are adversely affected in every Doha scenario modeled, regardless of whether the ambition is modest or high".

AFTINET has just finished a small publication and lobbying materials for members on the WTO negotiations. This will be posted to members in the coming fortnight. If you want more copies, please contact Jemma Bailey on jbailey@piac.asn.au or (02) 8898 6500.

3. Developed and developing countries clash over biopiracy negotiations

at WTO

Negotiations are continuing at the WTO about an amendment to the Trade in Intellectual Property Agreement (TRIPS) to address biopiracy. Biopiracy refers to the privatisation and unauthorised use of biological resources by granting a patent (often for drug development) to corporations, universities or governments outside of a country that has traditional knowledge. In many such cases, the country that is the source of biological resource does not even know about the granting of the patent and the economic benefits from the patent are not shared with the country of origin. Developing countries are particularly affected by biopiracy

There was a WTO consultation meeting on 6 June to discuss a proposed amendment to TRIPS that would make disclosure of the source of origin of biological resources mandatory for patent applicants. We understand that, at this consultation, the Australian government joined with a handful of countries to say that there is no mandate to negotiate an amendment. AFTINET and many AFTINET members made a submission to DFAT in December 2005 which called on the Government to support amendments to TRIPS to ensure mandatory consultations and the sharing of benefits as a condition of granting patents.

Developing countries set for clash with US over patents

Financial Times, 7 June

Developing countries led by India and Brazil are set on a collision course with Washington by stepping up their campaign in the World Trade Organisation to oblige patent applicants to disclose the origin of inventions using biological resources or traditional knowledge.

India, Brazil, Tanzania, Thailand, Peru and Pakistan last week proposed an amendment to the WTO's intellectual property agreement that would make such disclosure a condition of receiving the patent. In the event of failure to comply, existing patents would be revoked or made unenforceable. The sponsors say their proposal is needed to stop "bio-piracy" - the exploitation of their genetic resources for drug development without a fair return to the host communities. But the pharmaceutical industry says existing rules are adequate and claims that draconian penalties for non-disclosure would stifle interest in developing new biomedicines.

The proposal, which is expected to attract support from more of the WTO's poorer members in coming weeks, has been made as part of the Doha global trade round. It may be used as a bargaining chip to set against the demands of rich countries for concessions elsewhere in the negotiations. The WTO has set a deadline of end-July to make progress on this and a European Union demand for the extension of rules protecting geographical names for products other than wines and spirits.

However, Rufus Yerxa, WTO deputy director-general, who is in charge of consultations on these issues, said last month he did not expect agreement by the deadline. The US is reportedly backed by Japan, Australia, South Korea, New Zealand and Canada. The EU has taken a softer line, favouring disclosure but opposing the invalidation of patents if disclosure requirements are breached. Trade experts see this as a move to recruit developing country support on geographical names, where Brussels faces strong

opposition from the US and the same group of allies as well as much of Latin America.

The proposed amendment would require patent applicants to disclose both the country from which the resource was obtained and the country of origin of the resource. They would also have to show that they had complied with national laws on "prior informed consent" for access to the resource and on equitable benefit-sharing from its commercial development.

"Prior informed consent" and equitable benefit-sharing are required by the United Nations convention on biological diversity, but the convention leaves it to member countries to decide whether and how to put these concepts into national law. The US, as a non-signatory, is not bound by the convention.

Pharmaceutical companies say they already obey national laws, which normally require a contract with the government, and that only a handful of bio-piracy cases have been identified. But India and Brazil argue that without international rules, national laws can be easily evaded.

4. Australia given signal of services flight

The Hong Kong Standard, 31 May 2006

Beijing has told Canberra that opening access to China's services industry will be the most difficult aspect in bilateral free-trade negotiations, according to an Australian official.

Officials concluded their fifth round of free-trade talks in Beijing over the weekend by agreeing on a general framework for negotiations to proceed. The talks began a year ago, with agriculture and manufacturing looming as the other most contentious areas. Ric Wells, who heads the China FTA task force for the Department of Foreign Affairs and Trade, told a Senate hearing Tuesday that China believed services negotiations will be the most sensitive part of any deal. The sector includes telecommunications, professional and financial services.

"The Chinese have made an effort to be frank about the difficulties for them of the whole services sector," Wells said. "The Chinese have, I think quite usefully, told us it will be difficult for them to give us improved access."

Some of the most sensitive areas for China are wool, wheat, sugar, rice and cotton, with Wells saying Beijing has "accepted that to negotiate a high-quality free trade agreement, concessions will be necessary from both sides."

5. Free trade fears in Snowy backflip

The Age, 12 June 2006
Rod Myer

THE last-minute scrapping of the \$3 billion Snowy Hydro float, attributed by the Government to the public outcry at the prospect of losing control of an "icon", may have been partly prompted by fears it would contravene Australia's free trade agreement

negotiated with the US last year.

As opposition to the sale plan gained momentum, government backbenchers forced the introduction of a 15 per cent cap for each foreign investment and a maximum overseas holding of 35 per cent. At the time, the restrictions might have seemed like good politics, but had they been implemented, the move may have raised the hackles of the Americans, according to lawyers with trade expertise, who asked to remain anonymous.

AUSFTA, in its provisions on investment, says nationals of both countries must have the same rights to assets in the country of the other, which makes limitations on foreign investments a problem. Existing arrangements, such as capping Qantas' maximum foreign ownership at 49 per cent, are accepted under the pact, but any new limits would require negotiation.

Also, the FTA gives free rein to investments valued below \$800 million. As 15 per cent of the Snowy sale would have amounted to \$450 million, that would put the restriction below the threshold allowed for examination of shareholdings.

A spokesman for Prime Minister John Howard referred The Age to Mr Howard's comments at the time the sale was scrapped, saying public opposition was overwhelming and this triggered the decision. ...

6. FTA hurting Thai farmers

Bangkok Post editorial, 9 June 2006

A recent study led by Thammasat University academic Rangsan Thanapornpan claims that the Australia-Thailand free trade agreement has benefited only a small group of industrialists, while people in the agricultural sector have been adversely affected.

The study says Thailand enjoyed a trade surplus with Australia during 1998-2004. In 2005, the year the FTA was first enforced, Thailand had a trade deficit with Australia worth 3,199 million baht. Not to mention other repercussions that hurt the Thai farmers. In 2005, imports of milk and dairy products from Australia increased by 57%. Beef imports also increased because the tariff was reduced from 51 to 40%. Thai dairy farmers and cattle raisers were directly affected.

Although the volume of Thai exports to Australia grew by 28.5% in 2005 because of tariff reductions, Thai goods are now less competitive because Australia expanded its FTAs with other countries.

The government should look at ways to correct the problems emanating from the FTA with Australia, or even with China. It is not right to let a small group of people benefit, while the majority suffers from the effects of free trade agreements.

7. New book: Suiting themselves - How Corporations Drive the Global Agenda

Author and academic Sharon Beder has recently published a new book exposing how corporations are crafting the global agenda for their own benefit. Beder traces corporate influence from the 1970s to the push for privatisation of essential services to the current day influence of corporate lobbyists to rewrite the rules of trade and the global economy to favour corporate rights over people's rights.

More information at www.homepage.mac.com/herinst/sbeder/suiting.html.

8. Position vacant: AID/WATCH campaign & project development officer

AID/WATCH is advertising for a Campaign and Project Development Officer. Applications due 30 June. For further details see <http://www.aidwatch.org.au> or phone Karen on 9557 8944.

9. Mark your diary: AFTINET fundraising dinner Wednesday 16 August

When: Wednesday August 16, 6.30 pm for 7pm start

Where: Marigold Restaurant, Level 5, 683 George St, Sydney 2000

Feast on a delicious four-course Chinese banquet with vegetarian options

Speaker: Sharan Burrow, President, Australian Council of Trade Unions and President of the International Confederation of Free Trade Unions

MC: Julian Morrow, from the ABC's Chaser's War on Everything

Auctions: Cartoon by Bruce Petty, painting by Rachel Szalay.

Raffle prizes of fair trade products and wine

Price: \$55 per person

Booking form:

Please circle your choice. Please note drinks are not included, but bar is available

Do you require vegetarian food? Yes / No. For how many people? ____

Please book ____ places at \$55 per person **or Group Bookings** discount: five (\$265) or ten (full table) \$525

You can pay by cheque, money order or credit card. Cheques should be payable to AFTINET

I enclose a cheque / money order for \$

Or please charge \$..... to my (please circle) Visa / Mastercard / Bankcard

Card Number : _____ Expiry date: ____ / ____

Name of Cardholder: _____

Address _____

Phone number _____

Signature: _____

Post / fax cheques and completed forms to AFTINET, Level 9, 299 Elizabeth St, Sydney 2000. Ph: 02 8898 6500 Fax: 02 8898 6555