

## **The Australia-US Free Trade Agreement: Trading Australia Away?**

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AFTINET is a network of 73 unions and community organisations concerned about the impact of trade agreements on human rights. We support a fair multilateral trading system, which has the potential to mitigate the economic power of the largest economies and the influence of transnational corporations. We want fairer and more open trade rules and policies than currently exist in the WTO and through bilateral trade agreements. We want to ensure that trade agreements do not prevent governments from legislating in the public interest and promoting local development.

The US is pursuing bilateral trade agreements more strongly since the Cancun WTO meeting in September. At Cancun, the majority of developing countries refused to have new WTO agreements on Investment, Competition Policy and Government Procurement. The US is hoping to use its stronger bargaining power in bilateral negotiations to pursue this same agenda.

The US-Singapore, US Chile and US Australia Free Trade agreements all have the same structure as the infamous MAI, defeated in community campaigning in 1998, and as the North American Free Trade Agreement (NAFTA).

The strategy is to build a network of such agreements and use these as new benchmarks for agreements in the WTO.

An FTA would aim to remove all trade barriers (tariff and non-tariff) between the US and Australia. It would be binding on all levels of government, federal, state and local. It is true that the discussion about a possible Free Trade Agreement began in 2001 and before the war with Iraq. But since the announcement of negotiations last November both governments have adopted an accelerated timetable and linked it to defence policy. The Howard 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. Both governments are trying to rush it through by the end of this year before their respective election cycles, although yesterday they extended the deadline into January.

The USFTA is about a US agenda, not about Australia's interests, for the following reasons.

- 1) There are no clear economic benefits for Australia. Australia is in a weak bargaining position, only 4% of size of the US economy. The government's economic study by CIE consultants shows only small economic benefits for Australia, (0.3% increase in GDP or \$4 billion after 10 years) mainly through improved access to US agricultural markets. Recently the US Congress has increased its subsidies to farmers, which are paid across the board and cannot be removed for trade with Australia. Only tariffs (taxes on imports) and quotas (quantitative limits) can be

negotiated bilaterally between Australia and the US. But it will be very difficult to remove specific agricultural tariffs (taxes on imports) in areas like meat, sugar and dairy products because of the strength of the US farm lobbies. Other equally orthodox studies by ACIL consultants and the Productivity Commission show no benefits from such agreements, mainly because of loss of trade to other trading partners, especially in the Asia Pacific

2) Australia has few tariffs (taxes on imports) and those we do have are in the car and clothing industry and are relatively low. But complete removal of these could affect tens of thousands of jobs, many in regional areas of high unemployment. Because our tariffs are so few, the main targets identified as "trade barriers" by the US are our public services and social regulation. Here are the main examples.

a) The MAI/NAFTA "negative list" approach means that all regulation of services and investment at all levels of government is included unless specifically excluded, which is worse than the WTO GATS agreement, which has a positive list approach. This is designed to put severe restrictions on the ability of governments to make new regulation. Let's imagine the Howard government deregulated university fees and doctors' fees and effectively privatised health and education, and then signed the USFTA. It could be difficult for a future ALP government to bring back public regulation in these areas, because the US could argue that such regulation was a barrier to US investment in these areas.

b) Removal of all limits on foreign investment, including in Telstra, Qantas, and the media, removal of rights to local industry policy and

giving corporations the right to challenge laws and sue governments. Under NAFTA corporations have challenged environmental laws and sued national and local governments for millions of dollars.

c) US corporations want access to privatise public services like health, education and water. They could argue that public provision and regulation of such services is a barrier to trade and investment. Under the NAFTA, UPS the giant courier company is suing Canada's public postal service on the grounds that its provision of subsidised services to rural areas is a barrier to trade. Australia Post has similar services and could also be challenged.

d) Removal of price controls on the wholesale price of prescription medicines through the Pharmaceutical Benefits Scheme (PBS). The government uses "reference pricing" to negotiate lower wholesale prices for medicines and then subsidises them through the PBS. The US does not control wholesale prices in this way. US pharmaceutical companies want higher prices for their products. The government keeps saying that they will protect the PBS but this issue is still being discussed in the negotiations. There is a specific leaflet and letter to the Minister about this on our website.

e) Australia has minimum content rules in film, television and music to ensure that Australian voices are heard and stories are told. US media companies want even greater access to our market. The US is now saying they will agree to a "standstill" exception for media content in current technology. This would mean a future government could not increase Australian content rules for current technology. But they want no exceptions for future technology, what is called "e-commerce" This

means any media delivered digitally or through other new technology in the future would have no content rules, making Australian content meaningless. It would be like saying in 1950 that you would have Australian content rules for radio, but not for TV.

f) Australia has national labelling regime for genetically modified food and most State governments have regulated the introduction of GM crops to prevent contamination. The US is the world's largest exporter of GM food and wants this regulation reduced.

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.

The government is having problems with the negotiations: US farmers want lower tariffs phased in over a long period like 12 years, as in the US-Chile Free Trade Agreement, and Australian farmers have already rejected this. There is public pressure to keep PBS reference pricing and local media content and there is opposition to giving corporations the right to sue governments. The danger is that the government will trade off social policies for minimal gains in access to agricultural markets.

If the agreement is concluded in January, we will not see the full text until it is referred to the Joint Standing Committee on Treaties in February. The Committee can only make a recommendation to Cabinet, which makes the final decision. Parliament does not debate or vote on the full treaty, but may be called upon to pass some legislation required to implement it. It is important to maximise pressure on the government before January, to make it more difficult for them to trade off social policies. If necessary, we will continue the campaign to force the Committee to hold public hearings, and we will campaign against the passing of the implementing legislation.

There is already strong community campaign. There have been public meetings, rallies and increased media publicity in the main national media, most recently from the Canberra rally on Oct 27. We have leaflets, a sign on statement, stickers and badges. See [www.aftinet.org.au](http://www.aftinet.org.au) for campaign letters and more information.

There is a Senate Inquiry into the USFTA which has held public hearings and will report at the end of November. The next major event will be a public launch of our sign on statement on November 24, which has been signed by a very wide range of unions, churches, environment groups, public health groups, actors and media people, and thousands of individuals. We are also planning joint media work with similar range of US groups at for the negotiations in Washington in the first week of December

The statement calls on the government to exclude all social policies and essential services from the agreement, not to give corporations the power to sue governments, and to have parliamentary scrutiny of the agreement.

Please sign one if you have not done so, and take some stickers and badges. Together we can win!