



6th April 2004

The Secretary,
Joint Standing Committee on Treaties,
R1-109, Parliament House,
Canberra ACT 2600,

Submission on the United States Free Trade Agreement (USFTA)

From:

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We believe the proposed US-Australia Free trade agreement is not in Australia's interests because it:

1. Does not provide noticeable economic benefits to Australia.

Even the government's own study before the negotiation predicted less than a 0.3% gain for the Australian economy over 10 years. This study assumed totally free trade in agriculture, but trade in agricultural products has been significantly reduced in the final version, as the media have widely reported. The government has not yet produced a study that analyses the current agreement, but it is obvious that even tiny predicted gain can not be realised. Furthermore the APEC Study Centre and ACIL Consultants have **published studies which even predict an overall loss for Australia even if there were full open trade in agriculture.**

2. Weakens price controls on medicines in several ways by--

- Allowing drug companies to seek reviews of decisions by the Pharmaceutical Benefits Advisory Committee
- Setting up a new joint policy committee which gives the US government a voice in Australian medicines policy based on US trade policy, not on the Australian policy of access to medicines for all
- Changes to patent laws that could delay Australian access to high quality less expensive medicines.

The government has attempted to deflect criticism of the challenges to the USFTA concerning the PBS by stating that the changes will not mean higher prices **for consumers**. This wording in itself is a cause for concern, because it implies that prices could easily rise, and that the government would be obliged to put more money into the PBS to keep consumer prices down. Thus we would be paying more for drugs, but the price rise would be hidden.

US drug companies have a long history of complaining about the PBS and seeking to have it altered. They are not so much concerned about their "losses" in Australia, but the interest of other much more populous countries (such as in Europe) in adopting a scheme like it. This government has a history of bowing to the drug companies, with one of the more recent event being placing a former drug company lobbyist on the PBS board. Even US Congressmen are aware of the drug companies' attacks on the PBS and foresee that if they succeed weakening the PBS, then drug prices in the USA will go up even more.

3. **Will lead to higher costs for libraries, schools and universities.** It adopts US copyright law which grants copyright for 70 years following the death of the author, but does not put in place the US's more generous rules which allow more copying for research and education purposes than Australian law does. US recording and publishing companies claim that this provision is their way of helping authors and artists. This is a specious argument, since the creators of a work receive only a miniscule fraction of the proceeds of sales. The real beneficiaries are the media corporations who can continue to earn money on books, music, movies and all other copyrighted material for 20 more years than previously. The Australian Intellectual Property and Competition Review Committee has recommended that copyright not be extended without a public inquiry.
4. **Severely restricts our Commonwealth, state and local governments' ability to regulate and choose services in the best interests of Australia because it--**
 - **"Binds" or freezes many areas of state and local government regulation** at existing levels and limits the ability of governments to make new laws and policies on essential services like water. Governments will not be able to adapt their policies to changing conditions and requirements and serve the people. The only possible beneficiaries of such policies will be foreign corporations and their local collaborators.
 - **Outlaws government purchasing policies that give preference to local products** or require US contractors to form links with local firms to support local employment. We believe that governments should have the ability to adopt the policies which benefit their constituents, not bow to the interests of American corporations.
5. **Prevents the review of 90% of US investment by the Foreign Investments Review Board.** Most US investment is less than the amount set as, according to US government calculations. Thus our government would not be allowed to make investment permission contingent on technology transfer, protection of national security, employment, use of local products or increasing exports. It remains baffling to us why the government would give away its powers of review in this important area of the economy.
6. **Undermines national government control and regulation over quarantine and food labelling** by setting up joint committees based on US trade policy to give the US government a say in our national policies. The foolishness of giving the US a say in our quarantine has been documented by scandals which have rocked the US Food industry in recent months, where food contamination was covered up for commercial interests. These committees have the objective of "facilitating trade." There is no need to have a special committee to resolve disputes. Quarantine is a matter of science, and need to be resolved by agreement on effective scientific procedure. "Facilitating

trade” is a consideration which in our opinion has nothing to do with the criteria for quarantine.

7. **Limits Australian content rules for new forms of media, and allows the US government to challenge these rules as a barrier to trade.** There is no apparent reason why it is in Australia’s interest to restrict Australian content rules in any old or new media. It is also apparent that Australian content creators would be hurt if they have to compete with a huge US industry with domestic market that guarantees that all of its costs will be covered by sales in the US, and can therefore compete very unfairly with Australians.
8. **Has a disputes process which enables the US government to challenge many Australian laws and regulations before a trade tribunal on the grounds that they are too burdensome for business or a barrier to trade.** The United States can easily afford to challenge anything that it thinks would allow it to make more money, its economy is 25 times as big as Australia’s as well this process will be secret, so that no Australian citizen, or government will have the opportunity to review any negotiations or results from negotiations in this tribunal. Furthermore many of the challenges could be about measures which Australian governments might put into place to protect the well being of our society, but the tribunal will only consider the trade effects of these measures. This would make significant measures such as employment creation, environmental protection, or health subject **only** to a consideration of their effect on US trade income.
9. **Will lead to immediate and future job losses through tariff cuts and changes to government purchasing rules.** There will be an immediate loss in industries producing auto parts. Other tariffs are scheduled to be phased out in areas such as clothing and footwear in the future, and recent experience has showed that removing restrictions in such areas is guaranteed to destroy employment. There is no projected remedy from the government for the problems which it knows will be caused by the USFTA.

In addition the disadvantages the USFTA would have for Australia, we believe that **there is in even greater danger to Australia’s national interests in the conditions which the US government** requires countries to meet even before any negotiations take place. U.S. Trade Representative Robert **Zoellick** stated explicitly that “countries that seek free trade agreements with the United States must pass muster on more than trade and economic criteria in order to be eligible. At a minimum, these countries must cooperate with the United States on its foreign policy and national security goals, as part of 13 criteria that will guide the U.S. selection of potential FTAA partners.” (“Zoellick Says FTA Candidates Must Support US Foreign Policy,” *Inside US Trade*, May 16, 2003). That is, in order to enter into the FTA negotiations, the Australian government had to show it would support the national security interests of the USA. This makes the interests of Australia subordinate to the interests of a foreign power. It is worth asking why the US, the most powerful nation in history, feels so vulnerable that it must force trading partners to subordinate their interests to its own. This condition could well be the basis of the government’s repeated insistence that supporting the US in Iraq was in Australia’s “national interest”, especially since the Prime Minister never clarified how Australia’s national interest was being helped by this venture.

We believe that the Committee and all representatives of the people in our democracy should keep in mind that there is a widespread perception among Australians that the basic trend of government economic legislation and agreements has been to favour the wealthy, big business and other privileged sectors of our society at the expense of middle class and low income Australians. This perception parallels a noticeable decline in public trust for our political bodies and politicians. It appears to us that the effects of passing the USFTA which creates many disadvantages for Australia would provide further support to this negative view of the government and politicians.

John Howard has announced that he is going to sign the USFTA in May, before debate in the public and the Parliament has been completed and the Joint Standing Committee on Treaties is scheduled to make its report on 23 June. His actions can only do more to show that he and the government do not care what Australians, and even politicians outside the government think about his policies and ventures.

Government representatives over the years have constantly insisted that all of the changes which have helped big business and overseas investors and disadvantaged middle and lower income Australians so greatly have been "inevitable". The terms of the USFTA demonstrate clearly that such changes are clearly being consciously chosen by the government itself, in ways that limit the effectiveness and power of the government. Naturally this leads to a question in our minds and the minds of many, "On whose behalf is the government acting?"

In the light of the above considerations, we urge you to recommend that the USFTA not be approved.

Yours sincerely,

Handwritten signatures of Richard Maguire and Maria Maguire in cursive script.

Richard and Mara Maguire