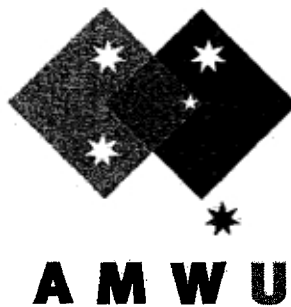


JT 4 March 2003  
Submission No: .....15.....

# AUSTRALIAN MANUFACTURING WORKERS' UNION



**SUBMISSION TO THE  
JOINT STANDING COMMITTEE ON TREATIES REGARDING THE  
SINGAPORE - AUSTRALIA FREE TRADE AGREEMENT**

**MAY 2003**

## Recommendations

- A. The AMWU submits that the Joint Standing Committee on Treaties should recommend that the Singapore - Australia Free Trade Agreement be not entered into on the basis that:
- it will be seriously detrimental to manufacturing workers and their communities;
  - its economic benefits have not been adequately shown;
  - it does not contain a mechanism to protect core labour standards; and
  - it contains an inadequate rules of origin clause.
- B. The Joint Standing Committee on Treaties should recommend substantial reforms such as those suggested by the AMWU to be made to the current system of trade treaty negotiation to ensure that parliament has a greater role in the treaty process. In the alternative the Joint Standing Committee on Treaties should recommend this issue be explored further prior to Australia entering into any further trade agreements.
- C. The Joint Standing Committee on Treaties should accept the recommendations suggested in the submission of the Australian Fair Trade and Investment Network.

## **Introduction**

1. The Australian Manufacturing Workers' Union (AMWU) makes the following submission to the Joint Standing Committee on Treaties with respect to the proposed Singapore - Australia Free Trade Agreement (SAFTA).
2. The registered name of the AMWU is the Automotive, Food, Metals, Engineering, Printing and Kindred Industries Union. The AMWU represents over 150,000 workers in a broad range of sectors and occupations within Australia's manufacturing industry. The union has members in all states and territories of Australia.
3. The AMWU is a regular participant in debates concerning Australia's trade policy and has made submissions to various committees regarding trade issues over many years. The AMWU is concerned that the interests of manufacturing workers, their jobs, their lives and the communities in which they work continue to be either ignored or used as bargaining coin by the Australian government in trade negotiations. The SAFTA is the latest example of a trade policy built on the premise that what is good for multinationals (be they Australian or foreign) must be good for the Australian people. The AMWU opposes Australia entering the proposed SAFTA.
4. This submission deals with a number of issues surrounding the SAFTA, specifically: the effect on the manufacturing industry and on Australia more generally; the lack of core labour standards; the inadequacy of the rules of origin; and the absence of any proper mechanism for overseeing trade negotiations.
5. In addition to the comments contained in this submission, the AMWU notes and strongly supports the submission of the Australian Fair Trade and Investment Network.

## **Manufacturing Workers to Lose Again**

6. The AMWU submits that it is time the Australian government stopped sacrificing the interests of manufacturing workers for potential gains to other sectors. Clearly under the proposed SAFTA, the interests of the manufacturing workers have been traded away for unquantifiable gains to the services sector.<sup>1</sup> It is difficult to see how these possible gains to the service sector will create jobs or improve wages in Australia but it is not at all difficult to see how the changes made to Australia's tariff structure combined with the rules of origin in the SAFTA

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<sup>1</sup>Page 6 of the Regulation Impact Statement.

and the lack of a mechanism to protect core labour standards may well threaten jobs and wages, particularly in manufacturing.

7. Whatever the net effect of the agreement on the Australian economy, it is inevitable that certain firms, sub-sectors and regions will be disadvantaged. The government has in place no adequate structure to monitor or mitigate this effect. As the one study that the government commissioned on the SAFTA found:

"The sectors likely to incur additional costs by allowing more Singaporean production (essentially manufactured goods) to enter Australia at zero tariff rates are reasonably clear: general manufacturers and those firms which may lose market share in the Government procurement market to Singaporean competitors.<sup>2</sup>

...

"In addition to the potential job gains from an FTA under the second scenario, there might conceivably be potential job losses in particular parts of the economy.<sup>3</sup>

...

"the broad expectation of industry associations is that potential job losses are relatively modest".<sup>4</sup>

8. The authors of the study quoted above, Access Economics, may well be of the view that job losses may be "relatively modest" but this will be a cold comfort for those who actually lose their jobs - particularly for those areas dependant on manufacturing that have already been hard hit by previous tariff reductions.
9. Indeed given the history of trade liberalisation in this country is it really any wonder that Access Economics reported the following:

"The potential costs of an FTA with Singapore were perceived to be modest compared with the potential benefits - but there is a perception among some in manufacturing industry that it is again being asked to pay for the costs of an FTA, whereas the benefits will go to the service industries."<sup>5</sup>

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<sup>2</sup>Page 4 of "The Costs and Benefits of a Free Trade Agreement with Singapore" Prepared for the Department of Foreign Affairs and Trade by Access Economics Pty Limited, Canberra September 2001.

<sup>3</sup>Ibid

<sup>4</sup>Ibid

<sup>5</sup>Page 23 of the Access Economics Report

10. As to the overall effect of the SAFTA it appears from the National Interest Analysis that there is no *quantifiable* net gain and over \$130 million in lost tariff revenue likely over the next 4 years if the SAFTA is entered into. At the end of the day all that Access Economics are willing to say is that the services sector may make some gains and the manufacturing sector may lose some jobs. This is not a win-win trade agreement for local industry. There are winners and losers but we don't know the sizes of those gains and losses. It is not in the public interest that Australia enter into trade agreements where the effects of doing so are so unknown.
11. *The AMWU submits that the Joint Standing Committee on Treaties should recommend that the SAFTA be not entered into on the basis that it will be seriously detrimental to manufacturing workers and their communities.*
12. *The AMWU submits that the Joint Standing Committee on Treaties should recommend that the SAFTA be not entered into on the basis that its economic benefits have not been adequately shown.*

## **Labour Issues**

13. The AMWU submits that Australia should not be entering into bilateral trade agreements that do not provide for the effective protection of core labour standards for workers effected by the agreement.
14. Core labour standards are basic human rights. These standards, which have been described by the International Labour Organisation (ILO) as ``fundamental principles', include:
  - the right of workers and employers to freedom of association and the effective right to collectively bargain (ILO Conventions 87 and 98)
  - the elimination of all forms of forced or compulsory labour (ILO Conventions 29 and 105)
  - the effective abolition of child labour (ILO Conventions 138 and 182); and
  - the elimination of discrimination in respect of employment and occupation (ILO Conventions 100 and 111).

15. As the ILO Declaration on Fundamental Principles and Rights at Work states in its preamble:

“economic growth is essential but not sufficient to ensure equity, social progress and the eradication of poverty ... ? [I]n seeking to maintain the link between social progress and economic progress, the guarantee of fundamental principles and rights at work is of particular significance in that it enables the persons concerned to claim freely and on the basis of equality of opportunity their fair share of the wealth which they have helped to generate, and to achieve fully their human potential.”

16. If liberalisation of trade is to provide real benefits for working people it must be accompanied by enforceable mechanisms guaranteeing the observance of core labour standards. At the end of the day, what is wrong with insisting that if multinationals are to gain the benefits of liberalised trade they must be subject to laws that ensure the observance of basic human rights?

17. The United States government negotiated a provision in its free trade agreement with Singapore which at least purports to protect core labour standards - it is reprehensible that the Australian government should not endeavour to do likewise.

18. There is simply no practical or principled reason why Australia should not have had a labour standards clause in the SAFTA.

19. *The AMWU submits that the Joint Standing Committee on Treaties should recommend that the SAFTA be not entered into on the basis that it does not contain a mechanism to protect core labour standards.*

## **Rules of Origin**

20. The AMWU does not consider the rules of origin contained in the SAFTA to be adequate. The AMWU notes that the Access Economics report found strong support for the 50% rule limitation that had previously been used by the Australian government.<sup>6</sup> This 50% limitation has now been relaxed. The agreement now allows for “outward processing” or “accumulation” and in a large number of products, a 30% limitation.

21. The inadequate rules of origin mean that:

- Manufacturers operating out of nations other than Singapore will acquire additional access to the Australian market without Australia gaining reciprocal access to the local markets of those manufacturers.

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<sup>6</sup>Page 23

- Australia is further opening its economy to goods manufactured by workers who are not able to rely on the most basic of labour standards.

22. These points deserves further elaboration. The rules of origin in the SAFTA recognise the principle of "outward processing" or "accumulation". The Singaporean Government's own description of outward processing provides an excellent indication of what the principle involves:

"The 1st variation is the recognition of outward processing (OP) as a unique production pattern for Singapore. It acknowledges that part of the manufacturing process (usually the lower value -added or labour intensive activities) may be out-sourced to neighbouring areas.

Stage 1	Stage 2	Stage 3	
Singapore ⇒	Foreign Country ⇒	Singapore ⇒	Exported
Conventional Rules of Origin	Stage 3		= Local Content
Recognition of Outward Processing	Stage 1 + Stage 3		= Local Content

Conventional Rules of Origin does not allow the activities in Singapore prior to outward processing to be counted towards the local content. However, under the OP concept, such activities can be counted towards the local content. ....

Recognition of OP will lead to the recognition of the various stages of the manufacturing chain as a Singapore group. It encourages higher value activities to be retained in Singapore, while out-sourcing labour-intensive and low value processes."<sup>7</sup>

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<sup>7</sup>Ministry of Trade and Industry Fact Sheet on Rules of Origin - [www.mti.gov.sg/public/FTA](http://www.mti.gov.sg/public/FTA)

23. The Australia - New Zealand CER does not recognise outward processing. In this respect outward processing appears somewhat novel, at least for Australian trade agreements. There are two notable effects of outward processing as compared to "conventional rules of origin":

- As a principle outward processing obviously allows those importing goods into Australia significantly greater flexibility in meeting the "50%" or "30%" rule of origin limit.
- As the Singapore government fact sheets envisages - it encourages "out-sourcing labour-intensive and low value processes". Even the Australian Department of Foreign Affairs and Trade has acknowledged that:

"In recent years, Singapore has encouraged domestic companies to work and invest abroad, drawing on Singapore's large stock of capital from high domestic savings. Singapore has worked to position itself as a regional hub and regional pace-setter in economic development and reform. In particular, the [Singaporean] Government is urging businesses to look to Singapore's neighbours, such as Indonesia, Malaysia, Vietnam, China, India and Burma, for investment opportunities in manufacturing, tourism and large scale infrastructure projects, and for the advantages offered by **low-cost labour** and abundant natural resources." (emphasis added)<sup>8</sup>

24. The SAFTA therefore not only allows goods to come into Australia tariff free that have been 70% (or 50%) manufactured in other nations - that 70% (or 50%) is more likely than not to be made up of "low cost" labour.

25. The AMWU's concern is that "low cost" labour may well be "low cost" because it is undertaken by workers who do not enjoy the benefits of the basic freedoms contained in the core labour standards.

26. For example, a number of the countries specifically identified by the Department of Foreign Affairs and Trade do not have a strong record on human rights, particularly those relating to labour:

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<sup>8</sup>Department of Foreign Affairs and Trade - Country Brief March 2003:  
[www.dfat.gov.au/geo/singapore/singapore\\_country\\_brief.html](http://www.dfat.gov.au/geo/singapore/singapore_country_brief.html)



## **China**

China has ratified three of the eight ILO conventions containing core labour standards. The most recent ratification occurred in 2002.

In China all unions must be affiliated to the All-China Federation of Trade Unions (ACFTU). The ACFTU is tightly controlled by the governing Chinese Communist Party. Those who have attempted to set up independent unions have been detained in jails or psychiatric detention for decades. The right to strike was removed in 1982 on the basis that the political system in place had "eradicated problems between the proletariat and enterprise owners".

Child forced labour remains a problem in China.<sup>9</sup>

## **Vietnam**

In Vietnam unions must affiliate with the Vietnam General Confederation of Labour (VGCL) - an organisation which is party controlled. There is a limited right to strike.

Although labour laws apply in the nation's export processing zones in practice employers ignore workers rights. Ninety percent of workers in EPZ's are on short term contracts of less than a year.

## **Malaysia**

Malaysia has ratified five of the eight ILO Conventions containing core labour standards.

There are bans on trade unions organising in the electronics sector (which is very widely defined and includes metals products). The restrictions on the right to strike are such that it is almost impossible for workers to hold a legal strike. Foreign workers are not allowed to join trade unions. Gathering of more than five people or more are illegal under the Malaysian Penal Code without police permission.

## **Burma**

Trade unions are not allowed under Burmese law. There is no right to collectively bargain. Abuse of workers rights is particularly bad in export oriented industries. Unionists are regularly jailed. Forced labour is common. Attempts at protest leads to dismissal, detention and sometimes torture.<sup>10</sup>

27. Because the SAFTA contains no labour clause and loose rules of origin, the SAFTA would allow products that are 70%/50% produced in the above countries to enter Australia more

<sup>9</sup>International Confederation of Free Trade Unions - Annual Survey of Violations of Trade Union Rights - 2002

<sup>10</sup>International Confederation of Free Trade Unions - Annual Survey of Violations of Trade Union Rights - 2002

freely than products from many of Australia's other trading partners. Such an agreement cannot be in the best interests of Australia.

28. As a union with a long commitment to protecting Australian workers' interests and supporting the struggle of workers internationally, the AMWU opposes an agreement that rewards manufacturers who seek to locate in nations where they can exploit workers who lack the most basic protections.
29. In addition to the flexibility of the rules of origin, the AMWU is also concerned that the process by which goods are certified as being manufactured in a particular nation appears to be overly reliant upon those with no real incentive to ensure the accuracy of that certification, ie the manufacturers themselves.
30. *The AMWU submits that the Joint Standing Committee on Treaties should recommend that the SAFTA not be entered into due to the inadequacy of its rules of origin clause.*

### **Australia Rides By the Seat of Its Pants Again**

31. As was noted above, the government appears to have commissioned only one study into the economic effects of a SAFTA. That study, which was conducted by Access Economics was made prior to the negotiations being finalised and relied solely upon a survey of the industry. The study was unable to quantify the costs and benefits to Australia of entering a SAFTA. The National Interest Analysis and Regulation Impact Statement, which in turn rely on the Access Economics report, similarly cannot quantify the costs and benefits to Australia.
32. While the US treaty negotiation system has its own flaws, it is worth noting in this context that considerably more resources are dedicated to examining the detail of the agreement - and the legislature has the final say on whether the agreement is entered into. On the United States Trade Representative's website members of the Joint Standing Committee on Treaties can read some of the reports that were generated by the 30 trade advisory committees that investigated the final wording of the US - Singapore free trade agreement.<sup>11</sup>
33. The AMWU has elsewhere stated that it believes that owing to the special nature of modern trade agreements there is a strong case for increased parliamentary involvement in setting the parameters for negotiations, overseeing the negotiations and ultimately accepting or rejecting negotiated trade agreements. The AMWU has proposed a three stage approach backed by legislation:

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<sup>11</sup>[www.ustr.gov](http://www.ustr.gov)

### **Stage One**

The Parliament in both Houses should determine whether to grant negotiating authority for a trade treaty and the terms and conditions under which such authority is granted.

### **Stage Two**

Studies should be undertaken to determine the costs and benefits of any proposals that may be negotiated. These potential costs and benefits should be estimated at a national, state and regional level. The cost and benefit analysis should also extend to industry subsectors.

The effects should be measured through social and economic audits.

The studies must draw on a wide range of expertise and not just the neo-liberal supporters of free trade.

The studies must assess the impact on the capacity of Australia to take future interventions for the benefit of society, the economy and our national independence.

### **Stage Three**

After the terms of the trade agreement have been negotiated the Parliament must have the power to either accept or reject the agreement.

It is the AMWU's view that no trade agreement should be entered into until legislation for this three stage process is introduced and passed by the Parliament.

### **Parliamentary Trade Agreement Committee**

To give effect to stage two of this process an appropriate and representative infrastructure for consultations and oversight and negotiation of trade treaties should be put in place known as the Parliamentary Trade Agreement Committee (PTAC).

This committee should have the responsibility of commissioning multi-disciplinary research from a wide range of sources on the consequences of various trade treaty options and assessing the costs and benefits of any trade treaty sent to the Parliament for ratification

It should also be the function of the PTAC to produce an agreed statement at the commencement of any trade treaty negotiation which contains Australia's objectives

for the trade negotiations. That statement should indicate in what areas the government will seek to negotiate and what areas are non-negotiable.<sup>12</sup>

34. *The Joint Standing Committee on Treaties should recommend substantial reforms such as those suggested by the AMWU to be made to the current system of trade treaty negotiation to ensure that parliament has a greater role in the treaty process. In the alternative the Joint Standing Committee on Treaties should recommend this issue be explored further prior to Australia entering into any further trade agreements.*

## **Conclusion**

35. The AMWU submits that the Joint Standing Committee on Treaties should recommend that Australia should not enter the proposed SAFTA. It is the AMWU's belief that the SAFTA contains more costs than benefits for Australian workers and the Australian community. It is a bilateral agreement that bears the name of Singapore and Australia but yet deals with goods that are manufactured up to 70% elsewhere. It is an agreement designed by a department that appears to view any agreement as a good agreement and signed off on by a cabinet increasingly willing to put corporate profit before the needs of the community. It is not an agreement that is good for manufacturing workers. It is certainly not an agreement that should be the template for future agreements.

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<sup>12</sup>Taken from the recommendations of the AMWU submission to the inquiry of the Senate Standing Committee on Foreign Affairs Defence and Trade into the General Agreement on Trade in Services and the Proposed United States - Australia Free Trade Agreement.