

# Australian Pensioners and Superannuants League Qld Inc

ABN 64 035 038 657

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BY: .....

AUS FTA  
Submission No: 30 5 April 2004

The Secretary  
Joint Standing Committee on Treaties  
[jsct@aph.gov.au](mailto:jsct@aph.gov.au)

Dear Secretary

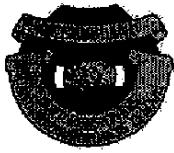
I write to this submission on the proposed US-Australia Free Trade Agreement on behalf of the League.

The Australian Pensioners' and Superannuants' League Qld Inc. (the League) is a voluntary representative body providing support, advocacy and referral services to pensioners of all types and acting also as a lobby group on behalf of all pensioners and the elderly.

The League does not necessarily wish to appear in person before the Committee but would like to know of any hearings to be conducted in Brisbane.

Yours faithfully

(Mrs) Yvonne Zardani OAM  
State Secretary



## **Introduction and the Economic Picture**

The Australian Pensioners' and Superannuants' League Qld Inc. (the League) is a voluntary representative body providing support, advocacy and referral services to pensioners of all types and acting also as a lobby group on behalf of all pensioners and the elderly.

The League welcomes the opportunity for input into the discussions about the proposed Free Trade Agreement between the USA and Australia and will address the Terms of Reference as well as other issues arising from these Agreements.

This and similar Agreements are all about trade liberalisation and, if the history of these agreements in other parts of the world is an indicator, Australia's commitment to them will lead to severe economic and social changes that will be detrimental both to Australian citizens and to our national aspirations.

The merits of free trade are widely promoted and understood to include: - protection encourages laziness - international competition encourages greater productivity - tariffs compound uncompetitiveness and flow through to higher prices - protection insulates firms from consumer preferences and, above all, protection obliges consumers to pay higher prices.

These are all generalisations and only partly valid. They are singularly and unfairly lacking in concern for the welfare of either producers or the wider community.

The differences in purchasing power, which make US goods cheaper or dearer than Australian products, are partly due to exchange rates set by balances in foreign currency transactions which are themselves partly determined by geopolitical deal-making, wars, sanctions, corruption, hedging, gambling by futures traders, other forms of financial speculation and market jitters.

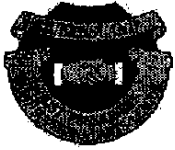
Economists point out that trade in staples causes countries to dedicate their raw materials, labour, infrastructure, industrial capacity and perhaps their educational system to producing goods for the benefit of countries other than their own. This is directly applicable to Australia.

Gross Domestic Product (GDP), commonly used by Governments as an indicator of economic growth, is a measure of consumption that could be rising while the economy itself is actually degenerating in a self-reinforcing cycle of unemployment, household indebtedness, consumption and waste.

Under GDP model, economic activity by foreign corporations is counted as gain to the host country. But much of the wealth that foreign investment appears to generate eventually bleeds away in the form of profits sent offshore, dividends sent the same way and underpriced resources.

Even the Australian Productivity Commission has expressed concern about the proposed trade deal. (ABC 13 March)

*The Productivity Commission has raised concerns that trade deals such as Australia's agreement with the United States could hurt the economy.* <http://www.abc.net.au/rural/news/stories/s1064610.htm>



## **The Canadian and Mexican Experience**

Given the many similarities between Australia and Canada, both in cultural origins and form of government, Australia could learn a great deal from Canada's experience. One of Canada's former economic Ministers has urged Australia not to go down the FTA route.

As the promotional spiel for a recent Canadian forum stated:

*"Since NAFTA came into force, trade between Canada, Mexico and the United States has increased by 128%. ... Over the last nine years, there have been persistent difficulties in a number of NAFTA's so-called grey areas; spill-over effects have increased; and significant differences among the three countries exist regarding labour, environmental and social standards. We are now on the eve of NAFTA's tenth anniversary, a fitting occasion to assess NAFTA's performance." (20 March 2003, University of Quebec at Montreal)*

Community Group "Public Citizen" recently stated:

*Given the deep deadlock between blocs of countries with opposing views of what an FTAA should be, it is amazing that the Bush administration still insists that the FTAA is alive. Clearly the Bush administration view of the FTAA as a full NAFTA expansion has been rejected. And as support drops among the U.S. public for trade policies like the FTAA, which promote a race to the bottom in living standards and the environment, it becomes increasingly clear that U.S. negotiators are not representing the American people.*

*Trade negotiators from nine countries of the proposed 34-nation FTAA met in Buenos Aires on March and April this year. The goal of this meeting was to resolve several key deadlocks and build consensus about a common set of FTAA obligations that countries could approve at a planned April Vice Ministerial Trade Negotiating Committee (TNC) scheduled for Puebla, Mexico. They did not succeed.*

*This meeting's implosion follows the collapse of an early February 2004 TNC meeting in Puebla and an early March meeting in Buenos Aires (which was called to undo the February TNC deadlock). Both meetings ended with acrimony and without agreement. Now, for the third time in a row, this week's "save-the-FTAA summit" has collapsed. The next scheduled FTAA TNC, which had been planned for late April, has been cancelled, with the earliest possible rescheduling being in six weeks. This dramatic development makes it all but impossible even for a scaled-back FTAA to be completed by the 1 January 2005 deadline.*

*Civil society opponents of FTAA, including some 3,000 people protesting the FTAA summit in Buenos Aires, have long demanded that FTAA talks be terminated as they believe that ten years of NAFTA's negative real-life effects have made it politically impossible for most countries to sign up for an FTAA-NAFTA expansion.*

*It's time to start over with rules aimed at pulling up wages, environmental and consumer standards in the world.*

Public Citizen is a national, nonprofit consumer advocacy organization based in Washington  
[www.citizen.org](http://www.citizen.org).

The Canadian Farmers' Union has produced a damning assessment of how free trade has affected Canadian farmers which should be compulsory reading for all Members of Parliament.  
[http://www.nfu.ca/briefs/Myths\\_PREP\\_PDF\\_TWO.bri.pdf](http://www.nfu.ca/briefs/Myths_PREP_PDF_TWO.bri.pdf)

During the eight years NAFTA has been in effect, the gulf between Mexico's rich and poor has grown and eight million middle class Mexicans who celebrated NAFTA in 1994 have since slipped into poverty.



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Given that half of Mexico's population now lives on \$5 a day a mere 10 years after the signing of NAFTA, it needs to be acknowledged that NAFTA is not working for majority of Mexicans

Under the North American Free Trade Agreement (NAFTA) for Mexico's rural areas, where 75 percent of the population living in extreme poverty is concentrated, the three-country treaty has meant the loss of more than 10 million hectares of cultivated land.

And the decline of the rural sector has pushed 15 million peasants - mostly young people - to move to the cities, either in Mexico or in the United States according to a study by the Autonomous National University of Mexico (UNAM).

Over the last 10 years, the participation of the farming sector in Mexico's gross domestic product (GDP) has fallen from 7.3 percent to less than 5.0 percent..

We do not want such adverse effects in Australia.



## **Implications for Australian Local Government, States' and National Sovereignty**

There are enormous similarities between the provisions of the North American Free Trade Agreement (NAFTA), the Central American Free Trade Agreement (CAFTA) and the proposed Free Trade Agreement of the Americas (FTAA). These similarities will naturally flow through to the Australia US Free Trade Agreement (AUSFTA).

A leaked letter from the Bush Administration to US state governors reveals an attempt now underway to get US State governors to 'voluntarily' commit their states to constraints on domestic procurement (purchasing) policy included in the recently completed CAFTA and proposed for FTAA.

The documents show that the US Trade Representative's Office (USTRO) is seeking blanket permission from governors to sign states on to the procurement provisions of ALL trade agreements under negotiation - including the Free Trade Area of the Americas (FTAA), the Central American Free Trade Agreement (CAFTA), the South African Customs Union and a raft of bilateral deals with Australia, Morocco, Columbia, Thailand and other nations.

The recently released CAFTA text lists 23 states as having agreed to 'sign on' to that pact's procurement rules. When a state is listed, all cities and counties within that state are covered as well, despite the fact that neither state legislators, mayors nor city councils have been apprised of their new obligations - much less agreed to them!

The League fears that this sort of provision in AUSFTA, with 'trade' rules negotiated behind closed doors, without the input of state and local officials much less their approval, will deny their right and authority to halt the contracting out of state services to overseas interests, to require living or prevailing wages in government contracts or to require preferences for recycled paper content, locally-grown food, locally-produced vehicles and more.

But once the Agreement is ratified by the American Congress, any state or local government wanting to opt out will be required to compensate trading partners for their lost opportunity - an expensive and often unviable solution.

The first pacts up for votes in the USA are CAFTA (U.S., Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica) and the U.S.-Australia Free Trade Agreement.

At stake is the ability to set policy - not just the right to compete for contracts. At risk are:

- "Green" procurement policies requiring recycled content, fuel efficient vehicles, or renewable energy;
- Preferences used to demand corporate responsibility in the face of human rights abuses - such as those used to help bring an end to apartheid in South Africa and now in place regarding Burma;
- No 'off-shoring' and other local development policies aimed at keeping state dollars paying in-state wages and giving preference to locally-produced goods and services.

Implementation of such a proposal in the AUSFTA will essentially remove the sovereignty of both State and local government in Australia.



## Health issues

Australian public health policy is about to be embodied within a *trade* agreement to the point where Australian health care policy, including that for pharmaceuticals, will be linked by the AUSFTA to the nation with arguably the most inefficient and inequitable health and pharmaceutical system of developed nations.

The Government's promise that prescription medicine prices won't rise ignores the possibility that the deal on pharmaceutical intellectual property will mean many drugs will stay expensive for longer."

Sections in the text of the Australia-US Free Trade Agreement (AUSFTA) that are relevant to health care include "improvements" in the Pharmaceutical Benefits Scheme giving US manufacturers an 'independent review or appeal process to override determinations', whilst other areas of concern to the League are embodied in:

Chapter 2:	Market Access	Annex 2.C Pharmaceuticals
Chapter 10	Cross-Border Trade in Services	
Chapter 13	Financial services (includes health insurance)	
Chapter 17	Intellectual Property Rights	
Annex II	(includes exclusions for Social services)	
Side letter	On gambling, alcohol, firearms and tobacco;	
Side letter	On the Pharmaceutical Benefits Scheme (PBS)	

The League's understanding of the proposed Agreement leads us to express concern, that because public services are not protected from the market thrust of the agreement and health care is not unambiguously excluded, it is thus laid open to market forces and US style corporatisation.

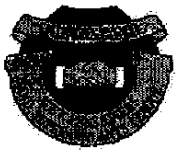
We are extremely disturbed that health professional qualifications, licensing of and standards within health facilities are not to be '*unnecessary barriers to trade*' and '*not more burdensome than necessary*'.

What is considered necessary to protect human life or health (whether a particular health service is a social service for a public purpose) public health measures such as tobacco and alcohol control and pharmaceutical policy should not be open to interpretation by trade dispute panels whose priority is reducing trade barriers.

Greater influence by the US government and pharmaceutical companies in the operations of the PBS can only compromise public health principles and the price control capacity of the Pharmaceutical Benefits Advisory Committee (PBAC) as well as surrendering our national sovereignty.

The introduction of an '*independent review process*' for 'negative' PBAC decisions will inevitably lead to greater pressure on the PBAC to approve more expensive drugs, even when they may not give any significant advantage over drugs that are already available.

Pharmaceutical benefits and free trade indicate trouble ahead for subsidised medicines in Australia? (19 March)



*"We have reason to worry about the FTA, argues Ken Harvey. The principles of the agreement focus entirely on the rights of manufacturers of innovative pharmaceutical products, neglecting the rights of consumers to gain access to affordable drugs. The agreement leaves out the key principle that trade agreements should be interpreted and implemented to protect public health and promote universal access to medicines. And the crucial role of generic manufacturers in protecting public health is not mentioned in the FTA".*

<http://www.econ.usyd.edu.au/drawingboard/digest/0403/harvey.html>

US Congress Representative Tom Allen issued a statement of concern on the AUSFTA and medicines on 10 February 2004

*"I believe that the changes to Australia's Pharmaceutical Benefits Scheme dictated by the US -Australia Free Trade Agreement (FTA) set a worrisome precedent and could come back to haunt US consumers. "No country's healthcare system should be altered through behind-closed-door trade deals that disallow public input.*

*"While these change are less than what the U.S. pharmaceutical manufacturers wanted, they are more than Australian and American consumers deserve.*

*"Australia has developed an innovative system to provide prescription drugs to its population. Their health officials evaluate the comparative effectiveness and cost effectiveness of drugs to ensure that consumers get the right drugs at fair prices.*

*"Unhappy with any system where doctors and health experts, rather than drug marketers are empowered to make effective prescribing decisions, US pharmaceutical manufacturers sought to undermine Australia's Pharmaceutical Benefits Scheme through the FTA.*

*"The final agreement reportedly contains several provisions that will, in effect, give powerful drug makers more leverage in negotiations with Australian health authorities. This could tilt the admirable balance Australia has struck between manufacturers and consumers. Since American consumers have both the least leverage and the highest drug prices in the world, Australian consumers should be concerned.*

*"US consumers should worry as well. Trade agreements are by nature reciprocal. Australia's pharmaceutical program shares many similarities with US government drug discount systems, such as the Veterans Affairs and Defense Department pharmaceutical programs and state-level programs like MaineRx. Trade agreements should not be used as a back-door method to undermine domestic drug delivery systems and legislative responsibility.*

*"I am also concerned about the last minute insertion of a provision that prohibits the reimportation of drugs into the US from Australia. Since Australian law already prohibits re-importation, this provision appears to have been inserted as a precedent for future trade agreements. One of the upcoming pacts, the Free Trade Area of the Americas (FTAA), involves Canada where many Americans go for cheaper drugs. As Congress debate reimportation, the Administration appears to be improperly using this trade agreement to prejudice domestic policy-making."*

Creation of a 'Medicines Working Group' (MWG) with the US government will be another mechanism for the US pharmaceutical industry through their government to continue to pressure the Australian Government for further changes to pharmaceutical policy that would lead to greater profits for the US industry ripped from the pockets of the Australian people.

Increasing patent rights for pharmaceutical companies and/or delaying the entry of new generic drugs onto the market (thus maintaining higher prices for longer) will lead to higher costs for the PBS and ultimately the Australian people.



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The proposed introduction to Australia of direct-to-consumer advertising (DTCA) of pharmaceutical drugs, by inclusion of a clause on internet DTCA, opens up DTCA for further 'discussion' and negotiation under trade priorities rather than public health merits and will almost certainly be an opportunity for further pressure from pharmaceutical companies.

All this amounts to the US government and pharmaceutical companies having an influence in the workings of the PBS with the overall process pushing towards higher prices and costs for Australians.

The ultimate consequence of the AUSFTA for health care in Australia is the undermining of public health principles in the interests of international trade. The Australian people are the losers.

The disinterest in public health issues, in favour of corporate profits, is clearly shown by US pharmaceutical companies is their actions in relation to AIDS drugs for third world countries:

*"US firms try to block cheap Aids drugs (Mar 20) - The US, under pressure from its giant pharmaceutical companies, is trying to undermine the use in poor countries of cheap, copycat Aids drugs, made by "pirate", generic companies but validated by the World Health Organisation, campaigners claim. US drug companies want the money promised for President George Bush's Aids plan to be spent on their products."*  
<http://www.guardian.co.uk/aids/story/0,7369,1174070,00.html>





## **Agriculture, Primary Industry and Quarantine**

Agricultural produce, which makes up 29% of Australian exports to the US, will be saddled by US tariffs and subsidy barriers for a generation or, in the case of sugar, for ever.

Australia has failed to secure an increase in the 87,000 tonnes annual quota for sugar exports to the US, a quota that represents less than a single day of sugar consumption in America. This compares unfavourably with the outcome of the Central America FTA negotiations which, according to the *Financial Review* raised the quota from Central America by 99,000 tonnes, rising to 140,000 tonnes over the next 15 years.

Quota restrictions on Australian beef will only be phased-out over 18 years and *The Australian* estimates that 80% of the increase in market access will not be delivered until year 18. Quota increases won't take effect until US beef production returns to its 2003 (before the mad cow disease scare) level, or three years after the date of agreement, whichever happens first.

The USTR states that a price-based safeguards mechanism will be available after the 18 year transition period and the mechanism will be "sensitive to market disruptions for high quality beef" According to the *Financial Review* this safeguard mechanism will allow two-thirds of the current tariff to be reimposed if US beef prices fall by 6.5% below a two year rolling average, an event that Meat and Livestock Australia states happened six times in the past decade.

A "safeguard mechanism" will also operate in the event of significant price decreases for certain Australian horticultural imports to the US.

The USTR states that the increase in Australia dairy imports will be equivalent to about 0.17% of US dairy production and 2% of the current value of total US dairy imports.

The print media state that US duty on Australian wine will be phased out over 11 years, that a 500 tonne annual quota has been set for peanuts, and a 4000 case quota for avocados. US duty on seafood exports will be abolished.

While both the Department of Foreign Affairs and Trade (DFAT) and the USTR hail the outcome of the agreement for the elimination of tariffs on other products such as lamb, oranges, cotton seeds, cut flowers, soybeans, fresh and processed fruits, vegetable and nuts, alcohol and processed food products such as soups, *The Age* estimates that even after all phase-out periods are over, a quarter of Australia's agricultural exports will still be subject to tariffs or quotas imposed or maintained by the US.

As for Australia's single desk marketing bodies for a range of agricultural products, DFAT states that they can be maintained while the USTR claims that the parties have agreed to negotiate through the WTO to abolish such arrangements globally.

*The bulk of Australian farmers are unconvinced the AUSFTA will benefit them, according to the latest quarterly Rabobank Rural Confidence Survey. Just over one third (34 per cent) of farmers said the FTA would have a positive effect on the rural sector, while 31 per cent believe it would have a negative to little effect.*  
<http://www.theage.com.au/articles/2004/03/29/1080544419220.html>

Under the Free Trade Agreement, quarantine standards in Australia will be downgraded as 'food inspection procedures that have posed barriers in the past' are 'addressed' by the US government on such items as fruit and pork.



*Australian chicken processor fear any quarantine concession. One of the country's largest chicken meat processors is worried Australia's quarantine standards will be compromised by the free trade agreement with the United States. Chairman of Barrter Enterprises, Peter Barrter, says the establishment of a joint quarantine working group might put trade issues ahead of biosecurity.*

<http://www.abc.net.au/rural/news/stories/s1062000.htm> (ABC 9 March)

US Trade Representative Zoellick mentions in correspondence "serious concerns" that Australia's quarantine standards are used as a "means of restricting trade".

Australia has relatively high quarantine standards because, as an island country we are disease-free in many areas and the impact of such diseases would be devastating.

This freedom from disease is a market advantage that Australia should insist on retaining both for the benefit of its own citizens and for its own competitive edge in world trade.

The government should not compromise these standards in trade negotiations.

On a related matter, in a little publicised radio news story broadcast in January 2003, it was mentioned that Australia had agreed to the import of GM corn from America with some 4,000 tonnes being offloaded in Brisbane.

This is in contravention of Australia's quarantine restrictions and potentially a major threat to the farmers of Australia if this seed contaminates existing stocks of non-GM seed.

And that is quite apart from the possible health implications for Australians who eat food from stock that have been fed the GM corn ... an area of significant scientific disagreement and public unrest.

It is quite likely that under a bi-lateral free trade agreement with the US, Australia could be forced to accept any GM food, even for direct human consumption and that is a situation the League believes should not even be contemplated at the present level of scientific 'knowledge' of genetic modification.

## **Food Labelling**

The US is the largest producer of food containing GMO's and lobbying by agribusiness companies has ensured that there is no US requirement for labelling to show GMO content in food.

Australia and Europe have labelling requirements because there is an overwhelming desire by consumers to know whether food contains GMO's so that they can make an informed choice.

The EU has maintained a ban for the last four years on approving any US biotech foods, which it says is based on the "precautionary principle" but which the US says has no scientific basis.

US trade officials are urging the Bush administration to begin proceedings against the EU in the World Trade Organization for blocking imports of GM food. <sup>1</sup>

The US has also threatened to take action in the WTO against European labelling for GMO's on the grounds that it is a barrier to US products.

<sup>1</sup> (Published on Monday, December 2, 2002 by the BBC News *US-EU Trade War Looms - US officials are considering opening a new trade war with Europe to force it to import GM food.* <http://www.commondreams.org/headlines02/1202-02.htm> by Steve Schifferes)



US Trade Representative Zoellick in a letter has specifically mentioned the elimination of Australian "unjustified measures" relating to "food and agricultural products produced through biotechnology", meaning GMO's.

The US agenda for the US/Australian Free Trade agreement proposes that Australian labelling laws on GE food be modified/revoked!

Weak, though they are, our labelling laws must remain in force.

Any attempt by a foreign power to remove the right of informed choice from consumers is outrageous as well as arrogant and should be rejected out of hand.



## **Audio-Visual Services**

Australia will give US companies the right to supply services, including government services, almost across the board, including energy, environment, education and training, audiovisual and entertainment services.

DFAT states the FTA protects local content requirements, including capacity to set requirements for new and emerging media and to go beyond existing measures for subscription television formats, such as drama, children's programming, and documentaries.

Nevertheless, according to the USTR the FTA contains "important and unprecedented provisions to improve market access for US films and TV programs over a variety of media including cable, satellite, and the internet."

*The Age* reports that the current 55% local content requirement for free to air TV is capped at this level under the FTA and that the requirement for pay TV channels that screen drama to spend 10% of their program budgets on new Australian drama can only be raised in future to 20%.

Australia's cultural identity is preserved through Australian content rules, a vital support that ensures Australian stories are told on film and television in reinforcement of our own unique cultural identity.

These rules also help to retain a local skills base that enables quality, culturally supportive films and television programs to be made here. The removal of these rules would be an attack on Australia's culture and would also destroy a vital and growing industry.

## **Manufacturing**

The Free Trade Agreement will lead to most significant cut in industrial tariffs ever achieved in a US Free Trade Agreement, with instant tariff abolition on manufactured goods, that will cost thousands of Australian jobs while boosting US imports by \$2.7 billion per annum.

Manufactured goods already make up 93% of US exports to Australia.

## **Elimination of Industry Development Programs to Benefit US Suppliers**

USTR states that the Commonwealth Government will eliminate industry development programs that require suppliers to meet local content or local manufacturing requirements but DFAT states that Australian procurement preferences for small business and indigenous people will remain.

Who are we to believe? An Australian Government that has consistently lied about trade negotiations or a foreign power with huge economic clout?



## Services

DFAT states that, at least for education services and legal services and possibly also for most service sectors, the FTA will require the US government to treat Australian owned service providers operating in America as favourably as American providers.

### *Market Access and National Treatment.*

*Market Access* is the obligation on the government of a country to allow a transnational provider to establish and operate its business in that country where, to what extent, and with what equity and type of legal entity the provider deems fit.

*National Treatment* is the obligation on the government to treat the transnational provider no less favourably than local providers.

A country that makes an unqualified commitment to Market Access in education services would be unable to limit, in the case of transnational providers:

- The amount of foreign equity
- The total number of tertiary institutions or schools on a national basis
- The number of tertiary institutions or schools in a given region, notwithstanding concerns about the viability of public institutions in the area
- The type of legal entity utilised for providing tertiary education or schooling e.g. Branch office rather than subsidiary company, Board of Directors rather than representative governing council

There is also a risk of a boomerang effect from the education services demands we have made of other countries. It is therefore important to ensure that no further education services commitments are made by the Federal Government.

US firms already have access to commercial services in Australia but the targets here are essential services like telecommunications, health, education and water. The aim is to treat them as traded commercial goods, ignoring the fact that societies have often made the democratic decision that public regulation, and often the public provision of these services is required to ensure that there is equitable access to high quality essential services.

Decisions about these issues should remain a matter of social policy, regulated by parliament and should not be signed away in a trade agreement.

The League has consistently spoken out about these issues and is strongly opposed to any proposals which seek to include essential public services in a Trade Agreement, or which reduce the right of governments to regulate essential services or public utilities developed with taxpayer funds.

A requirement for Australian governments to treat US providers in a range of Australian service sectors (at least) as favourably as local providers (except for subsidies and grants) represents a potentially significant acceleration of liberalisation for those services where no such commitment was given under the World Trade Organisation (WTO) General Agreement on Trade in Services.



## **Labour and Environment Standards**

'Environmental laws are married with provisions that promote voluntary, market-based mechanisms to protect the environment.'

The USTR asserts that there are statements in the FTA about International Labour Organisation (ILO) obligations and the need for high levels of environment protection but according to DFAT the only provisions that are enforceable through the agreement's dispute-resolution mechanism are those to the effect that neither party shall fail to enforce domestic labour and environmental laws to achieve a trade advantage.

### ***Employment / unemployment***

Of considerable concern to the League and to ordinary citizens world-wide is the potential for the export of jobs offshore or across borders under free trade agreements.

Even some Americans are now starting to question the benefits to American workers of these policies of major and transnational corporations.

In an article critical of the Bush Administration's January "economic stimulus" and the push towards the Free Trade of the Americas (FTAA) program, the New York Times reported Lori Wallach, director of Public Citizen's Global Trade Watch as stating:

"NAFTA has:

Turned the 1993 pre-NAFTA \$1.7 billion US trade surplus with Mexico into a \$25 billion deficit, while the US trade deficit with Canada has grown from \$10.8 billion to \$44.9 billion under NAFTA. Federal Reserve Chairman Alan Greenspan has called the US trade deficit a significant drag on growth.

Eliminated nearly 1 million well-paying US jobs and significantly reduced the US manufacturing base.

Impoverished the Mexico-border region in the United States, with many US border cities now facing higher unemployment rates than before NAFTA.

Encouraged union-busting and depressed wages and benefits in the US as companies threaten workers with the prospect of overseas moves, especially to Mexico; and

Granted transnational corporations the power under NAFTA's Chapter 11 to claim reimbursement with US taxpayers money (to date over \$13 billion) for "future lost profits" when domestic public safeguards limit profitability.

It is becoming obvious that free trade agreements, as practised by corporations, do very little to help host economies or workers in the host countries ... in fact it appears that the opposite occurs.

In Brazil, 10 million people voted against a plebiscite on the proposed Free Trade Area of the Americas (FTAA), a 31-nation NAFTA expansion and more than 50 million Brazilians elected Luiz Inacio Lula da Silva, who ran on an anti-FTAA platform, as President.

Likewise, Ecuadorians elected Lucio Gutierrez, who also opposes the FTAA. This shows that broad-based opposition to the NAFTA model is spreading throughout the hemisphere.



Already in Australia, with our government ideologically committed to free trade without any formal international commitments in place, working conditions of Australians have been eroded, corporations continue to put off staff and employment is rapidly being pushed in the direction of part-time and casual positions only.

## **Foreign Investment**

The League is concerned that the FTA will effectively emasculate the Australian Foreign Investment Review Board, which will be easily circumvented for US investors to the detriment of Australia.

## **Conclusion**

Since Federation, Australians have endeavoured to establish, against tremendous domestic and international odds, an economic, political and cultural independence that most Australians today value highly.

Australia like most other relatively small economies has in the past avoided bilateral negotiations of this kind precisely because of the unequal bargaining position that inevitably results and the League strongly believes that as a nation we should continue to avoid such agreements.

The League and its members will not welcome any agreement that would virtually reduce Australia to the status of merely another state of the USA.

In a paper recently presented to the Cheltenham Literature Festival in the United Kingdom by Will Hutton, an edited version of which was broadcast on the "Background Briefing" program on ABC Radio National, he looked at the differences between United States policies which are based on a strong economy and European policies that are based on a strong society.

He questioned which direction the United Kingdom was following and the League believes Australia needs to examine its own position on these choices.

Australia should not negotiate a Free Trade Agreement with the US.

The overwhelming size and strength of the US economy places us in an extremely weak bargaining position, which is reflected in the admission by even the advocates of such an agreement that Australia would be seen as another state of the US.

The predicted economic gains from such an agreement are extremely dubious.

The linking of trade and security issues undermines our independence on both trade and security issues, and is likely to harm our relationships with other countries.

Finally, the US is seeking abolition of many vital economic and social policies, which it considers to be unacceptable, the abolition of which would damage Australia's economic independence, our cultural inheritance and future, our health and our very safety.



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ABN 64 035 038 557

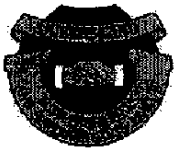
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The League believes that Australia's politicians and bureaucrats are out of touch with the real world, probably due to their economically privileged position in society, and need to read a recent article *Globalization Today* by Jeremy Brecher and Tim Costello<sup>2</sup>

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<sup>2</sup> Source: Znet 23 March 2002 based on material from the forthcoming Second Edition of Jeremy Brecher, Tim Costello, and Brendan Smith, *Globalization from Below: The Power of Solidarity* (South End Press, 2002). Visit the authors' web site at <http://www.villageorpillage.org/>.





## US Trade Hypocrisy

While the US is demanding Australia open up its infrastructure to US multinationals, it is trying to stop purely private sales between companies if it thinks they might compromise national security - the ultimate trade barrier for the Republican party.<sup>3</sup>

A controversial plan to rescue Global Crossing from bankruptcy has been sent back to the drawing board by a secretive US national security panel.

The multi-agency grouping in the US government, called the Committee on Foreign Investment in the United States (CFIUS), announced it would exercise a rarely used power to probe into a deal, with Global Crossing creditors, concocted last year by China's richest man Li Ka-shing.

Li's plan would have given him control of one of the largest failed US telecom companies, fibre optic bandwidth wholesaler Global Crossing Ltd., for a \$US750 million cash and debt offer for assets worth an estimated \$US22 billion. Global Crossing maintains a worldwide 100,000-mile fibre-optic network including 20,000 miles of domestic fibre linking 14 cities.

CFIUS, established by former US President Gerald Ford's Decree in May 1975, is the most influential of the chartered national security and commerce groups in the US government that examine foreign takeovers of US companies in a host of domestic industries.

The FBI and the Pentagon raised the most vocal and specific concerns over the Hutchinson bid, which enlisted high-power Washington lobbyist Henry Kissinger in a failed bid to assuage CFIUS's concerns.

Li Ka-shing has long been the *bête noir* of conservative US congressmen, who cite his alleged connections to the People's Liberation Army and growing influence over the US ports and telecommunications systems. Security officials are thought to be concerned in particular over two aspects of the Hutchinson-STT bid.

Global Crossing carries traffic for US embassies, government departments and the CIA. Military and security officials are also concerned about the ability of the Chinese government, or related companies, to tap into those lines for spying or stealing US corporate trade secrets, according to a *Wall Street Journal* report.

CFIUS also is worried that the Chinese could also interfere with Washington's own ability to lay wiretaps and other forms of electronic surveillance.

The Committee's very existence seems to be closely intertwined with the US government's ability to spy using national telecommunications networks. Also in May 1975, Project Shamrock, the precursor to today's widely discussed Echelon system, was shut down in the wake of Watergate and Congressional criticism of what one high-ranking Congressman called "probably the largest government interception programme affecting Americans ever undertaken".

And this is the same country that wants Australia to relinquish its right to review foreign investment (in the light of Australia's "national Interest") through the Foreign Investment Review Board (FIRB) and seeks the full privatisation of Australia's own telecommunications carrier, Telstra.

<sup>3</sup> <http://pineappletown.blogspot.com>