

Dr Geoff Pain

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On behalf of Scientists for Labor BY:.....

Verbal submission to the Joint Standing Committee on Treaties

Perth Sitting 23 April 2004

I would like to cover a few issues today including:

- Who in Australia wants a so-called Free Trade Agreement with the USA?
- The arrogance of the Howard Government negotiating the proposed agreement behind closed doors and with unseemly haste while seeking to limit the power of elected representatives to discuss or alter it.
- The fact that Australia would be disadvantaged by the proposed deal.
- The impact of the proposed agreement on the education and work future of Australians.
- The ease with which America can buy Australian intellectual property, resources and infrastructure assets.
- An alternative strategy that would bring lasting benefits to Australia's world trading position.

We are gathered here today because the Howard Government has decided on ideological grounds that we should have a bilateral agreement with the USA. Despite the fact that NAFTA resulted in a million jobs lost to Canada and America (Australia at the Crossroads - Choosing a better Way Forward, AMWU 2002).

The Australian people have not been asked if they want a bilateral agreement with America.

Just as with their determination to sell the second half of Telstra, the Howard Government flies in the face of majority opinion.

Fortunately it appears that the agreement will be killed off by the US political process as that country chooses a new government and President.

As others have testified before this committee, the FTA is neither free nor fair.

It is not free because it comes with a huge increase in bureaucratic red tape and protection of powerful vested interests in the USA, notably the farming, manufacturing, chemical and pharmaceutical industries.

It is not fair because it increases the slope of the playing field in the battle for economic sustainability and pits America's workers against Australians.

This whole debate comes down to just one vital issue - JOBS.

A brief look at the Australian and US economies shows why this agreement must be overturned by an incoming Latham Government.

Australia has a declining manufacturing industry with more than two unemployed for every manufacturing worker. Australian jobs are

relentlessly being transferred offshore, as in yesterday's announcement of another 300 job losses in white goods by a decision of Electrolux to sack Australians in favour of cheaper labour in China and Thailand.

Australia loses over 200 Australians every day as they depart for work overseas. Small business sacks 800 workers every week. Long term unemployment has more than doubled under the Howard wasted eight years.

If we add the 1.3 million unemployed Australians identified by ACOSS at home, to those working overseas, we have over 2.1 million educated Australians who are not contributing to our future.

The US has suffered a similar scenario, losing a staggering 2.6 million jobs in the private sector last year (*The Australian* 5/4/04 p13). American jobs are transferred to China, Mexico and the Philippines, wherever people can be found to work for a pittance.

Both countries have unsustainable levels of foreign debt. Treasurer Costello in August 2003 presided over the worst international trade and finance debt in history. It rose 24% to 6.7% of gross domestic product (*The Australian* 29/8/03 p2).

Yesterday the extent of the trade deficit was signaled by the arrival of the largest container ship in the world. It is here not to take away wealth-

generating exports, but instead to take away the empties - the ones that Australia is unable to fill through lack of manufacturing industry.

Australia has an annual trade deficit with the USA of \$12 Billion and various analysts estimate that the proposed Trade Agreement will increase the deficit by \$2 Billion.

In addition the Australian people would lose an estimated \$1.5 Billion tariff revenue from 2004 to 2008 (AMWU submission to this Committee).

Crazy consumerism has put household debt at 122% of household income, another record achieved under Howard rule.

It's not just manufacturing jobs that are in decline. Between 2001 and 2003 the number of students commencing Information Technology courses in Australia fell by 25%. This is a reaction to the user-pays market economy being forced on higher education. With Telstra slashing its IT budget by 50% and arranging off-shoring of its remaining IT requirements and increased HECS imposts, prospective students see the writing on the wall.

All major Australian corporations are in the process of mass sackings. As I said in my submission to the Poverty Inquiry, the share market reacts like Pavlov's dogs when sackings are rumoured. The share price goes up and greedy executives line their pockets with "performance" bonuses.

Take, for example, IBM Australia which is eliminating 450 career IT professionals and forcing them to train their replacements employed by IBM in India.

IBM has given internal directives that the word "off-shoring" must never be used.

Australian workers have been told to build their own crucifix. How evil and absurd to be given just 15 weeks to transfer decades of specialist knowledge to your foreign replacement. No fixed termination date, no hope of getting a related job in a shrinking IT sector.

Most of these Australians are former Telstra workers who were "sold" to IBM in 1997 as a means of cutting Telstra's staff, without them even leaving their Telstra desks.

Now Telstra has pulled out of the joint venture with IBM, slashed its IT budget by 50% and the workers are told if they leave before handing over their careers to the Indians, they will lose tens of thousands in redundancy pay.

With the proposed relaxation of the Foreign Investment review Board threshold for review from \$50 million to \$800 million, there would be nothing to stop companies like IBM coming in, buying up all our intellectual property, asset stripping and off-shoring contracts to places like India. And as of yesterday, Japan reminded Australia that it wants

equal treatment to the Americans in takeover opportunities, reminding the Howard government of the Nara Treaty (*The Australian* 22/4/04 p2).

America and Japan simply have far more investment capital than Australia and American business can borrow that capital at up to 8% cheaper than Australian business.

So exactly how is Australia going to increase employment with un-Australian activities like off-shoring?

Certainly not with bilateral trade agreements.

As the AMWU have argued, we have to abandon the false notion of comparative advantage and deliberately build competitive advantage through increased research, development and manufacturing (Australia at the crossroads - Choosing a better Way Forward, AMWU 2002).

But under Howard, we have been Burying Australia's Ability.

There are now 1000 less academics teaching science and mathematics and less graduates in science, engineering, information and communication technology than in 1990 (*The Australian* 22/10/03 p29). So the Howard government increases HECS fees!

Capital spending on R&D infrastructure has declined as a percentage of GDP. Of course there are some who think we should shovel chaff rather than manufacture electronics.

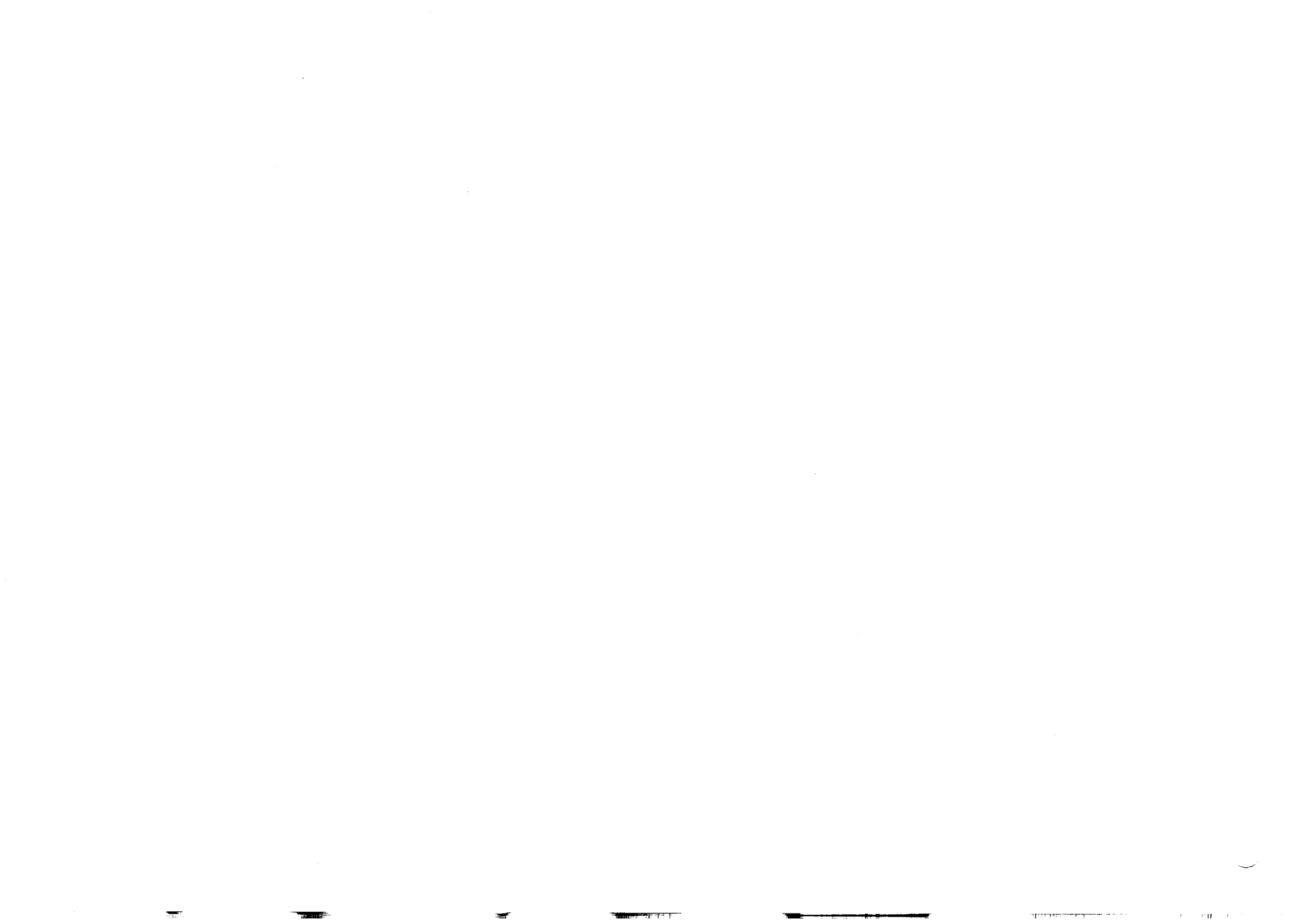
The answer to this problem is not to allow US campuses to be set up on Australian soil under a Trade Agreement. It demands a serious investment in developing intellectual property, the hard sciences and engineering.

In summary, the proposed trade agreement would produce a net loss of income and sovereignty and must be opposed.

But something this Committee might like to consider in terms of improving Australia's trade position is my proposal for a single global currency.

Many of Australia's problems come from the absurd obsession with the "value" of the dollar against various currencies. A single global currency would end unproductive gambling through hedging and futures markets.

The focus should shift to real wealth generation.



Wilson, Frances (REPS)

From: Geoff Pain [geoff.pain@excite.com]
Sent: Friday, 23 April 2004 5:08 PM
To: Committee, Treaties (REPS)
Subject: Geoff Pain submission attached



AUSFTA.doc (37
KB)

Dear Julia,

Please find attached the submission from this morning.

Regards

Geoff Pain 08 9390 0128

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