

# Submission to Joint Standing Committee on Treaties

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## The Australia-USA "Free Trade Agreement"

This proposed agreement should be rejected. It is clearly not in Australia's interest, even if the only criterion applied is short-term economic impact. When broader social, environmental and cultural issues are considered, it is clearly a very bad deal for this country.

### Benefits?

When the proposed agreement was first canvassed, it was claimed that it would remove trade barriers and give Australian exporters, especially farmers, greater access to US markets. The proposal finally negotiated provides very little benefit for our agricultural producers, as sugar is totally excluded and the concessions for beef and dairy exporters are phased in over the ridiculous period of eighteen years. If you consider the rate of change in the Australian dairy industry, it is difficult to imagine how many of today's producers could even expect to be still in the industry in eighteen years, let alone in a position to export to the USA.

More generally, even the Australian government's own hand-picked economic consultants [CIE] could only claim a gain for the economy of 0.3 per cent after ten years, making the invalid assumption of totally free trade in agriculture. Estimates by other agencies, including the government's own Productivity Commission, conclude that there is unlikely to be any economic benefit to Australia.

### Economic costs

The most likely short-term economic cost will be more expensive pharmaceuticals. Many prescription medicines cost much more in the USA than in Australia; factors of three to ten are common. US drug companies regard the Australian Pharmaceutical Benefits Scheme (PBS) as unfair. The proposed agreement would give those firms both the opportunity to influence the Pharmaceutical Benefits Advisory Committee when it is considering whether a new drug offers real health benefits and value for money, and a mechanism to appeal against those PBAC decisions. It seems clear that the only possible result can be higher prices for Australians who need prescription medicines. This is not just the conclusion of independent local analysts such as Professor David Henry, but it has been reported as among the **benefits** to the US economy cited by US trade negotiator Robert Zoellick [Sydney Morning Herald 11.03.04].

The proposed agreement would also burden Australia with the US system of extending the period for which copyright payments must be made to authors, without incorporating the more generous US rules for copying for educational institutions or research organisations. This will be a small but significant extra cost for universities, schools and libraries.

### Environmental costs

The proposed agreement would water down important aspects of environmental protection, especially in the areas of quarantine and regulation of genetically engineered crops. In the area of quarantine, a new committee is proposed to "facilitate trade" by "resolving through mutual consent" disputes about quarantine issues. We are free from many pests which cause considerable environmental [and economic] damage overseas because our quarantine system is based on science, not on trade negotiations with a much more powerful nation. **Trading away our quarantine system would be a tragic mistake.**

The genetic engineering industry in the USA regards Australian regulations and food labelling laws as barriers to trade. The proposed agreement would force us to give "positive consideration" to accepting the US system, which is much more closely aligned to the commercial interests of the industry and gives much less consideration to both consumer rights and environmental protection. More generally, the proposed agreement would encourage voluntary and market-based schemes of environmental protection. Only the most blinkered economic zealot could possibly claim that voluntary and market-based schemes will always provide environmental protection in a satisfactory way.

### **Social costs**

The government has consistently claimed that the proposed agreement would protect Australian culture. That is certainly not the view of US trade representative Robert Zoellick, who has waxed eloquent about the new opportunities it will provide for US media organisations to dump more of their culturally-insensitive products on the Australian community. The proposed agreement provides some continuing protection of the already-unsatisfactory level of local content on free-to-air broadcasting, but limits the capacity of Australian governments to regulate new forms of media. This is a craven capitulation to the US media barons, trading away our remaining capacity to tell our own stories in our own languages.

Eliminating Australia's remaining tariffs, on motor vehicles and parts as well as on textiles, clothing and footwear, will almost certainly mean more job losses among the poorest Australian communities. This will be a social cost for all of us, as well as an economic burden because of the increased payment of unemployment benefits.

The proposed agreement would also give US companies the right to "compete" for public services that are now supplied on a semi-commercial basis, including such basic services as water, energy, postal services, telecommunications, education, public broadcasting and health care. Any changes to regulations in those areas could be challenged by US companies, who would have to be treated by Australian regulators as if they were Australian firms. A side letter even supports the sale of the government share of Telstra, a policy proposal which is opposed by an overwhelming majority of Australians. Under the proposed agreement, it is by no means clear that we could legislate to prevent US degree mills, shonky telcos and fly-by-night energy firms like Enron plying their trade here. Once again, this would be a craven capitulation to a much more powerful nation. It is very difficult to see what compensating benefits there could be for the Australian community to offset this relinquishing of control over essential public services that are central to the sort of nation we have become. This is trading away our remaining sovereignty for illusory economic gains.

### **Conclusion**

The proposed agreement provides no substantial benefits to Australia and has many serious disadvantages. It should be rejected.

**Professor Ian Lowe AO**