

**SENATE FOREIGN AFFAIRS, DEFENCE AND TRADE  
REFERENCES COMMITTEE**

**INQUIRY INTO GENERAL AGREEMENT ON TRADE IN  
SERVICES AND AUSTRALIA/US FREE TRADE AGREEMENT**

**SUBMISSION**

**Submission No:** 45

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Group

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**No. of Pages:** 6

**Attachments:** No

**EPPING DISTRICT PEACE AND ENVIRONMENT GROUP**  
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March 15, 2003

The Secretary,  
Senate Foreign Affairs,  
Defence & Trade References Committee,  
Suite S1.57  
Parliament House,  
CANBERRA. ACT. 2600



Dear Sir,

**COMMENT ON GENERAL AGREEMENT ON TRADE IN SERVICES**

The Epping District Peace & Environment Group is concerned, not only in environmental and peace issues, locally and worldwide, but since our formation in the early 1980's, we have been vitally interested in social and economic issues aimed at raising standards of human equity, justice and democracy, both internationally and within Australia.

Thank you for this opportunity to present our submission to the Senate Inquiry into the General Agreement on Trade in Services and to the Proposed US/Australia Free Trade Agreement.

Yours faithfully,

B. Woodbridge  
Hon. Secretary

B. Dobeson  
Research Officer

D. Noble,  
President.

## 1. SUBMISSION TO THE SENATE INQUIRY INTO THE GENERAL AGREEMENT ON TRADE & SERVICES AND THE US/AUSTRALIAN FREE TRADE AGREEMENT

The November 1999 Seattle Conference saw the first public protests against Globalisation as realisation that economic and political decisions affecting nations servicing of their peoples' interests without prior consultations or democratic involvement, placing the legal rights of transnational corporations over those of elected governments of those nations.

The Seattle Multilateral Agreement on Investment was not signed, but Epping District Peace & Environment Group is aware that it is constantly revived by the World's unelected, unaccountable international corporation "governance" and is still bent on assuming control over world trade, particularly to the Least Developed Countries (LDC). With their international meetings in Davos, Washington, Prague, Melbourne, Nice, again Davos, Quebec, Barcelona, Gothenberg and Genoa all beset with increasingly angry protesters, the WTO, World Bank, IMF and the members of the OECD and G8 countries passed their "consensus agreements" without the oversight of a legitimate world authority to afford protection for developing countries against the exploitation by all-powerful transnational corporations.

Our Group believes that reform of the WTO and IMF and their neo-liberal brand of economic rationalism, which has proved disastrous to heavily indebted countries (eg Argentina and the many emerging African countries) re-examined.

### (a) ECONOMIC, REGIONAL, SOCIAL & ENVIRONMENTAL IMPACT OF GATS.

At Doha in Qatar, the MAI metamorphised into GATS, the General Agreement on Trade in Services, an even greater threat to 3<sup>rd</sup> World Countries, with its threat of the take over of cultural and financial policies and social infrastructure in governments too weak or poor to resist.

The EDPEG believes this latest clone of the MAI will do nothing to increase economic growth in the countries or help equalise trading balances in intermediate countries such as Australia. As usual, only the transnational corporations will profit. The General Agreement on Trade in Services is an even greater threat to 3<sup>rd</sup> World Countries, with its ability to take over the cultural and social infrastructure of governments too weak or too poor to resist.

EDPEC is convinced that the Australian Government should not sign itself into this legally binding contract, which would remove our right to limit the extent of foreign investment into our strategic industries. We could also be forced to open up our Government services and publicly owned utilities to private tender, under threat of legal challenge under the WTO disputes process. This could enable powerful litigants to sue Australia's Government into submission. Any local restrictions on quality of service would be seen as "barriers to trade" and referred to the WTO.

### (b) AUSTRALIA'S GOALS AND STRATEGY, RESPONSES TO REQUESTS AND GOVERNMENT ACCOUNTABILITY

The initial deadline for member countries to submit requests to GATS was January 30, 2002. Apparently our government made requests to 35 countries covering 17 services, and March 31, 2003 is listed as the date at which responses to our requests are due. Completion of this round of negotiations is scheduled for January 1, 2005. The results of these negotiations will have international treaty obligations status.

Public information about Australia's proposals and those of other requests to us has been scarce and current negotiations extremely secretive. Until January 1 when John Anderson, the then acting Minister for Trade, disclosed the existence of a discussion paper on the subject available on the Internet stating, "Today's release of this discussion paper on the GATS' **continues** the process by the Australian Government of consulting widely with the Australian community about GATS issues." About this time we also obtained from the Internet, a copy of the GATS 2000 Request from the EU and its Member States to Australia, with the injunction to Member States not to make the text publicly available. (SMH 16.1.02)

If this is continuing wide consultation, EDPEG, like many other groups, wonders how many other negotiations on this issue have been proceeded behind closed doors.

The scope of the requests to Australia from both the EC and GATS members is more than can be dealt with herein, but our Group believes the majority of these requests would have a very detrimental effect on Australia's democracy, its social infrastructure, its environment and certainly its financial viability. Details of our requests to the long list of other countries are, in many cases, vague and do not hold out much promise of success. We must not forget our country will be only one of many eager to procure lucrative service contracts overseas. EDPEG does not believe any of these services should be outsourced from the host country.

#### (c) THE GATS NEGOTIATIONS OF THE DEVELOPMENT OBJECTIVES OF DOHA

In Doha, the African and Least Developed Countries (LDC) and the "Like Minded Group" won some concessions on market access to agricultural markets and the Trips agreement on generic drugs for 3<sup>rd</sup> world countries suffering pandemics of AIDS and other diseases, but these have withered away as controlling rich corporations force governments to renege on their promises.

It was at Doha, in the last dying days of the conference that the General Agreement on Trade in Services proposals were forced on the unprepared LDC representatives by the affluent 1<sup>st</sup> world countries, by their novel interpretation of consensus. These proposals spell disaster for small indebted countries and great problems for Australia as conditions, mostly of US and EC origin, are set to become legally binding if our Government is unwary enough to accept them.

#### (d) THE IMPACT OF GATS ON PUBLIC SERVICES SUCH AS HEALTH, EDUCATION AND WATER.

**HEALTH.** Many private health facilities already operating in Australia already have a doubtful record of achievement, despite government subsidies. The Port Macquarie Hospital, for instance, and private health insurance bodies which had to receive massive financial transfusions from Government coffers. Why add to the list?

In Australia Health Care is considered a basic right. Our public system ensures access for all and costs our country half as much as the US private health system, which excludes over 40 million low income Americans.

**EDUCN.** Most of the requests made to Australia on Education concern the full commitments to the secondary education and tertiary education services. A few requests for full freeing up of primary services and Adult Education have been made, but have not been considered so far.

The Government has already accepted commitments to Higher Education Services, and has requested removal of limitations on foreign equity and ownership issues. Our Government obviously sees us taking greater strides in overseas education projects and we have, in the past, proved good at it. Unfortunately, under GATS rules, that particular bandwagon will be heavily laden with richer, more powerful rivals for this lucrative field and Australia would be foolish to free our education services to competition in the hope of a doubtful overseas bonanza.

(e) WATER. Water services and waste disposal privatisation in our drought ravaged country must not be allowed. The Australian Government's position paper supports the listing of water services. Our Group fears this could eventually lead to our water supplies ending up in the hands of foreign corporations like France's Suez Co.

The danger of privatising of water services for profit can be illustrated by a cautionary tale from Britain, during the Thatcher "privatise or perish" era. In 1990, the first year of water privatisation, there were 2,756 cases of dysentery in England and Wales. In 1991, 9,935 cases. 21, 586 households were disconnected from the supply and in the Midlands there was a 10-fold increase in infectious diseases such as hepatitis and dysentery. (from the Sun Herald, 7/5/93).

That was in England. In developing countries, the prospect of clean water supplies for all but the wealthy, would become unattainable.

#### (4) GATS IMPACT ON GOVERNMENTS TO REGULATE SERVICES & PUBLIC SERVICES

The proposals in the GATS Agreement on investment, Government procurement and its emphasis on competition policy place the legal rights of foreign corporations above those of elected Governments. Such powers must be curtailed, not encouraged.

#### SUMMARY

The Epping District Peace & Environment Group believes that the Australian Government should completely review and widely publicise the impact of both existing GATS agreements and make public all requests to Australia by member states in this round of negotiations. There must also be provisions for lengthy debate before any decision to sign the agreement is made.

Services are the fastest growing sector in international trade. In Australia it employs 72% of workers. In much of the Third World, the International Monetary Fund's structural programmes already force many countries to privatise or abandon public social services in order to gain debt relief or World Bank loans, thus allowing foreign corporations to come in, and take over their ailing industries at bargain basement prices, pay subsistence wages and exploit workers under conditions which would never be allowed in their own countries. All profits are expertly siphoned out of the host country, leaving bankruptcy threatening the host governments and debased living standards for all but the rich and powerful and the corrupt local entrepreneurs who aid and abet these practices for their own enrichment. It is foolish to imagine the introduction of these new GATS "development" objectives will not exacerbate this situation.

These developing countries, with their massive debts have little chance of evading exploitation, but Australia has. For us to surrender our public services to international tender is economic irrationality which must be resisted at all costs.

## 2. ISSUES FOR AUSTRALIA OF A FREE TRADE AGREEMENT WITH THE US. THE ECONOMIC, REGIONAL, SOCIAL, CULTURAL, ENVIRONMENTAL AND POLICY IMPACT OF SERVICES TRADE LIBERALISATION.

(a) One has only to recall the North American Free Trade Agreement (NAFTA) to realise what pitfalls await us should we sign a Free Trade Agreement with America.

Touted as establishing a free market where each country would profit, Canada has found all advantages to be legally on America's side and for Mexico, it has been a disaster, as this poor country has endured currency crises, worsening Government debt and political unrest as its economy was sucked dry by its powerful NAFTA partners.

Investor rights enshrined in the NAFTA Treaty has enabled US oligopolies to enforce investment provisions similar to those legally applying in the US on Canadian and Mexican Governments and to sue them for horrendous amounts, should they seek to defend their own laws in the cases involved. For example, the United Postal Services vs Canadian Postal Services and the notorious Ethyl Corporation litigation, and in Mexico, the case where the local municipality refused to allow the US Metalclad Corporation permission to build a huge toxic waste facility on already dangerously contaminated land. The American Corporation sued the Government of Mexico and was awarded \$15.6 million.

The US Trade Representative, Robert Zoellick's letter to the US Senate reveals that similar legal minefields await our State, Federal and Local Governments in the proposed US/Australian Agreement. (SMH 13/11/02)

In his letter to the US Congress, Zoellick wrote: "We will work hard to facilitate the export of US Food & Agricultural products to the Australian market and to address the full range of issues facing US agriculture exports" and, even more ominously, "We plan to use our negotiations with Australia to strengthen these commercial ties and address barriers that US exports face today."

As in NAFTA, the US is seeking the lifting of all our controls on Foreign Investment and will insist on US corporations receiving significant influence over Australian public policies and regulations, such as customs and quarantine legislation and security issues. Zoellick's letter mentions "the elimination of Australia's 'unjustified' measures" relating to food and agricultural products produced through biotechnology (Genetically Modified Foods?), the removal of which would be a bonanza for the US Agribusinesses but a disaster for Australian exports of "clean, green produce" to our well established Asian and European markets..

### (a) AUSTRALIA'S GOALS AND STRATEGY FOR NEGOTIATIONS

So far the Federal Government's negotiations to the US/Australia Agreement seem to have been conducted under the misapprehension that great economic gains will flow to Australia as the US lifts its agricultural barriers in return for some trifling investment concessions from us. DFAT believed the Free Trade Deal could add \$4 billion to our economy, and our Trade Minister, Mark Vaile, has declared "everything is on the negotiating table", Foreign ownership of Telstra, and QANTAS, our banks, quarantine and competition laws, Media ownership and regulations, telecommunication, changes to our Pharmaceutical Benefits Scheme and GM Food labelling. He did not reveal Australia's requests to the US. (SMH 26/2/03).

Since then, the Ancil Consulting Report, commissioned by the Rural Industries Research & Development Corporation (RIRDC) with a steering committee of representatives from DFAT, the Department of Agriculture and the National Farmers Federation, believes the Free Trade Deal would cost us more than it delivered and would sour our relations with our already established Asian and European markets.

Mr. Vaile now says that the Federal Government will abandon the talks if the US will not make "substantial access for Australia from produce into American markets." (SMS 4/3/03). As George Bush last year signed the most protectionist Farm Bill since the 1930's, and, as a result, American farmers are dumping their cheap grain on world markets with impunity, the army of US trade officials due to descend on Canberra towards the end of March, may not receive as warm a welcome as anticipated. Mr. Vaile is still said to be confident negotiations with the US could be concluded by August 2004.

(b) THE IMPACT ON THE DOHA DEVELOPMENT ROUND.

While Mr. Vaile believes Bilateral and Regional Trade liberalisation deals do not conflict with global agreements such as Doha, negotiating exclusive discriminatory trade deals while participating in non-discriminatory multilateral agreements, could help to undermine opportunities for developing countries to influence multilateral agreements such as Doha, and will certainly alienate our Asian trading neighbours.

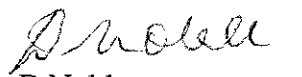
SUMMARY

The Epping District Peace & Environment Group has followed US Trade policies on the World stage for some years and is convinced the proposed US/Australian Free Trade Agreement will be neither Free nor Fair. It will not deliver any financial, cultural or social benefits but will certainly result in the loss of most of our profitable agricultural market in Asia..

Conflicting statements by a plethora of US Trade Experts does nothing to reassure EDPEG that America will conduct these negotiations with anything but US interests in mind, to the lasting detriment of Australia's trade, investment policies and international standards as a reliable, independent, "Fair Trade" country.

Australia must not sign this Agreement.

  
B. Dobeson  
Research Officer

  
D Noble  
President.

## REFERENCES

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