

**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: 97

Submittor: Catholics in Coalition for Justice and Peace

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CATHOLICS IN COALITION FOR JUSTICE AND PEACE

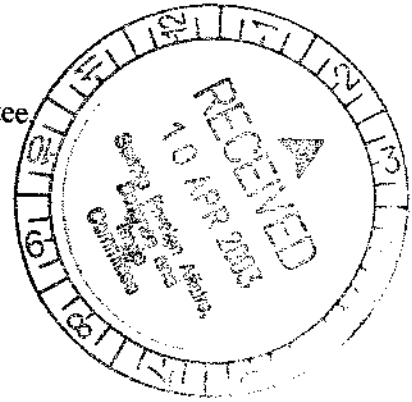
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The Secretary
Senate Foreign Affairs, Defence and Trade References Committee
Suite S1.57, Parliament House
CANBERRA ACT 2600



8th April, 2003

Dear Secretary,

Attached is a Submission to the Senate Inquiry into GATS and the USFTA from Catholics in Coalition for Justice and Peace.

If you have any questions, they should be addressed to me or to one of the other members who worked on the submission. Their names and contact details are listed on the cover sheet.

Yours sincerely,

Margaret Hinchey RSM

Convenor of Catholics in Coalition for Justice and Peace.

Senate Foreign Affairs, Defence and Trade References Committee

Inquiry into the General Agreement on Trade and Services and the

United States Free Trade Agreement

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United States Free Trade Agreement*

Submission from

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1. WHO IS CCJP?

Catholics in Coalition for Justice and Peace (CCJP) is a coalition of individuals and groups, working for the emergence of just social structures in Australia and overseas. Its wide membership works at supporting marginalised people in Australian society and beyond.

CCJP has been discussing issues regarding the Australian Government's international trade negotiations for some time. Seminars have been held and educational material produced for members. The Committee, supported by the wider membership, felt it was appropriate to present this submission, given the philosophy of our organisation.

2. WHY ARE WE PRESENTING THIS SUBMISSION?

We are sending this submission on the negotiations about a Free Trade Agreement between the United States and Australia because we are concerned about:

- ❖ the impact of any proposed agreement on the community at large, especially those who are currently disadvantaged socially and economically;
- ❖ the secrecy of the negotiations;
- ❖ the one-sided presentation of the proposal in the DFAT background paper;
- ❖ yet more exporting of jobs, profits, and tax revenue.

We are also concerned that this proposal is a back-door method of achieving the discredited aims of the Multilateral Agreement on Investment (MAI). The MAI was only removed from the agenda after public debate exposed the limitations which would have been imposed on Governments' ability to control their own destinies and economies. Many of these same provisions have resurfaced in these so-called "free trade" discussions.

There is insufficient public debate, consultation, or involvement in the decision making processes for these trade agreements, resulting in little public accountability or transparency.

We must not surrender our sovereignty to multi-national corporations, overseas governments, or unelected international groups.

The chimera of "making it big" in the US has proved a fatal attraction to many Australian companies who have failed dismally in their attempts to penetrate the US market, resulting in major losses to GDP, tax revenue, shareholder funds, and, ultimately, the Australian public.

Serious e-commerce initiatives require large investments and have a high risk factor. There is no guarantee of profit or even payback. The world's most successful and best known e-commerce venture to date, amazon.com, is still not profitable after several years of operation. Most other large-scale e-commerce ventures will fail, for many

more years yet, until cost and delivery models, and consumer interest and acceptance, have matured.

The US has a very strong "not invented here" consumer culture, making any gung-ho US market penetration ventures highly problematic.

The Australian community should not be asked to fund these high-risk ventures, e.g. by explicitly promoting them through the taxation system.

3. PARTICULAR CONCERNS:

3.1 The claimed economic benefits (\$4 billion annually within ten years) are based on one set of optimistic suppositions, and have been challenged by many economists.

The FTA might help a small number of our exporters, but it does nothing to protect our local manufacturers, suppliers, and service providers from predatory pricing, dumping, and the abuses of transfer pricing. All of these cause losses to tax revenue and loss of jobs and the closure of local businesses (both of which further exacerbate the tax revenue position). The FTA will allow US corporations to ignore the sociological and economic impacts on our local communities.

The ideology of the "level playing field" has been convincingly discredited, and Australia should no longer play the idealistic ingenue in world trade at the expense of our own economic and societal well-being.

3.2 The United States economy is over twenty-five times the size of Australia's and this puts us at a strong disadvantage in any negotiations. We have neither the financial resources nor economic clout to win in a battle for markets with the US.

3.3 The United States has taken action to restrict Australian agricultural imports on a number of occasions in the past. Current policies give strong protection to US farmers. Australian primary producers will find it difficult to benefit unless major changes are made to tariffs which protect US farm produce now.

We do not believe that **any** US government will be in a position to provide unimpeded access to the US market for Australian agricultural producers, because of the over-weening strength of the US farm lobby, even if the FTA "guarantees" it. There is no history of cooperation between Australian and US farm policy makers in this area, in fact, quite the opposite.

3.4 The DFAT background paper points out that Australia's trade with USA accounts for 15% of our total trade. What this paper does not mention is that the countries of Asia have 50% of our trade, nor does it canvas the possible effect of any agreement with USA which excludes Asian countries from similar benefits.

3.5 The linking of trade and security, as included in the "packet " of matters to be discussed, is quite inappropriate. Each area is affected by quite different international pressures. Such a link raises serious difficulties for Australia's ability to design and carry out our own preferred security agreements with the countries of our region.

3.6 The US Trade Commissioner, Robert Zoellick, has suggested that Australia's high quarantine standards could be "a means of restricting trade". It is imperative to maintain our current high quarantine standards to protect our disease-free stock and crops, and ultimately our reputation, GDP and tax revenue. The US instead should be encouraged to raise its standards to Australia's high levels.

3.7 The production and marketing of genetically modified (GM) food concerns many Australian farmers and consumers. It is essential that the Australian government continues to tightly regulate GM crops and enforce strict labelling to indicate the GM content of food. The US does not have such provisions and if pressure from US agribusinesses forces their removal in Australia, consumers would no longer be able to exercise their innate right to protect their health, and that of their children, by choosing GM food or not.

3.8 Zoellick has also listed the abolition of legislation, which some Governments in Australia have in place, to ensure preference for local business in Government procurement tenders. In the USA, Federal and State Governments have strong legislation (e.g. the "Buy American Act" of 1933 and the "Trade Agreements Act" of 1979), restricting non-American companies from tendering for Government goods and services in the USA. Any such deal would have to be two way - a very difficult task, given the number of separate governments with which to be negotiated .

3.9 The US negotiators have signalled a challenge to the Australian Foreign Investment Review Board and its powers to restrict foreign investment in Australian companies. The DFAT background paper indicates that currently the US Government applies wide ranging investment restrictions on Australia. It also has, in some areas, a policy of more favourable treatment for domestic firms. Again, this is one-sided.

3.10 Under the US proposals, essential services (water, education, health care, and postal) are to be treated as "traded goods", thus reducing the ability of the three tiers of Government in Australia to ensure equitable access to them for all people. This is essential in a country with the distance problems which Australia faces. At the moment all levels of Government have a responsibility to regulate or to provide services appropriate to the residents in their areas. The loss of this right will have negative social consequences.

We are implacably opposed to the private ownership of fresh water in Australia. The supplying of fresh water must remain as a public utility. It is more essential to life and survival than electricity, which has already been privatised with only partial success. "Water" is a social policy issue, not a commercial one. Especially in this country, we cannot afford to take risks with water.

Private water corporations are susceptible to bankruptcy, corruption, profiteering, and price fixing. Standards of water quality will be sacrificed to protect profits, with little regard for their sociological and health consequences.

Remote and regional communities will be further disadvantaged and penalised if Australia Post is removed from being a government-owned public utility. The imposition of "community service" obligations on US corporations will not be allowed under the terms of the FTA.

3.11 The Australian Pharmaceutical Benefits Scheme (PBS) enables cheaper medicines to be available to people on low incomes. Because negotiators are challenging the Pharmaceutical Industry Investment Program, the PBS is under threat from US pharmaceutical companies pressing for higher prices for their products. The PBS is an example of health and social equity policy which must not be negotiated away in a trade agreement.

We, as a country, should refuse to adopt the US health care delivery model. It disadvantages those with no, low, or middle-range incomes, and only fully services the wealthy, at great cost both to them and to the community as a whole.

We must maintain our universal health cover scheme and not allow its service levels to deteriorate any further. Again, this is a social policy issue.

3.12 US companies will not necessarily provide better or cheaper services to Australian businesses and consumers than our current state-owned utilities and corporations. We will end up sending revenues off-shore, both taxation and share-holder, and produce even more disenchantment with the Federal Government.

3.13 Negotiations on foreign content in films, television and music threaten Australian culture and a vital and growing industry. As an English-speaking country, Australia is already vulnerable to US media influence which would significantly increase if current foreign content rules are relaxed.

We need to maintain and further develop our own cultural identity in an increasingly globalised and homogenised world.

CONCLUSION:

- ❖ Australia should not negotiate a Free Trade Agreement with the USA without a very open and transparent period of public comment. The present secret meetings are contrary to Australian attitudes and culture, and are not in Australia's best long-term interests.
- ❖ The predicted gains for Australia are dubious and unlikely to be realised.

- ❖ Joining security and trade agreements would harm our relations with other countries and undermine our independence and sovereignty.
- ❖ Australia's long standing social policies will be subject to challenge from international corporations and we will have no possibility to legislate to defend our independence, culture, access to essential services, health and safety.
- ❖ The US has no real interest in allowing Australian companies ready access to the US market, but only in allowing US corporations unfettered access to the Australian market. As Carla Hills, the Chief US Trade Representative to the WTO said "we want corporations to be able to make investments overseas without being required to take local partners, to export a given percentage of their output, or to meet a dozen other domestic restrictions."
- ❖ The lessons learnt from the court battles between US corporations and the Canadian and Mexican governments about "unfair trade" under NAFTA should serve as a very salutary warning for us, before we rush into an open-ended FTA with the US.