

PROGRESSIVE LABOUR PARTY

(

**The Secretary,
Senate Select Committee on the USFTA,
Parliament House,
Canberra ACT, 2600.**

Introduction:

The Progressive Labour Party has earlier sent a Submission on the proposed Australia US Free Trade Agreement to the Senate Foreign Affairs, Defence and Trade References Committee. That Submission already opposed the Treaty and called on the Government to cease negotiations forthwith. This Submission can be viewed on our website <www.progressivelabour.org>. A number of other organisations opposing the Treaty are also mentioned on our website and their websites linked to ours. Now that the 800 page detailed proposal has been tabled we should state that we are even more opposed to the Treaty as we regard it as seriously detrimental to Australia's economic and political sovereignty, economic prosperity and diverse world trade patterns. It is our view that this draft Treaty should not be signed and that Australia should withdraw from further considerations to enter into such a Treaty altogether. We will support moves to block enabling legislation in the Senate. We have also made a Submission to the Joint Standing Committee of Treaties - which was due on 13th April. This Submission is identical to that one.

We call on the Government to withdraw from further negotiations and cancel the proposed visit by Mr. Howard to sign the Treaty in May.

The PLP recently participated in a well attended meeting organised by AFTINET where a number of well known speakers explained their opposition to the Treaty which, in essence, is not a Free Trade Treaty but, instead, a Preferential Treaty, seen in the context of global

trade. An AFTINET Publication "Ten Devils in the Detail" was issued and circulated which explained the Opposition by AFTINET - with which we totally concur. Apart from the representative of AFTINET, Dr. Pat Ranald, the following speakers addressed the gathering:

Dr. Peter Sainsbury, President of the Public Health Association, Actor Geoff Morrell, star of Grassroots and Changi (Media, Entertainment and Arts Alliance, MEAA), Uniting Care Director the Rev. Harry Herbert and Julius Roe, President of the Manufacturing Workers' Union. Each of these speakers dealt with particular aspects of the proposed Treaty and none could support it. Quite to the contrary. The over 200 attendees in the audience clearly were opposed to it, not just one or more aspects but the entire proposal. Similar meetings have taken place in several other places in Australia. The number of submissions that this and other Inquiries have attracted should be an indication of the mood of the people on this subject.

Before listing some detailed objections we should draw attention to a Staff Working Paper of the Productivity Commission of May 2003 which has been obtained by Progressive Labour Party. The authors are R.Adams, P. Dee, Y. Gali and G. McGuire and it is entitled "The Trade and Investment Effects of Preferential Trading Arrangements - Old and New Evidence". We will not quote verbatim from this Report as the views expressed are "not necessarily those of the Productive Commission and special permission needs to be obtained from the authors". However, the principal findings of the Report are important to note for all Australians. By the end of 2000, 191 agreements were notified to the World Trade Organisation, a nearly five-fold increase over the previous 10 years. In retrospect, Preferential Trading Arrangements can boost trade among their members but often at the expense of non-members. They create the opposite of diversion of trade. Their paper aims to shed light on the effects of significant non-trade effects such as diversion of trade and investment. Of the 18 recent PTA's examined in detail the researchers found that 12 have diverted more trade from non-members than they have created from members. Furthermore, some of the apparently quite liberal PTAs - including EU, NAFTA and MERCOSUR - have failed to create significant additional trade among members. Given the vastly negative effects of the proposed FTA with the US, these finding add a very disturbing dimension to the desire of, for instance,

of AUSTA , to "deeply integrate into the US economy", as we learnt when preparing our earlier submission from their advocacy for the Treaty on their website.

Apart from the self-interested ambitions of the AUSTA group, the Howard Government's utter subservience to the US appears to be the principal force behind the desire to have this agreement. We have even been told that some of the negotiators in Washington found the deal so bad that they wanted to resign from the negotiating team. Why on earth would we want to continue to with such a process? Even the PM came away with empty hands when he sought concessions from the American President in a final attempt to rescue whatever benefit could be found. We hold the Prime Minister entirely responsible for this misguided view of Australia's national interests! We will campaign against his and the Coalition's re-election later in the year.

More specifically, we believe that the US-Australia Free Trade Agreement is not in Australia's interest because it

- weakens price controls on medicines by allowing drug companies to seek reviews of decisions by the Pharmaceutical Benefits Advisory Committee,
- eliminates the 15% tariff on auto components immediately and the specific tariffs on TCF and assembled cars in future years. This will immediately threaten the jobs of tens of thousands of Australian workers, concentrated in Adelaide and in regional Victoria. It threatens the jobs of over 100,000 manufacturing workers as companies respond to the new tariff outlook.
- sets up a new joint policy committee which gives the US government a voice in Australian medicines policy based on US trade policy, not on the Australian policy of access to medicines for all,
- limits Australian content rules for new forms of media, and allows the US government to challenge these rules as a barrier to trade,
- adopts US copyright law, leading to higher costs for libraries, schools and universities,
- "binds" or freezes many areas of state and local government regulation at existing levels and limits the ability of governments to make new laws and policies on essential services like water,

- limits the powers of the Foreign Investment Review Board to review investment in the national interest, so that 90% of US investment will not be reviewed,
- sets up joint committees based on US trade policy to give the US government a say in quarantine and regulation of food labelling, including GE food labelling,
- outlaws government purchasing policies that give preference to local products or require US contractors to form links with local firms to support local employment, and
- has a disputes process which enables the US government to challenge many Australian laws and regulations before a trade tribunal on the grounds that they are too burdensome for business or a barrier to trade.

The small economic benefits claimed by the government to flow from a Free Trade Agreement with the USA assumed full trade liberalisation in agriculture. However, you must recognise that with sugar excluded, the potential gains for dairy quite illusory, and beef products having to wait 18 years for full access, there is no economic benefit, only economic and social pain, for Australia in the proposed Agreement.

The response to this economic outcome by supporters of the Agreement – that no matter how bad the agreement is, it is good for us because it gives access to the world’s leading economy – cannot withstand scrutiny.

Australia is already highly integrated with the US economy in goods, services and finance, and in education about business systems. This integration already produces a massive trade deficit with the US. Except for a few products and services of special significance, there is already virtual free trade and investment between the two economies. **The supporters of greater integration are really calling for a widespread takeover of medium size Australian enterprises by US corporations, and this is facilitated by the new \$800 million threshold for Foreign Investment Review Board scrutiny of US investments under the proposed Agreement. The beneficiaries of such a development are representative of an emerging comprador class in Australia, not the Australian people.**

This development could only lead to significant closure of productive enterprises in Australia, and a greater outflow of revenues in dividends, royalties and interest, thus weakening our society in the medium to long term. There are several examples in Latin America where the US dominance has had similar results.

We urge your committee to find that this proposed treaty is not in Australia's interests and that it should be rejected.

Yours sincerely,

Klaas Woldring, Ph. D.
National Secretary,
Progressive Labour Party (registered 1997)