Secretary
Senate Select Committee on the Free Trade Agreement
between Australia and the United States of America
Suite S1.30.1
The Senate
Parliament House
Canberra ACT 2600
AUSTRALIA

RE: THE USA/AUSTRALIA FREE TRADE AGREEMENT INQUIRY

The US is one of the largest economies in the world with annual GDP of about US$9300 billion. It is the most politically and economically dominant nation. Australia on the other hand is a relatively small economy with annual GDP of about US$400 billion. It has little independent sway on the global political stage. Australia is a relatively small market for the US, representing around 1.6 per cent of total US exports. Australia is far more dependant on the US than the US is on Australia. Australia's exports to the US of about US$8billion represent around 11 per cent of total Australian exports. The recent Free Trade Agreement struck between Australia and the US reflects these dynamics. The odds of Australia extracting net gains from a FTA with the US is restricted by the massive power differential that exists between the two countries and the relative influence of their domestic corporate bodies. The large corporate lobby groups have ensured that the FTA advances their industrial interests and the US agricultural interests have come out on top, as the complaints from the Australian sugar industry confirm. The Australian industry sought an increase in the US sugar quota to enable it to export more sugar to the US. The US sugar industry successfully lobied the Bush administration to maintain the quota at 87,000 tonnes. Australian growers expected a better outcome but did not get it.The US was the clear winner in the deal.

Given the subservient relationship the Howard Government has with the Bush Administrtion the Howard Government is most likely to give far too much ground to the Bush Administration on issues such as investment policy, local content in broadcast media and access to the pharmaceutical benefits scheme (PBS). These are issues of tremendous importance to Australia. South Australia has suffered greatly from the retreat from sensible levels of industrial protection. The productivity Commission recently conducted a study on the impact of tariff phase-down on Australia's regions and found that South Australia experienced a net loss of employment in tariff-sensitive manufacturing industries. Under the FTA with Australia, the US has been given the capacity to tender for all Federal Government contracts, this may be extended to State government procurement. To achieve this the Howard Government is likely to use its national Competition Policy payments to SA as leverage. The FTA gives US firms the capacity to get a stronger foothold in the provision of services to Australains. They can then put pressure on governments to outsource service provision as a 'requirement' of competition policy. This could lead to US-based firms gaining a foothold in the running of our public education and health services.

Australains should be concerned about the inclusion in the FTA of an independent review of PBS drug listings which creates an avenue for US companies to hold up the listing of rival products where these might threaten US pharmaceutical interests. All Australians should be concerned about the prospect of escalating pharmaceutical costs.

Just over 500 corporations control 70 per cent of world trade. Free trade is in reality a process of political trade-offs between political elites and large corporate interests. In reality the most powerful countries and corporate interests dominate trade negotiations because they have the political and industrial muscle to dominate the markets they want to enter. One of the most peverse outcomes from FTAs is the downward pressure on wages and living conditions

Barbara Little