

South West Trades & Labour
31 Percy St
Portland
Vict. 3305

Australian Senate
Parliament House
Canberra,
ACT 2600

This is a submission to the Select committee on the Free Trade Agreement between Australia and the United States of America. This document has been prepared and presented by the South West Trades and Labour Council of Victoria.

Despite some difficulty in obtaining specific information from appropriate Government Departments the Council believes the following assessment of sections of the Agreement is valid. For clarity they have been compiled into specific industry or issue subsections and presented in point form..

Agriculture

Beef Industry

It is noted with concern that the Trade Agreement will permit Australian laws to be composed or influenced by input from both the U.S. Government and also private U.S. companies. Consideration should also be given to the possibility that under this arrangement Multinationals who are nominally U.S. companies will have access to the formation of laws that will impact on their companies and company interests worldwide and that they may put their interest before Australia's.

The U.S. has already identified Australian food labelling laws as a trade barrier. In reality for EU purposes Australian beef farmers will be spending from \$6 (Govt. quoted price) to \$40 (Aust. Beef Assoc. quoted price) per head of cattle for mandatory National Livestock Identification whilst the US farmers can compete on the same markets without incurring this expense. *It could be argued that the US export less than 10% of their beef so there is no major impact but steps are already being taken to increase herd numbers and we have to ask if they are sold within the US then Australia's potential market there will decrease. Free access without the additional expenses of ID schemes or extensive food labelling costs etc. equates to the possible future scenario of our domestic market flooded with cheap imports. Estimated benefits to our producers do not factor in the possibility that large U.S. consumers (companies such as McDonalds and Burger King) may require additional conditions of domestic sale above that of the Agreement, such as a radical form of livestock identification, feed requirements etc. necessitating increased cost for farmers without increasing their return .*

Article 8.5 of the Agreement requires Australia to provide "positive consideration to accepting the other party's technical regulations as equivalent to their own".

Article 8.7 says that Australia **must** give U.S. representatives the same rights as Australians to participate in the development of Australia's standards.

"Technical standards" and "technology" are in practice closely tied to programmes such as ID and tracer schemes and generally necessitate expensive equipment from the U.S. It is not realistic to imagine that foreign companies, individuals or Governments will choose to put Australia's interest before their own, particularly in a situation that is based on economic interests.

Quota restrictions on beef sales to the U.S. will be phased out over 18 years. They will remain as they are for nine years and then be phased out over the next nine years. *The obvious issue of note is the time frame. Eighteen years is a long time in politics. Twelve years ago Britain was providing weapons to Iraq, and the U.S. were backing Saddam Hussein. It is unrealistic to seriously suggest that Government policies, pricing, markets, consumer requirements and National interest will remain constant for the next eighteen years. This is a questionable gain, as Australian farmers need thriving markets for the next eighteen years to ensure that the industry remains viable.*

General Agriculture

A letter sent to the US Congress “at the direction of the President” stated that their objectives include; to “end any special financing privileges” for Australia’s state-trading enterprises. This would impact on wheat, barley, sugar and rice. It also sought to require these enterprises to “provide information on their operations”. *It is our understanding that this would remove any advantage of trade or production techniques that may have been confidential and competitively profitable for Australian companies..*

A media release from the office of the US Trade Representative after the signing of the Agreement says, “**All** US agricultural exports to Australia, totalling more than \$400 million, will receive immediate duty free access. In addition it states “Food inspection procedures that have posed barriers in the past will be addressed, benefiting sectors such as pork, citrus, apples and stone fruit” *Domestic fruit growers have previously been subsidised by Governments to pull out numbers of their trees because they were not viable, so it begs the question why we need to facilitate the importation of these items. It should be remembered that food is a life sustaining commodity and whilst the US has been given access to our markets there is no compulsion for its producers to keep our markets stocked, logic says that if a more rewarding market emerges the US producers will desert Australian consumers, leaving us with a depleted domestic production and a limited food supply. Australia has a competitive advantage at the moment but the US has retained comprehensive protection and long Phase-out periods and various safeguards and ways of providing any exemptions they may require.*

In relation to Genetic Engineering Australia must give US representatives the same rights as Australians to contribute to the development of Australian standards and technical regulations. Article 8.7 states that in addition to these rights the Australian Government will recommend that our private enterprises should allow U.S. Government representatives identical rights with Australians in the formation of Australian standards in this industry.

- ❖ **The original, Government employed CIE consultants on economics foresaw gains after ten years of less than one third of a percent. The productivity commission predicted a negative result.**

Clearly the above-mentioned economic predictions do not include the \$444 million subsidy to cane growers because they failed to get access to US markets or the loss of tariff payments.

Manufacturing

The press release from the executive office of the US President in its opening paragraph states “More than 99 percent of US manufactured goods exported to Australia will become duty free immediately” The summary of the same document states “US manufacturers estimate that the

elimination of tariffs could result in \$2 billion per year in increased U.S. exports of manufactured goods. *This is American dollars they are quoting. The Australian Manufacturing Workers Union is quoting \$4 billion Australian. Whilst the Australian public are purchasing additional US imports they will not be purchasing the equivalent in domestic goods. This obviously, translates to job redundancies and loss of manufacturing skills and equipment. The final cost to Australia will ultimately be more than \$4 billion per year. The same press release claimed that the Agreement would create in excess of 150,000 manufacturing jobs in the US, those jobs and pay packets are currently in Australia.*

Textiles

Twenty-five years ago our region in Victoria's Southwest had a thriving textile industry that provided lifetime jobs and security as well as training and flow-on retail benefits and the ultimate proof of a high-quality purchase, the ability to return faulty goods to a local manufacturer. Thousands were employed directly in this industry. Due to the reduction in textile tariffs in recent years the industry now consists of about five individuals and imported products. We have lost income, industry, skills and the specialist machinery. This industry will never return to our area. This Agreement will have a similar effect on those regions that have struggled to retain their textile industry. The US has retained its yarn-forward rule for US imports of clothing and textiles. The Textile, Clothing and Footwear Union have calculated that around only 20% of Australian produced clothing and textiles will pass this rule and be eligible for export to the US. This will create not just a large number of job losses but as stated earlier the loss of training, expertise and the equipment to re-establish such industries. Australia will become reliant on foreign countries for a product that we are capable of being a world leader in producing.

Article 15.2 prohibits the Australian Government from supporting domestic industries by giving preference to some domestic goods, services and suppliers. Article 15.5 has similar overtones. *Consider the number of businesses that have previously benefited from policies of buying local products. Sadly the taxpayer dollars used to compulsorily purchase foreign goods in preference to our own will go to an overseas company. Australian businesses will be paying taxes that are spent on foreign purchases rather than domestic product.*

Media

Screen Media

Simply put if you have two jumpers in the cupboard they will both get a fair airing, if you have fifty they will not. Free to air television will cease to be supported if the market is flooded with alternatives and it is unrealistic to believe that the government will put finances where there is little public interest. This will have a detrimental effect on Australian Television productions that usually test their popularity through this medium. This, like all media, is a growth industry and relates directly to the livelihood of a plethora of skilled and unskilled workers, and indirectly to things such as tourism, education and consumer preferences and helps to form Australia's self image.

Under Annex. 1 The allowable amount for our existing local content is "bound" and whilst they can be reduced in the future there is no mechanism or incentive to increase either the existing or a decreased rate of local content.

There are also unreasonable exceptions to the local content requirements. The exceptions appear to have no real motivation except the facilitation of foreign programming.

Investment

With very rare exceptions, the Agreement includes clauses that mean Australia will not have the right to screen any investments, purchases of Australian owned business or acquisitions of any type regardless of national significance or benefit if the purchase price is below \$800 million, (this was previously \$50 million). The office of the U.S. Trade Representative estimated that over the past ten years this allowable limit would have exempted only 10% of U.S. investment. The Agreement prohibits provisions that could require the transfer of technology and/or intellectual property.

The motivation for U.S. investment in our country is the production of profits that will be transferred to parent companies in the U.S. The U.S. already has a trade surplus with Australia of \$12 billion and is our largest source of foreign investment accounting for about 30% of our total investments. We risk losing our identity, entrepreneurial opportunities and commercial profits.

Industry Development (Government Procurement)

Industry development schemes that require local content, whether it is in labour or product will be eliminated. Australia will cancel current industry development schemes where various offset are required as a condition of contract. *These conditions were originally established with a specific benefit or equalisation in mind by nullifying the conditions we are nullifying the benefits.*

U.S. suppliers are granted non-discriminatory rights to tender on contracts from eighty central Government entities including important ministries and Government groups. There is also a stated intention to extend this to other Government bodies The process for this is expected to have already commenced. *These preferences were conventionally granted to local, minority or developing enterprises to encourage and stabilise local business, with reference to establishing or maintaining employment and as a means of returning taxpayers money to its source.*

Education Services

The time scale over which copyright laws are exercised will be extended from the present fifty years to seventy years after the author's death or in the case of audio-visual work seventy years after the date at which the production was completed. *. There does not appear to be any direct benefit from this decision; however, libraries and schools will be disadvantaged financially and in the case of those with exhausted funding their students or consumers will be deprived of material. In addition substantial works may be withdrawn from public access for an additional twenty years.*

Labour Standards

It is noted that this Agreement is Australia's first of such documents to contain a section covering labour provisions. However chapters 18 and 19 ensure that there is rhetoric without regulation. Prime examples are Article 18.1 and Article 18.2.2 "It is Inappropriateweakening or reducing the protections afforded in its labour laws". *Does not "afford" any rights or protection for workers and non-compliance with the stated guidelines is not covered by the dispute settlement procedures. The exception being the "enforcement" of domestic labour laws and only then when they affect trade between the parties. The obvious point being that the investors and not the workers have their rights protected.* A U.S. Labour source observes that this Agreement is not as comprehensive as other Agreements that the U.S. has entered into. One example is a bilateral Agreement between the U.S. and Jordan.

Pharmeceuticals

The U.S. has the right to review the listing of medications made by our Pharmaceutical Benefits Scheme. *Whilst there is no clarity as to the final purpose of this review the general belief is that it will allow the U.S. drug companies and/or Government to reverse decisions made by the PBS. Many Australians suffer from chronic illnesses that necessitate the use of multiple medications and equipment. Without a PBS subsidy insulin costs \$229:21 for an average monthly supply. The testing kit and needle and syringe are around \$24 each per calendar month. Costing a total of \$277:21 per calendar month, averaging \$63:97 per week **every week**. .Presently these are subsided for low income recipients through PBS but under the ambiguous wording of the Agreement a foreign country may have the right to remove these subsidies. Obviously diabetics are only an example we have members of our communities who suffer multiple chronic illnesses and families who find even the present PBS payment requirement of \$3:80 per item a burden. It should be remembered that most sufferers of chronic or multiple illness are unable to sustain high-income employment due to their health and medical considerations..*

It is hoped that you will consider the issue listed in this submission. Our contact details are

South West Trades & Labour Council
31 Percy St
Portland,
Victoria, 3305
Phone 03)55234 272
Contact person - Margaret Brabender
Assistant Secretary