

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

Dear Committee,

Once again I am compelled to deliver a submission to your committee in relation to the "US Free Trade Agreement".

Lets look at this concept before I start hammering home the basics of "charity at home" and the concept of Australia's economic identity crisis.

The Agreement, in the eyes of the Australian Public, is a forgone conclusion. Various ministers including the Prime Minister in particular have been banging the drum that it's a done deal and we will all benefit from it, or as Howard states it's as a "win win situation". Oups perhaps he should stop talking in the future tense and place the cards on the table for all to see.

Already the vast majority of Industry groups and many Farming groups have slammed it completely.

So the real hard sell has been going on since our chaps met their chaps in the US and the Land of Oz. The media is full of hand shaking public servants, ministers and a handful of self interest groups smiling from ear to ear.

So when I read the agreement, the Preamble, all 23 Chapters, 4 Australian Annexure, 2 US Annexure and those really sneaky "Side Letters", I was convinced beyond any doubt the real devil in the agreement was the mass of the agreement. Take for example the wording of Chapter 1, "Establishment", Article 1.1 "General".

1. *The Parties to this Agreement, consistent with Article XXIV of GATT 1994 and Article V of GATS, hereby establish a free trade area in accordance with the provisions of this Agreement.*

Did I read that right? In accordance with "GATS"? Australia has yet to agree to GATS so the really subtle reference is yet another form of political con to suggest to the public that in "this agreement we have already acknowledged the acceptance of an agreement", that has yet to be passed by Federal Parliament! That's a really cute trick don't you think?

So lets get to the guts of this truly remarkable agreement. I suppose I could argue at nausium the pros and cons' of each chapter, paragraph and section dissecting the intricate detail of the agreement, but I really like to stand back and grasp the document as a whole. That's when you really see if it's for real.

The intent of the Agreement, if you can trust Prime Minister Howard, is to take us into the 21st Century with our mates in the US, (who he trusts without question) on some dubious assumption that the US will ultimately "do the right thing" and honour their alliance with us by cementing rules and regulations that permit "Free Trade".

Other organisations have already stated the bleeding obvious hitches like the periods of 4 to 18 years for certain goods that Australia WILL not be permitted to trade "Freely" with, well till the US is ready that is. And there are those really cute side letters like the "Telstra" letter:

It remains the policy of the current Government to sell its remaining equity in Telstra as soon as practicable.

And;

Competitive neutrality requires that significant government business activities do not enjoy a net competitive advantage simply by virtue of their public ownership.

It's all in the wording, isn't it? You will by hook or crook sell Telstra (Labor or Liberal Parties, it doesn't matter, it's in the Agreement!). Now the net benefit to the Australian public will be a competitive market I assume. Dear old Telstra, its been gutted, raped, mortgaged and converted from the best in the world to a mere "competitor. Doesn't matter Ziggy will fix all that when its finally sold off.

So lets look again at the benefits. I'm still looking, No I cant see any yet, it must be in here somewhere, just give me a bit longer, here it was I knew I would find it, Chapter 5, Rules of Origin, Section 2;

(c) a non-originating material provided for in heading 0805 or subheadings 2009.11 through 2009.30 that is used in the production of a good provided for in subheadings 2009.11 through 2009.30, or subheadings 2106.90 or 2202.90;

Sorry that's not the one, maybe it's the Australian ANNEX 1, page 5;

- ***Investments by foreign persons in existing Australian businesses in all other sectors, excluding financial sector companies, with total assets of \$A800 million or more;***
- ***Acquisitions by foreign persons of developed non-residential commercial real estate valued at \$A800 million or more;***
- ***The take over by foreign persons of offshore companies whose Australian subsidiaries or assets are valued at \$A800 million or more, or account for more than 50 per cent of the target company's global assets; and***

Direct investments by foreign governments or their agencies, or companies with greater than a 15 per cent direct or indirect holding by a foreign government or agency or otherwise regarded as controlled by a foreign government, irrespective of size.

Thus lifting the amount the US can invest in Australia from \$50 to \$800 million, but I might add that this ANNEX is "SUBJECT TO LEGAL REVIEW FOR ACCURACY, CLARITY, AND CONSISTENCY" as stated on the header. So we are safe for the moment.

Seriously I really can't see any benefit so far, so perhaps I could offer this as evidence that "Australia does not need the Agreement at all!"

I enjoy reviewing history as it always comes back to haunt us if we ignore it. Way back in 1927 when Prime Minister Bruce appointed a group of economists to research the economic impact of tariffs on our economy. The report was "The Australian Tariff. An Economic Enquiry" by J B Brigden, D B Copeland, E C Dyason, I F Giblen and C H Wickens, published July 1929 by Melbourne University Press. Commonly called the "Brigden Report".

It has been said "In assessing the impact of tariffs on the Australian economy, the committee concluded that the protective tariff has been an effective means of securing a higher standard of living for a larger population".

This report was discussed in the Quarterly Journal of Economics, a Harvard publication, in 1931 and again in 1938 when Marion Crawford Samuelson defended the general line of the Australian case and in February 1983 issue of the same Journal the presentation was examined again and commended for its development of Trade Theory.

Broadly the study noted that when you have a situation like we have in Australia, where the population is limited and where we do not have the benefits of scale for production, that is available for a country like the US with its almost 300 million population, Tariff protection is essential. The lack of that protection can and will result in Australian designed and produced products, being totally uncompetitive.

I note in passing Electrolux announced the closing of certain facilities in Australia and the transfer of that manufacturing to China. I rest part of my case.

Any talk of FREE TRADE on the term negotiated cannot benefit Australian and Australian employment.

Unemployment in Australia where the unemployed receive welfare benefits is in effect a subsidy to the overseas producer of imported goods and will have to be paid for by Australian taxpayers.

With real assistance to farmers and meat producers not coming on stream for periods of between 4 and 18 years we would be much better off considering alternatives. For example we have overseas aid programs currently costing our country about \$A1.5billion in taxpayers money and could be increased to \$A2billion very easily if we put our minds to it. However the aid should be in the form of farm produce and the cost turned back into the rural sector so that in helping others we would be helping ourselves. And until the US opens up its markets to genuine FAIR trade, we should sit back and watch. \$A2billion spent in the rural market by the Government will return a further 65% to 70% DIRECTLY to the economy. This is a far better way to go than to subsidise the US economy by paying unemployment benefits in Australia.

The same sentiment that I am expressing here is being applied in the US by farm lobby groups and others. The US will always bow to internal political pressure and that will over ride any agreement. Past history confirms this time and time again.

Perhaps its about time the Australian Government started to listen to the vast majority of its people who simply want the right to a job, the right to a fair go and the right to be heard in Parliament.

I say that the agreement should be, as I stated in my GATS submission;

I trust a few members have the GUTS to vote this legislation to a black hole in a far away star system, otherwise the public of Australia might feel the need to replace ALL who voted in favour of this despicable international (US) agreement.

Regards,

Neil Russell-Taylor,