

AFTINET Bulletin No. 35, 5 March 2002

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1. AFTINET Representatives Meet with Senior Government Trade Negotiators

On 22 February, representatives of AFTINET from the Australian Council of Social Services, the Australian Manufacturing Workers Union, the Public Interest Advocacy Centre and WTO Watch Canberra met in Canberra with Peter Grey, Deputy Secretary of the Department of Foreign Affairs and Trade, and other senior trade negotiators.

We requested this meeting to discuss developments in bilateral free trade agreements with Singapore and the USA and the negotiations resulting from the WTO Doha Ministerial Meeting held last November. We have also requested that similar meetings be held on in other cities as part of an ongoing consultation process.

The report below is for the information of AFTINET members and will also inform our campaign activities this year.

i. Singapore Free Trade Agreement

Negotiations began on this agreement last year and are expected to conclude this year.

Investment, services liberalisation and lower tariffs (preferably zero) are being discussed for the agreement. The stated aim is to get Australian business access to services markets in Singapore in return for Singapore manufactured goods gaining access to Australia at lower tariff rates. Progress was good in some areas and slow in others. The Government wanted a "quality" agreement or none at all. There may some doubt about whether the agreement will be concluded.

If and when negotiations are finalised, the agreement will be tabled in parliament and will be examined by the Joint Standing Committee on Treaties (JSCOT) . However, this can only make recommendations to Cabinet which makes the final ratification decision.

AFTINET stressed the need for studies to be done on the employment impacts of such an agreement in particular industries and regions. We stressed that the government should retain the right of government to regulate and provide essential public services and to regulate foreign investment in the public interest We also expressed strong opposition to the concept of an investor state complaints mechanism which would enable corporations to sue governments for damages based on complaints about government regulation, citing examples of companies which had sued governments under the North American Free Trade Agreement complaints process . We noted that the Singapore New Zealand Free Trade Agreement allowed Singapore to export products only 40% of whose value was made in Singapore. This would allow the import to New Zealand of products made in other countries and only finished in Singapore.

DFAT acknowledged the problem with local content rules and indicated that the 40% benchmark was too low and that other certification measures would be needed to ensure that the lower tariff rate only applied to goods actually made in Singapore.

This agreement is not hugely significant in itself, but is obviously being seen as a model for other bilateral agreements which would go further than WTO agreements in our region.

For example, DFAT is doing a scoping study for a Free Trade Agreement with Thailand .

It is important that we monitor these agreements and expose them to public debate.

DFAT also reported on discussions with the Association of South East Asian countries (ASEAN) and in the Asia Pacific Economic Cooperation Forum (APEC) about economic cooperation agreements which will not be legally binding.

ii. US-Australia Free Trade Agreement

Despite the publicity, negotiations have not yet begun. The US Congress has not yet given Trade Promotion Authority for negotiations on this agreement. Australia hoped to gain better market access to US agricultural markets

AFTINET representatives stressed that a bilateral trade negotiation places Australia in a dangerously weak bargaining position given the relative sizes of the US and Australian economies, and defence and other links.

The National Farmers' Federation last year expressed doubt about Australia's bargaining position in such a bilateral negotiation and is sceptical that the US government would concede access to US agricultural markets. Since then both houses of the US Congress have passed farm bills which raise subsidies to farmers and which contradict the commitments made at the WTO Doha meeting to reduce such subsidies. The Congress has also increased protection for the US steel industry and the clothing and textiles industry. Australia is very unlikely to gain improved market access in this context.

Minister Vaile last year indicated that in addition to the aim of lowering tariffs, Australia's local content rules in film and television, quarantine rules and foreign investment rules are all seen as US targets in the negotiations. The Pharmaceutical Benefits Scheme has also been mentioned by US pharmaceutical corporations as a target.

AFTINET stressed our strong opposition to any agreement which would reduce the right to regulate in any of these vital areas of public policy. There could also be a negative impact in particular industries like the vehicle industry. We repeated our opposition to an investor-state complaints process. We stressed that we could not see any gains for Australia in these negotiations.

DFAT responded that they recognised the importance of all these areas and that there would be no agreement without access to US agricultural markets. They acknowledged that it would be very difficult to achieve but said the Government wanted to try. There was no government policy decision yet about whether an investor-state complaints mechanism would be included in such an agreement.

Again it is unclear whether this agreement will actually be achieved and it is important to expose it to public debate. See www.aftinet.org.au for further information and a letter to send to the Minister.

iii. Doha WTO Ministerial Meeting: democracy and capacity of developing countries to participate

AFTINET registered our strong concern that a number of developing countries had sharply criticised the decision making process at Doha, quoting the Indian Trade Minister.

DFAT responded that India should not be taken to represent other developing countries and that the WTO process was generally democratic. The Doha outcome was "partly negotiated and partly an approximation of views" DFAT recognised that there were still process issues to be addressed, but the government had different views about this from some developing countries.

AFTINET asked whether the Government was increasing its contribution to capacity building in developing countries.

DFAT responded that the United Nations Committee on Trade and Development (UNCTAD) should commit resources to assisting developing countries. The Government allocated \$26 million for bilateral capacity building in this financial year. The amount for next year has not yet been decided. There is also a WTO Trust fund to which the Government has not yet decided its commitment. Assisting the capacity of developing countries is purely a matter of national interest for Australia and they want to ensure that money is well spent.

iv. WTO New issues: investment, competition policy and government procurement

AFTINET outlined our objections to these issues being discussed in the WTO and noted that they resurrected many of the issues in the failed MAI. We asked how DFAT saw the Chair's ruling about the need to reach "explicit consensus" before negotiations could commence in 2003. We also repeated our objections to an investor-state complaints process.

DFAT responded that these discussions are not a high priority for the Government. DFAT was sceptical about the ability to reach consensus on investment and competition policy. The EU and Japan were the main supporters, the US less so. "Explicit consensus" means consensus, ie one country can block agreement.

DFAT thought that the reference to a disputes process for investment means the WTO process which is a government to government process. They would listen to the case for moving beyond this to something like a NAFTA model but would have to be convinced of the need.

AFTINET is preparing material for public education and debate on the new issues together with new material on Trade in Services which should be launched in April .

v. General Agreement on Trade in Services (GATS)

AFTINET outlined strong concerns about the possible reduction of governments' right to regulate and fund essential public services, including education, health and water. We noted that Australia's initial negotiating proposals had been made public. See www.dfat.gov.au/trade/negotiations/services

We asked that Australia make its specific requests based on those proposals public.

DFAT responded that governments must lodge specific requests to other countries about increasing their commitments under GATS in June 2002 and make offers about their own commitments by the end of March 2003. Whether Australia's requests will be made public has not yet been decided by Government. There is slow progress on domestic regulation. The proposal to apply a "least trade restrictive" test to some areas of domestic regulation is still being discussed. This be applied across all sectors or may be applied differently for different sectors.

The subsidies discussion is also proceeding slowly. This is the issue of how government subsidies are defined and whether transnational service companies should have equal access to government funding of services, ie whether there should be compulsory competitive tendering of public services, which would result in privatisation. Some countries will pursue these issues in the request/offer process.

AFTINET is preparing updated material on the GATS negotiations and will be demanding that the requests and offers be made public. We need to maximise public pressure before June. See Bulletins 29 and 30 for initial analysis of Australia's proposals on education, the environment and maritime services. See also the environment heading below for information on trade in environmental services, and item 3a) advertising the launch of World Water Day on March 22.

vi. Trade in Intellectual Property Rights, Health and Biodiversity Issues

AFTINET argued that public health and access to affordable medicines should include the right of developing countries to import cheap generic drugs as well as to manufacture them. We also asked about policy on protection of biodiversity and of the rights of traditional farmers and indigenous peoples.

DFAT replied that they are open minded about whether the right of governments to act in public health matters includes the right to import generic drugs as well as to manufacture them under licence. This needs to be clarified, but developing countries will take the lead.

Australia supports further clarification of the protection of biodiversity and of the rights of traditional farmers and indigenous peoples: see TRIPS paper on the DFAT website.

vii. Labour Rights

AFTINET noted there had been no progress on the Labour Rights in the Doha statement which simply notes work being done by the International Labour Organisation (ILO)

DFAT noted that this is a most contentious issue in the WTO, with many developing country governments opposed to the issue of labour rights being discussed in the WTO. The Government view is that labour rights should be dealt with in the ILO, but it supports a WTO-ILO dialogue.

viii. Industrial Tariffs

AFTINET asked about the new negotiations on reducing industrial tariffs and again raised the question of studies of the employment impact in particular industries and regions.

DFAT responded that they will conduct wide consultations on this issue.

ix. Trade and environment

AFTINET asked about Australia's policy on the statement on the relationship between Multilateral Environment Agreements (MEAs) and WTO agreements and the commitment in the Doha Statement to eliminate all tariff and non-tariff barriers to trade in environmental services. AFTINET expressed concern about the treatment of water and other services as traded goods and the threat to the right of governments to regulate to ensure equitable access.

DFAT responded that developing countries are very wary of environmental issues, as they fear it will be used as an excuse for protectionism. The Government is wary for the same reason. Better communications were needed between trade and environment Ministries. There will be separate negotiations on the relationship between MEAs and WTO agreements.

On environmental services, it is not clear whether there will be separate negotiations on this or whether they will be part of the GATS negotiations. However outcomes will be part of the GATS agreement.

In subsequent communication with DFAT services negotiators, it was clarified that the Government supports a broad definition of environmental services which includes water services and all kinds of waste disposal and treatment.

When asked whether public ownership of water services would be considered a barrier to trade in environmental services, the reply was that this would need to be considered carefully, and that the GATS allowed governments to exclude public services.

AFTINET is campaigning against the treatment of water services as traded goods under that GATS, and against the privatisation of public services (See GATS heading above and World Water Day launch below).

x. Policy on agriculture, food security and local development for developing countries.

DFAT responded that the agriculture agreement already has provision for special and differential treatment for developing countries, and Australia is sensitive to those needs. However, they are suspicious when these issues are raised by countries like Japan or India. They support the discussion of these issues, but also want developing countries to continue to remove trade barriers in agriculture.

AFTINET asked about the effect on the WTO negotiations of the increased protection for agriculture and other industries recently voted by the US Congress which is contrary to the goal in the Doha statement to reduce agricultural subsidies.

DFAT responded that the Government is opposed to the Congress position which is very unhelpful to the WTO process, and has conveyed this view to the US Government. There is a struggle between the US Administration which favours further liberalisation and the Congress which is lobbied by particular interests. The US Administration is still prepared to discuss the implementation of the Doha commitments.

2. Background Briefing on the World Bank and the WTO on ABC website

www.abc.net.au/rn

The ABC Background Briefing program on Sunday March 3 on the World Bank and the WTO had an interesting discussion with prominent economists who are critical of neoliberal economics and the ideology of free trade.

3. Coming Events

a) World Water Day Launch Sydney Fri March 22, 10 am Parliament House, Macquarie St, Sydney.

AID/WATCH, AFTINET and other organisations will be launching a campaign to protect the world's water resources and ensure equitable access to them at 10 am on Friday, 22nd March 2002 at Parliament House. This is part of a global campaign to be launched in many countries on that day.

For more information contact Melita at AID/WATCH aidwatch@mpx.com.au

b) Palm Sunday Rally for Compassion for Refugees, Peace and Justice, Sunday March 24 12 noon Belmore Park, march to Tumbalong Park Concert

The rally is supported by a wide range of church groups, unions, environment and community organisations. It will march from Belmore Park, Eddy Ave, near Central Station to Tumbalong Park, Darling Harbour for speakers and a concert.