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Australian Fair Trade
& Investment Network Ltd

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Successful launch of new AFTINET leaflet 'Trading Australia Away?' - Order your copies now!

On 20 May AFTINET held a successful launch of our new leaflet on the Australia US Free Trade Agreement. Dr. Meredith Burgmann MLC, President of the Legislative Council, hosted the launch. T-shirts with the 'Don't Trade Australia Away' logo were eagerly snapped up (order yours for \$20 from Sarah Mitchell – details below).

The speakers at the launch were Dr Peter Sainsbury, President of the Public Health Association of Australia, Richard Letts, Coalition for Cultural Diversity, John Hepburn, Greenpeace campaigner, Alister Kentish of the Australian Manufacturing Workers Union, and Pat Ranald, Public Interest Advocacy Centre and AFTINET Convenor.

AFTINET members will each receive a copy of the publication, '**Trading Australia away?**'. It is a critical analysis of the impact of the proposed trade agreement on Australian social policies. Further copies are also available from AFTINET, by contacting Sarah Mitchell at the Public Interest Advocacy Centre in Sydney. Email smitchell@piac.asn.au or phone (02) 9299 7833. Orders of 25 copies or less are free, but we will need to charge for orders of more than 25 to cover our costs. The leaflet is also available in electronic form on the AFTINET website: www.aftinet.org.au

Resumed US trade negotiations a threat to prescription medicine costs

Statement from the Shadow Trade Minister, Craig Emerson

Negotiations in Hawaii early this week could be the next step in dismantling Australia's public health system. Despite objections from Labor and the Pharmacy Guild, Australia's Pharmaceutical Benefits Scheme (PBS) remains on the negotiating table for the US-Australia free trade agreement.

"At this stage of negotiations, we're willing to talk about everything," a spokesman for Trade Minister Mark Vaile said. "Whilst we're not guaranteeing we won't consider changes to it (the PBS), we're recognising its importance" (AAP 18 May 2003).

A report released on 18 May by the Australia Institute (available at <http://www.tai.org.au/>) has found prices for medicines are likely to double if US drug companies are granted the concessions they are demanding under the agreement. US drug companies have described the Pharmaceutical Benefits Scheme, which costs the Government 4 billion a year, as "insidious" because it keeps the price of new drugs low.

Labor is concerned, and deeply suspicious, that the Government is trying to get through the back door of a trade deal what it cannot get through the front door of the Senate – higher prescription prices.

The Government's legislation to increase prescription costs is being blocked in the Senate. Now it is trying to achieve the same result through the back door of a trade deal with the US. The Government has announced its plan in the 2003 Budget that would amount to the destruction of Medicare and the Americanisation of our public health system.

Now the Government is negotiating the Americanisation of our world-class medicine system that provides low-cost prescription medicines to sick Australians. The FTA negotiations are being conducted behind closed doors, with only favoured business lobby groups being allowed entry. Representatives of broader Australian community interests find it easier to gain access to US negotiators than ours.

If the US-Australia FTA is such a good deal for Australia, why the secrecy?

US to confront EU on genetically modified foods

By Edward Alden in Washington and Tobias Buck in Corfu
May 13 2003

The US is set to announce on Tuesday it will file a long-anticipated case in the World Trade Organisation aimed at forcing the European Union to lift its de facto moratorium on genetically modified foods, according to administration and congressional officials. The decision will further escalate trade tensions between the US and Europe, just days after the EU threatened to impose sanctions by the end of the year in a separate dispute over a \$4bn subsidy for US exporters.

The US case will be joined by Argentina and Canada, which are also large producers of GM crops, as well as by Egypt, which is set to be rewarded next year with the launch of free-trade negotiations with the US. The US argues that European restrictions on the approval of GM crops, adopted under pressure from European consumers more than four years ago, form an illegal trade barrier imposed without any evidence that the crops endanger human health or the environment. Robert Zoellick, the US trade representative, said in January he was prepared to bring a WTO case but was blocked by the White House over fears that the dispute would hamper US efforts to win European support for the war in Iraq. But with the conflict over and the White House angry over French and German opposition to military action, Mr Zoellick has received the green light to press ahead.

The administration has also faced growing pressure from Congress and agricultural lobbying groups to bring a case. Charles Grassley, chairman of the Senate Finance Committee, has demanded the administration file a WTO case, saying the EU ban "has contributed to the spread of anti-biotechnology hysteria to other parts of the world." US corn and soybean growers are among the

world's largest users of genetically modified crops, and US farmers claim they are losing as much as \$300m in annual sales to Europe.

David Byrne, EU health and consumer safety commissioner, on Monday described the US timing as "eccentric". He said the moratorium would be lifted by the year's end, well before the WTO can rule on the dispute.

'I was wrong about free trade' - Former British trade and industry secretary

I was wrong. Free market trade policies hurt the poor The IMF and World Bank orthodoxy is increasing global poverty

Stephen Byers
Monday May 19, 2003
The Guardian

<http://www.guardian.co.uk/guardianpolitics/story/0,3605,958731,00.html>

In November 1999, during the World Trade Organisation ministerial conference in Seattle, I watched from my hotel room as thousands demonstrated against the evils of globalisation. Anarchists clad in black marched alongside grandmothers dressed as turtles and steelworkers from Philadelphia. They saw international trade as a threat - to their jobs, the environment or simply as part of a capitalist conspiracy. As leader of the delegation from the United Kingdom, I was convinced that the expansion of world trade had the potential to bring major benefits to developing countries and would be one of the key means by which world poverty would be tackled.

In order to achieve this, I believed that developing countries would need to embrace trade liberalisation. This would mean opening up their own domestic markets to international competition. The thinking behind this approach being that the discipline of the market would resolve problems of underperformance, a strong economy would emerge and that, as a result, the poor would benefit. This still remains the position of major international bodies like the IMF and World Bank and is reflected in the system of incentives and penalties which they incorporate in their loan agreements with developing countries. But my mind has changed.

I now believe that this approach is wrong and misguided. Since leaving the cabinet a year ago, I've had the opportunity to see at first hand the consequences of trade policy. No longer sitting in the air-conditioned offices of fellow government ministers I have, instead, been meeting farmers and communities at the sharp end. It is this experience that has led me to the conclusion that full trade liberalisation is not the way forward. A different approach is needed: one which recognises the importance of managing trade with the objective of achieving development goals.

No one should doubt the hugely significant role that international trade could play in tackling poverty. In terms of income, trade has the potential to be far more important than aid or debt relief for developing countries. For example, an increase in Africa's share of world exports by just 1% could generate around £43m - five times the total amount of aid received by African countries.

This has led President Museveni of Uganda to say: "Africa does need development assistance, just as it needs debt relief from its crushing international debt burden. But aid and debt relief can only go so far. We are asking for the opportunity to compete, to sell our goods in western markets. In short, we want to trade our way out of poverty."

The World Bank estimates that reform of the international trade rules could take 300 million people out of poverty. Reform is essential because, to put it bluntly, the rules of international trade are rigged against the poorest countries. Rich nations may be prepared to open up their own markets, but still keep in place massive subsidies. The quid pro quo for doing this is that developing countries open up their domestic markets. These are then vulnerable to heavily subsidised exports from the developed world.

The course of international trade since 1945 shows that an unfettered global market can fail the poor and that full trade liberalisation brings huge risks and rarely provides the desired outcome. It is more often the case that developing countries which have successfully expanded their economies are those that have been prepared to put in place measures to protect industries while they gain strength and give communities the time to diversify into new areas. This is not intervention for the sake of it or to prop up failing enterprises, but part of a transitional phase to create strong businesses that can compete on equal terms in the global marketplace without the need for continued protection.

Just look at some examples. Taiwan and South Korea are often held out as being good illustrations of the benefits of trade liberalisation. In fact, they built their international trading strength on the foundations of government subsidies and heavy investment in infrastructure and skills development while being protected from competition by overseas firms.

In more recent years, those countries which have been able to reduce levels of poverty by increasing economic growth - like China, Vietnam, India and Mozambique - have all had high levels of intervention as part of an overall policy of strengthening domestic sectors. On the other hand, there are an increasing number of countries in which full-scale trade liberalisation has been applied and then failed to deliver economic growth while allowing domestic markets to be dominated by imports. This often has devastating effects.

Zambia and Ghana are both examples of countries in which the opening up of markets has led to sudden falls in rates of growth with sectors being unable to compete with foreign goods. Even in those countries that have experienced overall economic growth as a result of trade liberalisation, poverty has not necessarily been reduced. In Mexico during the first half of the 1990s there was economic growth, yet the number of people living below the poverty line increased by 14 million in the 10 years from the mid-1980s. This was due to the fact that the benefits of a more open market all went to the large commercial operators, with the small concerns being squeezed out.

The evidence shows that the benefits that would flow from increased international trade will not materialise if markets are simply left alone. When this happens, liberalisation is used by the rich and powerful international players to make quick gains from short-term investments.

The role of the IMF and World Bank is also of concern. The conditions placed on their loans often force countries into rapid liberalisation, with scant regard to the impact on the poor. The way forward is through a regime of managed trade in which markets are slowly opened up and trade policy levers like subsidies and tariffs are used to help achieve development goals. The IMF and World Bank should recognise that questions of trade liberalisation are the responsibility of the WTO where they can be considered in the overall context of achieving poverty reduction and that it is therefore inappropriate to include trade liberalisation as part of a loan agreement.

This represents a departure from the current orthodoxy. It will be opposed by multinational companies who see rich and easy pickings in the markets of the developing world. But such a change would benefit the world's poorest people and that's why it should happen.

Stephen Byers is Labour MP for North Tyneside. He is a former trade and industry secretary and was a cabinet member from 1998 to 2002.

Sydney protest rally about the USFTA– Friday 30 May, at 131 Macquarie St

AFTINET will be joining in a protest rally about the US Free Trade negotiations from 7am-9.30 am on Friday 30 May in Sydney. The Trade Minister will be giving a breakfast speech to the Australian Institute of Export, at 131 Macquarie Street Sydney. We will rally outside the building. There will be a range of speakers from community organisations, and we will have signs and will distribute AFTINET leaflets. Please come and bring your organisation's banner or a sign if you can.

Where: Outside the American Club, 131 Macquarie Street, Sydney.

When: 7am-8.30 am, Friday 30 May

Working bee - Wednesday 28 May

On Wednesday 28 May AFTINET will hold a working bee from 9.30am –1pm pm to mail out copies of the new USFTA leaflet ‘Trading Australia Away?’ and in the afternoon to make signs for the 30 May rally. We would welcome any assistance. Please let Louise Southalan know if you are planning to come, on lsouthalan@piac.asn.au or (02) 9299 7833.

Where: AFTINET office, Level 1, 46-48 York Street

When: 9.30 am –1pm, Wednesday 28 May for mailout, 2-5 pm for the signs.

Don't forget if you'd like more copies of the leaflet or a T-Shirt with the ‘Don't trade Australia Away’ logo you can order them from Sarah Mitchell at PIAC: smitchell@piac.asn.au phone (02) 9299 7833.
