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## AFTINET Bulletin 85, 16 February 2004

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### 1. Telstra Privatisation Letter in USFTA

AFTINET revealed in a media release on Friday 13 February that the government has signed a "side letter" as part of the US Free Trade Agreement pledging to privatise the rest of Telstra. The side letter is mentioned in the government's own summary of the telecommunications part of the agreement.

The letter is similar to the letter that the US obtained from the Singapore government in the US Singapore Free Trade Agreement. The **Australian Financial Review** reported on 13 January 2004 that that Singapore government was selling the rest of SingTel because of the commitment in its Free Trade Agreement with the US. A copy of the Singapore letter is below (see item 2).

The merits of Telstra privatisation are still being publicly debated here. We know that the government supports privatisation but the Opposition parties do not. We do not know what the status of this letter would be in the event of a change of government. It is completely unacceptable such a letter could be used to 'lock in' a future government to privatisation when it is an issue that should be democratically decided here in Australia.

AFTINET's concerns were reported in an article by Tim Colebatch, in **The Age**, and on **ABC Radio National News** on 14 February. Trade Minister Mark Vaile admitted that the letter did pledge to privatise, but said it was conditional on a favourable market for the sale! Labor Trade Shadow Minister Stephen Conroy, Communications Shadow Minister Lindsay Tanner and Greens Leader Bob Brown all condemned the letter, saying that such a pledge should not be part of a trade agreement.

### 2. US/ Singapore FTA letter pledging to privatise SingTel

From the Minister for Trade and Industry, Singapore on 6 May 2003  
To The Honorable Robert B. Zoellick, United States Trade Representative



Dear Ambassador Zoellick:

The Singapore Government is committed to the privatization of SingTel and ST Telemedia and to the objective of reducing its existing stakes in these companies to zero, subject to the state of capital markets and the interests of other shareholders. The Singapore Government will thereafter only hold shares in these companies as part of its portfolio investments. For SingTel, the privatization process began in 1993 with the listing of SingTel on the Singapore Stock Exchange. Since then, the Singapore Government has progressively reduced its stake in SingTel and currently holds 67.56% of its shares. SingTel has also been listed on the Australian Stock Exchange since September 2001.

The Singapore Government will establish a plan to divest its majority share in SingTel and ST Telemedia. The Singapore Government understands the United States' interest in seeing such divestment completed as soon as feasible.

The Singapore Government exercises no control over the commercial policy of SingTel and ST Telemedia and the Singapore Government does not have veto rights over the key decisions of these companies by way of a 'golden share'. Neither SingTel nor ST Telemedia receives any subsidy from the Singapore Government.

Both SingTel and ST Telemedia are fully subject to the independent regulatory oversight and authority of the Info-communications Development Authority of Singapore (IDA), which is empowered under the Info-communications Development Authority of Singapore Act to ensure that they do not engage in anti-competitive behaviour.

Sincerely,  
George Yeo, Minister for Trade and Industry Singapore  
Source: US Trade Representative website <http://www.ustr.gov>

### **3. Betrayed by our own sycophantic team**

**Oliver Yates Australian Financial Review** 16 February 2004

Oliver Yates lives in New York and works for Macquarie. He is a board member of the American Australian Association. These are his personal views and not those of his employer or the American Australian Association. The following are quotes from his article.

"Since hearing of the shock announcement that the free-trade agreement between Australia and the United States was finally signed I, like many others, have felt a growing sense of betrayal."

"The Howard government had a clear mandate to negotiate a comprehensive FTA with the US. It was to include provisions for our farmers and to protect certain key Australian interests like our culture and the pharmaceutical benefits scheme...I also feel betrayed by the group set out to represent us, the American-Australian Free Trade Agreement Coalition".

"Mark Vaile, assisted by the Department of Foreign Affairs and Trade, organised a breakfast meeting of Australian business leaders in New York last year to enlist our support for the FTA and AAFTAC. We were assured at this breakfast that given the "special" relationship the two governments had, there was a real chance to conclude a comprehensive agreement and we should do all we could to support it".

"We concluded that if the government was right and it had this "special" relationship, a comprehensive agreement really would be a significant achievement. If the government was incorrect, as the business community suspected, they would find out and back away, opting for traditional multilateral approaches. These were the two options. Mark found a third and signed an agreement that was not

under consideration by the community and was outside the mandate as we understood it and betrayed many of us".

"My sense of betrayal, I am sure, is shared by many others. In the November 2003 update, AAFTAC informed us that "the negotiating teams discussed all aspects of the agriculture negotiations, including phase-in periods for Australian sugar, dairy and beef".

"Never was it contemplated or signalled that these essential elements would not be in the FTA. Instead, the agreement grants nothing to the sugar industry and retains quotas on beef and dairy. Furthermore, never was it contemplated that Australia would grant (as the US trade representative said) "unprecedented provisions to improve market access for US films and television programs over cable or satellite".

"That the government signed the agreement, knowing it is economically damaging to Australians, smacks of disrespect and desperation. One is left wondering if we need laws to prevent a government making agreements it knows are economically disadvantageous to Australians".

"The final act of betrayal is about to play out with AAFTAC proposing to issue this week a letter to Congress hailing "American manufacturing workers as big winners in the deal with Australia. America stands to gain \$2billion a year, our \$9billion surplus in bilateral trade with Australia will grow". This is the same organisation that many in the Australian business community supported and represented to us that it was focused on securing a comprehensive agreement. I assume many Australian organisations like Meat and Livestock Australia will withdraw their involvement from AAFTAC!"

#### **4. U.S. Congress Representative Tom Allen statement of concern on the USFTA and medicines dated 10 February**

"I believe that the changes to Australia's Pharmaceutical Benefits Scheme dictated by the U.S.-Australia Free Trade Agreement (FTA) set a worrisome precedent and could come back to haunt U.S. consumers. No country's healthcare system should be altered through behind-closed-door trade deals that disallow public input.

While these change are less than what the U.S. pharmaceutical manufacturers wanted, they are more than Australian and American consumers deserve.

"Australia has developed an innovative system to provide prescription drugs to its population. Their health officials evaluate the comparative effectiveness and cost effectiveness of drugs to ensure that consumers get the right drugs at fair prices.

"Unhappy with any system where doctors and health experts, rather than drug marketers are empowered to make effective prescribing decisions, U.S. pharmaceutical manufacturers sought to undermine Australia's Pharmaceutical Benefits Scheme through the FTA. The final agreement reportedly contains several provisions that will, in effect, give powerful drug makers more leverage in negotiations with Australian health authorities. This could tilt the admirable balance Australia has struck between manufacturers and consumers. Since American consumers have both the least leverage and the highest drug prices in the world, Australian consumers should be concerned.

"U.S. consumers should worry as well. Trade agreements are by nature reciprocal. Australia's pharmaceutical program shares many similarities with U.S. government drug discount systems, such as the Veterans Affairs and Defense Department pharmaceutical programs, and state-level programs like MaineRx. Trade agreements should not be used as a back-door method to undermine domestic drug delivery systems and legislative responsibility.

“I am also concerned about the last minute insertion of a provision that prohibits the reimportation of drugs into the U.S. from Australia. Since Australian law already prohibits re-importation, this provision appears to have been inserted as a precedent for future trade agreements. One of the upcoming pacts, the Free Trade Area of the Americas (FTAA), involves Canada, where many Americans go for cheaper drugs. As Congress debate reimportation, the Administration appears to be improperly using this trade agreement to prejudice domestic policy-making.”

#### **4. WTO Victory: Investment, competition policy and government purchasing off the agenda and WTO Ministerial Meeting unlikely in 2004**

**It appears that the "New Issues" may at last be off the WTO agenda. This is a significant victory for the campaigns of AFTINET and other civil society groups against these issues, which were rejected by the majority of the developing countries at the WTO Ministerial Meeting in Cancun last September.**

Extracts from a report by Goh Chien Yen, Third World Network, Geneva 11 February 2004

While new chairpersons were announced last week for the WTO General Council and many other bodies of the WTO, the General Council did not appoint Chairpersons for the working groups on the new issues of investment, competition and transparency in government procurement.

The implication is that these working groups will not be meeting, at least for the time being.

According to trade officials, after making the announcement of the Chairs for the regular bodies former Chairman of the General Council Amb. Castillo said that there was no convergence on the substantive areas of these issues. However, he also said that “by not making the appointment of the chairpersons at this time is without prejudice to these working groups or to the member countries’ positions on this question.”

He added . “We will continue to explore the possibilities of an agreement of a multilateral approach to the issues of Trade Facilitation and Transparency in Government Procurement and that this work will take place in the General Council with the assistance of the Director-General and Deputy Director General”. On the issues of investment and competition, he said: “These consultations could also offer at the appropriate point an opportunity to take up the question of what treatment they might receive in the future.” He also made clear that these consultations would not prejudice the positions of members nor the outcomes.

The General Council also formally welcomed its new chairperson for 2004, Ambassador Shotaro Oshima of Japan. Taking over the Chairmanship from Amb Castillo of Uruguay, he assured the member countries of the WTO that he will be guided by the principles of transparency, inclusiveness and fairness and that he will conduct “business in a business like manner”. He also urged members to have “warm hearts and cool heads” when they negotiate.

There was also a lengthy discussion on whether a decision on could be taken on having the 6th Ministerial Conference later this year. Hong Kong, China has agreed to host the meeting but informed the members that they would need at least ten months to prepare for the Ministerial Conference. As the decision was not made at the meeting, it is unlikely that the meeting will take place in 2004.