



AFTINET
Australian Fair Trade
& Investment Network Ltd

AFTINET Ltd
Level 1, 46-48 York Street
Sydney NSW 2000
Phone: 02 9299 7833
Fax: 02 9299 7855
Email: lsouthalan@piac.asn.au
Website: www.aftinet.org.au
ABN 83 659 681 462
ACN 097 603 131

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If you would like to contribute to the Bulletin, please contact Louise Southalan via email at lsouthalan@piac.asn.au or on (02) 9299 7833. Our website is <http://www.aftinet.org.au>.

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1. USFTA update

Many thanks to all those AFTINET members who are making appointments to visit ALP Senators and Federal Members to urge them to vote against the USFTA implementing legislation in the Senate. It is a critical time in the USFTA campaign, with the implementing legislation likely to be voted on in August.

We will be sending out kits in the next few days to assist you with your visits. Please contact us if you can take part in this campaign, and we will send you a kit. If you live in NSW we can also match you up with other AFTINET members in your area.

Please let us know how your visit goes.

The Senate Committee Inquiry is proceeding to hold hearings around the country, but has cancelled its Queensland hearings.

The Joint Standing Committee on Treaties is due to report on 23 June, and the Senate Committee has not yet set a date for reporting.

2. Labor warns it may block trade deal

By Tim Colebatch, Marian Wilkinson, Washington

The Age

May 20, 2004

Labor may block the free trade agreement with the United States because of changes to the Pharmaceutical Benefits Scheme, the party warned yesterday.

With the US Congress expected to approve the agreement in July, and the Australian Democrats and Greens committed to voting against it, it will be up to Labor to determine whether the Howard Government's biggest trade initiative becomes law.

Trade experts expect Labor ultimately to endorse the pact, but Opposition trade spokesman Stephen Conroy said the party was still uncommitted, with concerns about costs to the PBS, quarantine laws and the film, TV and internet industries.

The trade deal could face another barrier after a spokeswoman for US Democrat presidential candidate John Kerry said he had yet to decide whether he would support it.

A group of experts on pharmaceutical policy, including two former members of the Pharmaceutical Benefits Advisory Committee, warned yesterday that changes to appease US drug companies could lift the cost of the scheme to taxpayers by 30 per cent, or \$1.5 billion a year.

"The text of the agreement is unbalanced and most of the measures increase the pricing power of US drug companies operating in Australia," the group said in a submission to the Senate committee examining the deal.

"It is inconceivable, based on past practice, that they will not use that new pricing power."

Senator Conroy said senior officials this week were unable to explain to the Senate committee how the new pharmaceutical review system would work.

"There is still no decision on the structure and composition of the review process," he said.

"This is a make-or-break issue for us. We believe we have the world's best system and nothing in the trade deal should be allowed to undermine it."

Trade Minister Mark Vaile and his US counterpart, Robert Zoellick, signed the agreement on Tuesday in one of Washington's finest classical buildings, the Mellon Auditorium.

US marines with rifles at the ready performed the Presentation of the Colours with the US and Australian flags, and an army brass quintet pumped out patriotic favourites as both ministers invoked the memory of battles joined and blood spilled by the two countries fighting side by side from World War II to the war against terror.

"This is the commercial equivalent of the ANZUS treaty," Mr Vaile told a crowd of lobbyists, business figures and US politicians.

"The blood of young Australian and Americans has been shed on most continents of the world in defence of our shared ideals of freedom and democracy."

Mr Zoellick had already outdone Mr Vaile in praise of the alliance as "that special belief in humankind" that draws America and Australia together, "arm in arm" from Afghanistan to Iraq, because "we will never accept tyranny as the natural order".

3. Preliminary comments on impacts of Thailand Australia Free Trade Agreement in Australia

The text of the Thailand Australia Free Trade Agreement was finally released on May 12, 2004, six months after the two governments announced the deal was done in October last year.

The Thai Prime Minister is expected to visit Australia for a signing ceremony in June. The Joint Standing Committee on Treaties takes public submissions and will examine the text, but this is a formality, as Cabinet can make the decision to endorse the treaty before their recommendation is made.

Submissions on the Thai Agreement to the Joint Standing Committee on Treaties are due on June 11. Although the Committee is a formality, it is important that the community submissions are made, so the government cannot claim that there was no community concern about the agreement. Parliament does not vote on trade agreements, but does have to vote on implementing legislation to bring the agreement into force.

AFTINET will do a submission with more detailed analysis and circulate it to members. In the meantime, here is our preliminary analysis of the main impacts on Australia.

We are in contact with Thai community groups and will pass on their analysis of the impacts of the agreement there. There could be negative effects from expanded Australian agricultural and services imports.

Impacts on Australia

1) **Tariffs on industrial goods:** Australia has very low remaining tariff barriers averaging 5%, except in the vehicle industry and the clothing, footwear and textile industries, which vary from 5-15 %. There are various staged schedules for reduction of tariffs on Thai imports, with 47% of total Thai import tariffs reduced to zero immediately. Vehicle industry tariffs are reduced zero by 2010, and TCF tariffs reduced to zero by 2015. Both of these industries employ large numbers of non-English speaking background workers in regional areas of high unemployment. Regional employment studies are needed to show the impact of these tariff reductions, which could be the biggest impact of the agreement in Australia.

2) **Few services commitments:** There is a "positive list" for services. This means that it only includes those sectors and areas of regulation which each government agrees to list in the agreement. This is better than a "negative list" which includes all services unless they are listed as exceptions, and place much greater limits on the ability of governments to regulate services.

The Thai government refused a "negative list" structure, presumably because it wanted to keep some ability to continue to regulate services, and did not want to go beyond the WTO GATS framework, which is a positive list structure. The Australian government wanted a negative list as in the Singapore Australia FTA and the Australia US FTA. Australian negotiators have indicated they will pursue this issue when the agreement is reviewed after five years.

The Australian commitments on services appear to be similar to its existing commitments under the GATS agreement, and its initial offer in the current GATS negotiations. This means that most public services are not included. Those services included are business and professional services, communications, construction, distribution, financial, tourism, recreation and transport services. There are exceptions which note government majority ownership of Telstra, limits on foreign ownership of Telstra, and regulation of Australian coastal shipping.

There are commitments on private secondary, vocational and tertiary education services, but not on public education services. Health services commitments appear to be limited to private podiatry and chiropody services. As with GATS, the commitments on environmental services include wastewater management, but not water for human use.

3) **Expanded temporary movement of people:** the agreement permits temporary entry to work in Australia up to 12 months for service sellers, and for up to four years for contractual service suppliers. These commitments are not limited to the services sector, but apply to all Thai citizens. This is a broader commitment than in other agreements.

4) **Few Investment commitments:** The Australian commitments on investment also appear to be based on existing policy, with reservations for the foreign Investment Review Board and sensitive areas like media, telecommunications and airlines.

5) **Investor State complaints process:** There is an investor-state complaints process which gives corporations the right to complain to a trade tribunal and seek damages if their investments are harmed by a government law or policy. The trade tribunal to be used is UNICITRAL, run by the UN Commission on International Trade, which has some of the more secretive and least transparent processes, even amongst trade tribunals. AFTINET has consistently opposed this process, as it gives corporations unreasonable legal powers to challenge government law and policy.

6) **No Government Procurement commitments:** There are no immediate commitments on government procurement. However, a working group is established to report 12 months after the agreement comes into force about whether government procurement should be included in the agreement.

7) **Intellectual Property Commitments:** There is a commitment to observing the WTO TRIPS agreement, but none of the "WTO plus" clauses that are in the US FTAs.

8) **Almost no Economic Growth:** The CIE economic consultants study predicts that additional economic growth resulting from the agreement will be negligible: between 0.01% and 0.03% of GDP after 10 years.

9) **No clauses on labour and environment:** The agreement does not contain commitments on labour or environmental standards, unlike other bilateral FTAs.

4. USFTA Demonstration Melbourne: 7 June

The Reclaim Globalisation collective will perform a stunt outside the Senate Inquiry into the USFTA, which will hold public hearings in Melbourne on 7 June. Please go along and support this if you can, and attend the public hearings into the USFTA.

When: 7 June, 11.30 am

Where: Institute of Management, 181 Fitzroy St St Kilda.

Contact: Liz Turner, Friends of the Earth (03) 9419 8700

liz.turner@melbourne.foe.org.au

5. Oxfam Community Aid Abroad: Sydney fair trade event 1 June

Where: Martin Place at the Amphitheatre

When: Tuesday 1st June 2004, 11.00am to 1.00pm

Oxfam Community Aid Abroad launched its campaign "Play Fair at the Olympics" in March. The campaign is asking major brand name sportswear companies to agree to reform their purchasing practices to ensure that conditions for workers improve. An important part of this process is for the Olympic movement to insist that all Olympic uniforms and sportswear as well as clothing produced bearing the Olympic logo are made under decent working conditions.

To highlight this situation on 1 June Oxfam will hold a 'giant sew-in' in Martin Place, Sydney. There will be twenty 'faceless' garment workers sewing, and 5 athletes bearing torches, expressing support for the people making their clothes.

Volunteers are needed for these positions and also to hold placards, banners, rings and torches. If you can help, please contact Margaret Di Nicola at Oxfam Community Aid Abroad on (02) 8204 3902 or email: margaretd@caa.org.au