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& Investment Network Ltd

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1. AFTINET Avant Card on USFTA in coffee shops and theatres

Avant Card has generously assisted AFTINET to produce a post card on the USFTA. The post card is now available in coffee shops, theatres and other venues throughout Australia. We will also post a copy to all AFTINET members.

The card is addressed to Mark Latham, care of AFTINET, and states why the USFTA is not in Australia's interest. It asks him to keep his pledge to block the implementing legislation for the USFTA in the Senate. We will collect signed cards and present them to Mark Latham before the vote on the USFTA.

Please sign a card and send it back to us by July 16. Please tell your friends and encourage them to do so too. Thanks to Avant Card for their generous support.

2. Claims by US Trade Negotiator about state governments misleading

The claims of US Trade Negotiator Robert Zoellick ("US official claims ALP split" Sydney Morning Herald June 5-6, p 7) that there is a "split" between views of state governments on the USFTA and views of the Federal Labor Party are out of date and inaccurate. They are based on a general statement for support for USFTA negotiations made by State Premiers last year before the text of the USFTA became public.

After the release of the text, the NSW, Victorian, South Australian, Western Australian and ACT governments all made submissions on the USFTA to the Joint Standing Committee on Treaties that are publicly available on the federal parliamentary website: www.aph.gov.au.

These submissions do not oppose the concept of a Free Trade Agreement. However, they make specific criticisms of the content of the agreement, and seek clarifications or changes.

Most express disappointment at the exclusion of the US sugar market and the slow rate of market access for beef and dairy products (over 18 years) and wine (over 11 years) and note that a reduction in potential economic gains for regional economies.

Most express concerns at the changes to the Pharmaceutical Benefits Scheme which give rights to drug companies seek reviews of decisions that could lead to higher prices. They express concern at the limitations placed on Australian content in new forms of media. Some also express concern at the failure to exclude public transport, energy and water services from the agreement, which will limit the ability of state governments to regulate in these areas.

The submissions seek clarification from the Federal Government or changes to the agreement in many of these areas. Some submissions also express concerns at the fact that, despite a commitment to consultation, state governments were not informed about many of the details of the final text until after the negotiations were completed.

These are precisely the issues that were listed for consideration by ALP Leader Mark Latham and Shadow Trade Minister Stephen Conroy, who pledged in January that the ALP was prepared to block the implementing legislation for the USFTA if the agreement was not in the national interest. These concerns are shared by the hundreds of individuals and community organisations that have made submissions to the Joint Standing Committee and the Senate Inquiry into the USFTA.

AFTINET is urging the ALP to keep this pledge, though our Avant Card postcard campaign to Mark Latham and visits to Parliamentarians.

3. New modelling cuts FTA gains

8 June 2004

Australian Financial Review

Brian Toohey with Mark Skulley

Modelling due to be released by a Senate select committee today is expected to show only minor gains from the US-Australia free-trade agreement now before the US Congress. The select committee commissioned its own modelling work from Productivity Commission econometrician Phillipa Dee, who is currently on secondment at the Australian National University.

Dr Dee calculated the net gains at \$53 million a year, much lower than the \$6.1 billion produced by government-commissioned modelling from the Centre for International Economics in Canberra. The final CIE figure was higher than the \$4 billion estimate in modelling before the talks were formally launched. That modelling assumed all US barriers to Australian rural exports would be removed.

But the final text of the agreement showed that this goal was not achieved - there was no improvement at all for sugar, which had originally been modelled as producing the biggest gain.

The CIE's revised modelling cut the trade gains to under \$2 billion but lifted the total gains to over \$6 billion, mainly by assuming a major benefit to investment as a result of the removal of the power of the Foreign Investment Review Board to block US investment proposals below

\$800 million. Given that the FIRB rarely blocks any proposals, a number of economists described the increase in the estimated gains to \$6.1 billion as requiring "heroic" assumptions.

While at the Productivity Commission, Dr Dee wrote a report concluding that bilateral trade deals diverted trade from other countries. However, supporters argue that a bilateral deal is better than nothing, provided some net gain is available.

The Labor Party is yet to decide whether it will support the FTA, which needs approval from both the Australian Parliament and the US Congress. A Labor member of the Senate committee, Stephen Conroy, said that more information was needed on the impact on Australia's Pharmaceutical Benefits Scheme before a final decision would be possible. The Senate committee is due to report to Parliament by August 12.

Trade unions and other lobby groups yesterday stepped up criticism of the FTA at hearings in Melbourne by the Senate committee inquiring into the agreement. A study commissioned by the Australian Manufacturing Workers' Union found a 75 per cent chance the agreement would cost Australia \$42 billion by the year 2025 and cost up to 57,000 jobs a year. The study, by the National Institute of Economic and Industry Research, criticised the modelling done for the federal government that found a \$52.5 billion gain from the FTA.

4. Draft submission on China/Australia FTA attached for comments

As mentioned in previous bulletins, Australia and China are conducting a feasibility study into whether there a China-Australia Free Trade Agreement should be negotiated. DFAT is calling for public submissions about this feasibility study by **Friday 18 June**.

We attach a brief draft submission. This sets out principles and some key questions for the feasibility study. You are welcome to use this as a basis for your own submission. If you would like to make comments or suggestions for the AFTINET submission, please contact Louise Southalan by **Wednesday 16 June**.

Submission to DFAT are due on 18 June and should be addressed to the China FTA Study Taskforce:

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