

An Australia China Free Trade Agreement: Trading away human rights?

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The Australian and Chinese governments are currently conducting a feasibility study into whether they should negotiate a Free Trade Agreement (FTA). Before this decision is made, there should be full public and parliamentary debate about the human rights and environmental impacts of an FTA in both China and Australia.

Feasibility study and community consultation curtailed

The Government originally announced in March 2004 that a feasibility study for an FTA with China would be conducted by the Australian and Chinese governments and completed by October 2005. The Government promised that the study would not commit them to negotiate an FTA, but would provide information before such a decision was made. But this promise has not been kept. The timetable for the study was first shortened to March 2005, then in November 2004 the Trade Minister announced after meeting with the Chinese Premier that he expected negotiations to **start** in March. This would not allow for community debate about the results of the study or whether to proceed with an FTA.

Bilateral free trade agreements commit governments to reducing tariffs (taxes on imports) to zero and to removing all other trade barriers. They therefore give preferential treatment to one country and discriminate against other trading partners, unlike multilateral trade arrangements that are non-discriminatory, and negotiate more gradual reductions of trade barriers.

Should we give preferential trade treatment to China?

An FTA with China would mean recognition of China as a market economy. Under multilateral trade rules in the World Trade Organisation (WTO), China is not yet recognised as a market economy because not all prices are based on market costs, making it difficult to determine if goods are being "dumped" or sold unfairly at prices below the real costs of production. Under current WTO rules, Australian industry can object to the dumping of goods.

The Australian Government has agreed to the Chinese demand that Australia would have to recognise China as a market economy before negotiations could even start for an FTA. This would make it more difficult to determine if goods are being dumped.

China is already Australia's second largest export market and third largest source of imports. But the value of imports from China is far greater than the value of Australian exports to China. Australia's trade deficit with China was \$5 billion in 2002-3. The question is whether we should grant **preferential** trade access to China when their prices are often based on very low wages, poor working conditions and failure to comply with China's own labour laws, let alone international standards.

Lack of workers' rights and environmental protection in China

China's economy is growing fast, but many Chinese workers are not getting a fair share of the benefits. China has become the prize of a race to the bottom on labour conditions, with investors moving to China from other developing countries like Taiwan and Mexico as well as from industrialised countries.

Free trade zones, established in Southern China as part of a government strategy to attract foreign investment, now host 19 million workers producing export products. Factory owners cut labour costs to bid for contracts from Western brand name firms and retailers. For example, Robin Munroe, of the Hong Kong *China Labour Bulletin*, quoted in the *Sydney Morning Herald* 30/10/04, says of the toy industry, "**Basically it's the foreign buyers squeezing the factory owners to do reverse bidding for orders, bidding the lowest possible price to get the order...this inevitably translates into cutting workers' salaries.**" These contracts produce brand name toys for firms like Disney, Mattel and McDonalds.



AFTINET Ltd.
Level 1, 46-48 York Street
Sydney NSW 2000
Phone: (02) 92997833
Fax: (02) 92997855 www.aftinet.org.au
Website: www.aftinet.org.au

Wages paid in these factories are \$96-\$112 per month, and have risen by only \$11 in the last 12 years, says Anita Chan, a researcher on China at the Australian National University. **“That means wages have been going down, not up, even though the official minimum wage has been going up each year.”** Workers are often pressured to work 12 hours a day, seven days a week, to fill orders. Overtime is paid at a lower rate than the basic salary. Pay is often in arrears to stop workers changing jobs. Most workers are migrants from rural areas, who must live in crowded dormitories with poor food. Deductions to pay for them often rise faster than wages (Hamish McDonald “The wages of fun” *Sydney Morning Herald*, 30/10/04, p.41).

Workers who complain are often victimised. The official trade unions, aligned with the Government, have not effectively represented workers. But recently even the official trade unions have complained that China’s new Labour Laws, introduced from 2001, are not being implemented in many cases. (*China Daily*, 1/9/04)

Working conditions are so bad that labour shortages are now being reported in the free trade zones. Without effective rights to negotiate better conditions, workers can only vote with their feet (Hamish McDonald “China’s workforce shunning poorly paid factory jobs” *Sydney Morning Herald*, 26/8/04, p.15).

Industrial waste and sewerage is often dumped without treatment, causing health problems for workers and communities, and polluting the environment. **“In the central part of China, the people are being poisoned. The rivers and the intricate canal systems that branch off these rivers run black...Tanneries, paper mills, fertilisers and raw sewerage have added to a potion that has now fouled the ground water”** (“The stinking secret of China’s growth” *Australian Financial Review*, 16/11/04, p. 68-9).

Impacts of an FTA in Australia

Australia’s main exports to China are minerals and farm products, with less but growing services exports. Australia’s main imports are clothing and footwear, toys, sporting goods, electrical goods, TVs and VCRs. Australia’s average tariff rates are already low. Removal of all remaining tariffs would mean job losses in Australian manufacturing industry, often in regional areas of high unemployment. Mining and farming industry groups are lobbying hard for a free trade agreement, but manufacturing industry is not convinced.

A 2004 Australian Industry Group survey of 848 Australian manufacturers found that most already felt negative impacts from current Chinese imports. Forty-five per cent saw no benefit from an FTA with China, and only thirteen percent saw benefits from an FTA. (*Australian Financial Review*, 6/8/04, p. 14).

Key industry and union figures have major concerns about an FTA with China.

Andrew Edgar, managing director of Yakka clothing, says **“As an industry we’ve expressed a great deal of concern about the process of securing a trade deal with China. There are huge imbalances we are facing as an industry. China already has a dominant position in the Australian market. Our exports are negligible and China supplies 70 percent of the clothing and 60 percent of the footwear available in Australia”** (*The Australian*, 24/11/04, p. 2).

The Plastics and Chemicals Industry submission to the Government feasibility study expressed “surprise and disappointment” at the Government’s agreement to the pre-condition set by China that Australia recognise China as a market economy before negotiations could start. It argued that such recognition would “have adverse implications on Australia’s capacity to take anti-dumping action, and ultimately on the competitive position of manufacturing industry in Australia, including the chemicals and plastics sectors” (*Australian Financial Review* 19/8/04).

Greg Combet, Secretary of the Australian Council of Trade Unions says, **“It is fundamental that respect for international labour standards form the basis for any free trade agreement. Chinese workers must have basic rights and Australian workers should not have to compete in a rigged market”** (*Australian Financial Review*, 21/9/04, p. 63)

What you can do

The Australian Fair Trade and Investment Network is a network of 90 organisations supporting fair and democratic regulation of trade consistent with human rights and environmental sustainability. Use the message on our website (www.aftinet.org.au) to tell the Trade Minister that you support:

- Full examination in the feasibility study of the social and economic costs as well as the claimed economic benefits of an FTA in both Australia and China;
- Publication and full public and parliamentary debate of the feasibility study before any decision is made to recognise China as a market economy or proceed with an FTA;
- Implementation by both countries of international standards on workers’ rights and environmental sustainability.

See www.aftinet.org.au to join AFTINET and receive regular updates on trade issues.

Written by Dr Patricia Randal, Public Interest Advocacy Centre .

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