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Australian Fair Trade
& Investment Network Ltd

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1. Winning or playing fair in World Markets?

Adam Wolfenden

When I was an aspiring soccer star in the Under 7 Seagulls we were constantly told that "it doesn't matter if you win or lose, it's how you play the game." I wonder what my coach would say about the contest of international trade. The "Winning in World Markets" review of Australia's trade programs was released this week offering nothing other than advice on how we can 'win' the trade game.

The review, conducted by David Mortimer, was given the brief to look at Australia's current trade programs and policies and report back on what's working and what isn't. Generally speaking the review repeats the same old calls from business: "less regulation", "better support for exporters", and "more access to foreign markets." Missing in the report though is any hint of irony at the free market ideology that drives business to ask for more and more support from government to do business.

According to the review, Australia's game plan for victory focuses on our innovation and competitiveness. Much of the focus on how Australia can better compete in the world market comes down to how we can better produce and innovate in Australia. Building better infrastructure is seen as key to this, not just the physical expansion of ports, railways etc, but the skills infrastructure too. Better education and training programs are indeed a good idea, but they cannot simply be a system to produce meal tickets for people. Education after all does have a public good and isn't only for getting jobs in the export sector.

Australia's bilateral trade agreements were given special mention in the review. After all, we need to know if they're working. The results were...inconclusive. Of course the worsening trade balance and mixed comments from exporters were simply explained away due to the agreements only being in place for a few years and perhaps not enough liberalisation has occurred. That's right, perhaps liberalisation isn't working because there's not enough of it. I mean, the theory of it works, it's just an issue of quantity, right?

In response to this assessment, the review has staked out investment and trade-in-services as the goal scoring opportunity to pull Australia out of our negative trade balance. Of course to do this we need to get rid of all those pesky regulations in foreign countries such as screening of investments, minimum local content, and foreign ownership limits. All those tools that allow governments to ensure that investment and services are of benefit to the population are barriers to trade, and when it's our trade, that's a problem.

Of course though, we're not so rude as to demand that countries undo such regulations straight away. That's why the review has recommended the use of more subtle tools such as 'collaboration' and enhanced 'economic integration'. Like the recent trade agreement between Australia, the Association of South East Asian Nations and New Zealand, the "Economic Cooperation" chapter was aimed to help those nations integrate more with the free trade program. Through cooperation, they'll be more ready for our trade.

Despite all this concern with bilateral trading, the review realised that it's the multilateral arena that's the main game. The recent collapse of the World Trade Organisation talks, the 4th time it's happened, led the review to agree with the Warwick Commission's recommendations for the WTO.

One of these focussed on the decision making structure of the WTO. Currently it's a consensus procedure where everyone has to agree to all aspects of any agreement. This, to the frustration of many rich countries, has given the poorer countries a chance to refuse a 'development' round that actually does nothing of the sort. What team would agree to kicking an own goal? Clearly this veto power is unacceptable, but what could work is a "critical mass" approach. That is, once there is agreement in somewhat of a majority in a negotiation area - it's agreed. In this situation, it's a case of changing the rules in order to win.

The other solution to getting more out of the multilateral system is the use of disputes settlement. Through this process we can take countries to the WTO trade tribunal to challenge aspects of their regulations or levels of domestic support, and if we win, make them change or pay up. This has already happened in Australia with a challenge on imports of live salmon overturning our quarantine standards, and now we're back at the WTO trade tribunal over imports of New Zealand apples.

The review went to the extent of following the Warwick Commission's recommendations for the WTO to undertake a reflective exercise on the future of world trade. Sadly they didn't accept all of that recommendation, which suggested the WTO address the relationship between current trade rules and fairness, justice and development.

This "Winning in World Markets" review has reaffirmed the basic tenant of Australian sport - it's ok to focus solely only on winning, so long as we're the ones that do. No one likes a self obsessed, arrogant sports team unless it's theirs, and it seems that attitude is the same for trade. The review misses the wider concerns that were expressed to it, that is, trade has social, environmental, and cultural impacts that we need to address.

The ALP went to the last election saying they would conduct independent assessments of these impacts. So far, nothing. This review further reinforces the blind faith that the economy operates in a bubble. It doesn't matter if we're exacerbating climate change or undermining job security or restricting the right of governments to regulate in the interest of the public. As long as we're winning, it doesn't matter how we play.

We can change what it means to win though. We can build a trade focus that supports both economic development and protects labour, human and environmental rights. It isn't a trade off, and we're under estimating our ability if we think that's the case.

If this review was an under seven Seagull, it wouldn't get any oranges at half time. Thankfully there's still ample time to play the trade game, and we can play it on the terms we decide.

2. Wall Street Bailout Won't Do Much to Help Ailing Economy

By Mark Weisbrot

Centre for Economic and Policy Research

It is now clear the approval by Congress of President Bush's \$700 billion bailout package on Friday October 3rd has done nothing to ease the current financial crisis. Credit markets have worsened for several days after the bill passed the Congress. The stock market also plummeted to nearly ten-year lows.

So much for dire warnings from the Bush Administration that Congress was risking a Great Depression if it did not quickly fork over the dough. The bailout's supporters said Congress had to do something to unfreeze the credit markets. It didn't work.

There is a basic misunderstanding of the current financial crisis and economic recession that is widespread. Most people think that the current economic downturn - which will be officially designated a recession some time in the near future - is the result of the financial crisis. But this is not true. The current recession is mainly the result of a collapsing housing bubble. This bubble of more than \$8 trillion dollars accumulated between 1996-2006, and it is only about 60 percent deflated so far. This means that even if all the problems in the financial system were miraculously solved tomorrow, the United States would still be facing a serious recession.

Of course the financial crisis can make this worse, as financial institutions cut back on lending and short-term interest rates for commercial borrowing rise. And we are indeed facing a serious financial crisis. But the bailout package is a wasteful and inefficient way of dealing with the problem of banks holding bad debt, mostly related to mortgages gone sour in the housing bust. It enables the U.S. Treasury Department to buy up "troubled assets" - mostly mortgage-related securities - from financial institutions, at prices that will likely be much higher than they are worth.

Economists across the political spectrum saw this as a wasteful and inefficient way to fill holes in banks' balance sheets. Ordinary citizens and taxpayers saw the bailout as an enormous rip-off, and flooded Congress with phone calls, defeating the bailout on its first vote.

Indeed, the most important ways that our government is currently holding the financial crisis in check do not involve overpaying banks for bad assets. The Federal Reserve and U.S. Treasury have intervened repeatedly to pour liquidity into the banking system. They have agreed to federally insure \$3.4 trillion of money market mutual funds held by millions of Americans. This week the Fed created a new facility to buy commercial paper, the short-term debt issued by banks and corporations, where lending has been shrinking. The Federal takeover of Fannie Mae and Freddie Mac, and the nation's largest insurer, were also necessary to preserve the stability of the financial system.

All this is just the beginning of cleaning up the mess that has resulted from a de-regulated and un-regulated financial system gone wild. The government will have to take over more

insolvent financial institutions and provide capital to others. It will have to take steps to help homeowners, to minimize foreclosures and evictions. And it will need to provide the largest fiscal stimulus package since the Great Depression, to prevent this recession from dragging on for years. The worst part about the bailout is that some politicians will say we can't afford the necessary stimulus because we just added \$700 billion to the national debt.

Americans will have to fight for measures that protect the public interest, not the interests of those who made this mess. Treasury Secretary Henry Paulson made \$163 million as CEO of Goldman Sachs in 2006. Now he and his former colleagues at Goldman are running the Wall Street bailout.

During the Asian financial crisis ten years ago, there was an expression for this kind of system: "crony capitalism."

3. WTO Update

There has been a slow resumption in talks at the WTO following the collapse in negotiations in July. The G7 countries have met informally to discuss one cause of the collapse, the Special Safeguard Mechanism, specifically in regards to a new proposal submitted by Australia and Brazil. This proposal was to include natural growth as a factor into the trigger of the mechanism, that is, there will be a rise in imports due to natural growth of population/demand. The G7 however made no progress with one diplomat saying that there's uncertainty as to whether or not they'll meet again.

There has been movement in the wider WTO to restart talks in agriculture and manufactured goods. The meetings that have taken place so far have decided that the July drafts as submitted by the negotiating chairs (as opposed to the controversial text by Director General Lamy) will be the basis for ongoing negotiations. Whilst these texts are far from perfect, they are significantly better than the Lamy text.

The upcoming US election is leaving many negotiators unsure about just what can be agreed to. The Director General Lamy has indicated that he is now trying to get modalities (negotiating guidelines) agreed to by the end of the year. The perpetually rolling deadline of the WTO continues to extend.

4. FTA Update

Chile FTA

The Australia Chile FTA (ACI FTA) passed through the Joint Standing Committee on Treaties at the end of August. Although it was only accorded 40 minutes to review the treaty, the Committee raised a number of questions based on the submissions from AFTINET and its members.

Republic of Korea FTA

Preparatory talks between Australia and the Republic of Korea have begun in Seoul. Trade Minister Crean has highlighted that Australia will be targeting greater market access for beef, education and tourism services. The talks for this FTA come on the back of major protests within Korea arising from an FTA with the US that expanded to target the whole government.

China FTA

With talks now entered into their fourth year the latest round of negotiations took place in late September and focuses on services and investment. Australia once again pushed for

greater access to education as well as financial, telecommunication and legal services. Mining services and investment were also raised as a priority area for Australia in the FTA.

China again raised the issue of movement of natural persons as a key part of any agreement. Investment in Australia was also raised, particularly the foreign investment screening regime and access of Chinese mining investors to ports and infrastructure.

The next round of negotiations will be held in December.

Trans Pacific Free Trade Agreement

This FTA is a pluri-lateral set of negotiations that is being undertaken between NZ, Chile, Singapore, Brunei and now the US. Australia is considering joining the negotiations. This FTA was specifically mentioned in the Mortimer Review as an example of a pluri-lateral agreement that Australia should be engaging in.

5. Pacific Calling for Climate Justice a human rights framework, October 25

The Pacific Calling Partnership invites you to a participatory forum titled "Pacific Calling for Climate Justice a human rights framework?"

9.00am - 5pm Saturday 25 October 2008
Gleeson Auditorium Australian Catholic University
25A Barker Rd Strathfield NSW

Following a beginning of dance and song, the forum will open with Indigenous representatives from Australia and the Pacific speaking about the effects of climate change on their people. The forum will then explore how an effective human rights framework can respond to calls for climate justice from our neighbours:

- What structures are currently available internationally that can be applied in our neighbourhood?
- Where are the gaps?
- Where are the stresses emerging?
- What structures do we need to put in place for the future?

Speakers include: Jenni Enosa from the Torres Strait, Claire Anterea from Kiribati, Naomi Biribo from Kiribati, Akii Neneia from Kiribati, Sulu Uotarom from Tuvalu, Neva Collings, Warwick Baird, Kirk Huffman, Damien Lawson, Keely Boom, Alex Bathal.

Facilitator: Mark Raue

Special guest: Bonita Mabo,

The forum will be participatory and is open to as broad a range of organisations as possible. All who come will be contributing to the outcomes which will include recommendations to be taken to the United Nations Framework Convention on Climate Change in Poland in December 2008.

Registration fee (includes lunch and morning tea)

Full cost: \$60

Academics/NGOworkers/teachers: \$30

Concession: \$10

To book a place contact Jill Finnane on (02) 8762 4200 or jillf@erc.org.au

6. AFTINET AGM November 12 Sydney Mechanics School of the Arts

AFTINET is having its Annual General Meeting on the 12th of November. This is a chance for members to come along and hear about the work that AFTINET has done over the year, see what issues are coming up for the year ahead, and elect the new working group.

The guest speaker this year will be Diana Beaumont. Diana is an organizer with the Victorian branch of the Textile, Clothing and Footwear Union of Australia (TCFUA). Prior to this, she spent two years working in labour rights organizations in China - first with a grassroots workers' rights centre in Shenzhen, and then later at the Asia Monitor Resource Centre in Hong Kong (<http://www.amrc.org.hk>). She is also the co-ordinator of the China Labor News Translations Project, a website and email bulletin providing English translations of Chinese media articles, reports and blogs related to labour issues (<http://www.clntranslations.org>).

A separate invitation will be sent out soon to all members including campaigner reports, financial reports and other information. The event details are:

Date: November 12, 6pm

Venue: Sydney Mechanics School of the Arts, 280 Pitt St, Sydney

7. Call to support Columbian Sugar Workers Strike

7th October - In Colombia, for the last 20 days between 12 000 and 18 000 men who work the cane fields have been on strike. Their strike has stopped 80% of all production of sugar in Colombia and it is estimated that it has cost the sugar sector around \$450 million. In the words of one of the sugar cane workers, the strike is a historic moment against the exploitation of 200 years of slavery. While their abusive working conditions are not new, these men are supposedly now contracted legally under what is known as a cooperative system. Introduced in 2005 by the Uribe government, this system forms 102 cooperatives to which the workers have to be affiliated in order to be employed.

The basic objective of this system, which privileges a mercantilist contract, has been to relieve the company of any responsibility they might have towards their workers. This has resulted in working conditions that, amongst other injustices, impose 12-16 hour days that are paid in tonnage cut rather than in hours worked, failure by the companies to cover health or occupational costs of their workers, which means that annually 200 men are permanently incapacitated and then denied a pension, a salary that does not meet their living costs and leaves them unable to give their children education or pay their rent and the deterioration of community as their land is appropriated by companies and they are forced into a waged dependency.

The international community must come to the aid of these workers urgently because their own government denies them voice and suppresses action. The Uribe government has accused the workers as being terrorists and delinquents because they are slowing down the development of their country with their demands. The police patrol the various camps of those striking threatening leaders and sowing fear amongst self-declared humble workers. Moreover, the strike is at crisis point because these men support themselves and their families day by day. 20 days without pay means 20 days without money to buy food or pay their bills. Their fears are rising and they need to hear the voices of the international community in:

- Support for their cause, which is about human rights and justice;

- Pressuring the Colombian government to recognize the rights of these workers - legislated in their own Constitution – rather than protect the interests of the land-owners who exploit them
- Donating financial aid so that their families can buy rice that will fill their stomachs and give them the necessary force and patience to win this fight

For further information:

<http://corteros.blogspot.com/>

<http://www.semana.com/noticias-problemas-sociales/no-piquen-cana/115840.aspx>

http://www.cut.org.co/index.php?option=com_search&searchword=sindicalistas

8. Aid/Watch Fundraising Film Night, “The Fight for Land Rights”, October 30

AID/WATCH invites you to a fundraising night of documentaries and speakers on grassroots struggle for land rights in Cambodia, Mexico and Papua New Guinea.

AID/WATCH Director, Lara Daley will speak on the importance of maintaining customary land systems to prevent communities losing control of traditional lands. Documentary makers will be present for discussion following the screenings.

AID/WATCH is a not-for profit aid watchdog, dedicated to ensuring aid reaches the right people, communities and their environments.

When and Where: 6.30pm, Thursday 30th of October, Mitchell Theater, Sydney Mechanics School of Arts, 280 Pitt Street, Sydney CBD.

Cost: Concession \$10/ Waged \$15

Contact: 9557 8944 or www.aidwatch.org.au