

# JustComment

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## The Australia-United States Free Trade Agreement (AUSFTA): Free for all or just for some?

**W**hat is a Free Trade Agreement? A free trade agreement (FTA) is a contract between two or more nations where tariffs and other restrictions on trade between countries are eliminated or substantially reduced.

Australia is currently negotiating a free trade agreement with The United States of America, due to be completed by the end of 2003. There are several concerns over the proposed content of the treaty. Economic analysis of the benefits of free trade has produced mixed results; with one Government com-

missioned study claiming an agreement could leave Australia worse off (*The Australian Financial Review*, July 22, 2003). The negotiations are taking place behind closed doors, leaving out Parliamentary debate on the AUSFTA and allowing minimal input from the general public.

Australia's economy is roughly equivalent to that of a medium sized US state, such as Pennsylvania. This leaves us with little bargaining power, and could place us in compromising positions in the future. There is also speculation that entering into a FTA with the US could damage relations with our Asian neighbours. And in current circumstances, this could prove to be heavily detrimental to the Australian economy.

Beyond these general concerns, the FTA has implications for a range of specific economics, environmental and social policy areas.

### The Pharmaceutical Benefits Scheme (PBS)

The Australian government currently has in place a scheme that subsidises the cost of around 600 prescription medications, the PBS. The government uses its purchasing power to offer drug companies only the price that a drug is worth, based on comparisons with other drugs available. Drug companies would prefer a system where they can set prices according to what the market will support. Under the AUSFTA, the PBS would still exist but its effectiveness in making medicines affordable to all Australians could be significantly reduced. According to Congress reports, US drug companies perceive the scheme as a 'technical barrier' to



free trade, meaning changes could be part of the FTA. The Australia Institute has predicted that medicine prices for non-concession cardholders could rise by more than 90% and over 100% for concession cardholders should the current role of the PBS be changed.

### Labour Rights and Employment

More than 75 000 people work in the textile, clothing and footwear industry and over 50 000 in the car industry in Australia. Many of these people are from non-English speaking backgrounds or work in rural areas where there is little opportunity for other employment. The abolition of import tariffs would have a devastating effect on these vulnerable workers and regional communities.

There are also currently laws in

### WTO Meetings Collapse in Cancun, Mexico

Meetings at the 12th conference of the WTO in Cancun collapsed after more than 20 of the poorest member nations joined forces to halt discussion and challenge the agendas of economic superpowers, the United States, Japan and the European Union. While some say the interruptions have done nothing but delay progress, others argue that it is a symbolic move on the part of less economically influential nations. China, India and Brazil, who combined represent more than half the world's population, led the protesting countries. These countries opposed proposals to liberalise investment laws allowing multi-nationals to invest in poorer countries and called for the removal of government subsidies for farmers in the north that make it difficult for developing nations to compete.

place that ensure smaller local firms have access to purchasing contracts or that require transnational corporations to develop relationships with local firms. These arrangements encourage economic growth and contribute to local jobs and stand to be traded away under the AUSFTA.

### **Agriculture**

American agricultural products in sensitive areas are currently protected from Australian imports through quotas and tariffs. Under a FTA, these measures should cease, but this is highly unlikely due to the political power of the American farm lobby. The US “heavily protects industries that are globally uncompetitive but domestically influential. This applies to the agriculture industry...,” (*The Age*, Aug 2, 2003). Under the AUSFTA, Australia is hoping to export more beef, sugar and dairy products to the US, three of the most heavily guarded products. Australian Minister for Trade, Mark Vaile, has stated that without better access to US agricultural markets, the AUSFTA would not be worth doing. He told ABC radio that “we know it is going to be tough, we are not trying to raise expectations, but we believe it is worth pursuing,” (*broadcast on ‘AM’, March 4, 2003*). However access to American markets is only half the issue. US farmers are heavily subsidised by their government, and an FTA cannot deal with this, because subsidies are paid across-the-board, not in relation to a particular country’s trade arrangements.

### **Quarantine, Genetically Modified Organisms and the Environment**

The US government mentions “serious concerns” that quarantine laws in Australia will act as a barrier to free trade. As an isolated country with ecosystems and wildlife not found anywhere else in the world, Australia has developed high standards in quarantine. Reducing these regulations could see an influx of disease with the potential to devastate the environment.

Currently, all foods in Australia containing genetically modified organisms (GMOs), must be labelled, a requirement

introduced after sustained consumer campaigning. This is to allow consumers to choose whether or not they wish to purchase GMO foods. As the world’s largest producer of foods containing GMOs, the US is seeking to overturn such laws.

#### **Australian quarantine laws overruled by WTO**

In 2000, Canada complained to the World Trade Organisation (WTO) that Australia’s quarantine laws relating to salmon were barriers to free trade. The WTO found that Australia’s ban on the importing of fresh, chilled or frozen salmon from Canada contravened international WTO agreements that Australia was party too. Salmon industry officials were outraged, with some scientists believing that if as little as one disease entered the Tasmanian salmon market, the entire salmon population could be destroyed in only a month. Under the proposed AUSFTA, corporations may be allowed to sue the Australian government in the same manner.

### **Privatisation of public services**

Part of the investment agreements within the proposed AUSFTA leave services previously regulated by the government, open to foreign investment and control. These include essential services such as health, education, water and postal services. Under the North American Free Trade Agreement (NAFTA), the American courier company, United Parcel Service (UPS) is suing Canada Post, arguing that Canada Post’s monopoly on standard letter delivery violates NAFTA provisions on competition and state-run enterprises. Canada Post gives the Canadian population access to affordable postal services wherever they live. Australia Post operates in a very similar way and could be threatened under the AUSFTA.

### **Media Ownership and Content**

Under current laws, there are restrictions on the levels of foreign investment

within newspaper and television ownership in order to avoid total market domination by global corporations. US trade negotiators have stated that they are seeking ‘enhanced access’ to such industries, effectively reducing public and domestic ownership. Similarly, there are laws that stipulate the level of Australian produced content in the media. This is to ensure that Australian voices are heard and their stories told reflecting Australia’s cultural identity and diversity. These laws are Australian social policies and should not be traded away in a FTA..

### **Offshore ownership of Australian domestic services**

Under the proposed changes, services such as media, telecommunications, airlines and banking are left vulnerable to foreign investment and offshore control. The US is seeking the dissolution of the Foreign Investment Review Board, a seldom used but powerful advisory tool to the Australian government in examining foreign interests in direct investment in Australia.

These changes would give powerful multinational corporations the ability to sue the Australian government if they attempt to exert any form of investment or policy control. In this sense, the AUSFTA could be appropriately described as an ‘investment treaty’ rather than a free trade agreement.

#### **Just Action**

##### **Fair Trade Campaign Info**

While trade is vital to the survival of the Australian economy, it should be kept fair. Free trade agreements can disempower governments, undermine public services and crush small businesses. By making sure governments negotiate such agreements in transparent circumstances and not behind closed doors, we can ensure that trade is kept fair for Australia. Visit AFTINET [www.aftinet.org.au](http://www.aftinet.org.au), People for Fair Trade <http://fairtrade.asn.au>, Aid Watch [www.aidwatch.org.au](http://www.aidwatch.org.au), Now We The People [www.nowwethepeople.org](http://www.nowwethepeople.org) for more information on the trade issue.

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**Edmund Rice Centre**  
Awareness ■ Advocacy ■ Action

90 Underwood Road, Homebush NSW 2140

Phone (02) 9764 1330 Fax (02) 9764 1743

Email [zeena@erc.org.au](mailto:zeena@erc.org.au) Web [www.erc.org.au](http://www.erc.org.au)



Australian Catholic University  
Brisbane Sydney Canberra Ballarat Melbourne

179 Albert Rd, Strathfield 2135

Phone (02) 9739 2100 Fax (02) 02 9739 2105