

FTA
Submission No:5:.....

***Submission by the
National Civic Council (WA)***

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1. Pharmaceuticals

We note that Annex 2-C of the Agreement deals with pharmaceuticals.

We note that Article 2 of this Annex makes no mention of the need for a federal healthcare authority to keep a reimbursement scheme for pharmaceuticals affordable to the taxpayer.

Item 2(f) of this Annex requires the Australian Government to establish “an independent review process” so that pharmaceutical companies dissatisfied with a decision by the Pharmaceutical Benefits Advisory Committee not to list a particular drug on the Pharmaceutical Benefits Scheme can seek satisfaction.

It is not clear who will be involved in this process but presumably by “independent” the Agreement means bilateral. What will be the criteria on which such a review is conducted? Apparently the form this independent review will take is still to be negotiated. How can this aspect of the Agreement be approved without knowing the outcome of these negotiations?

We are concerned that this must lead to increased pressure for premature listing of new, more expensive pharmaceuticals on the PBS when existing cheaper, generic drugs are just as effective.

We are also concerned that the Medicines Working Group to be established under Article 3 of this Annex will simply be a permanent source of political pressure on the Australian Government to give more favourable treatment to US pharmaceutical companies. This concern is strengthened by the singling out of “the importance of pharmaceutical research and development to continued improvement of healthcare outcomes” as *something the Group will focus on its discussions.*

The Government is promising that the cost of pharmaceuticals under the PBS to the consumer will not rise. There does not appear to be any guarantee that the cost of the PBS to the taxpayer will not rise as a result of the new leverage – through the yet-to-be-determined “independent review process” and through the Medicines Working Group – given to the US and its pharmaceutical companies.

2. Quarantine

Chapter 7 of the Agreement deals with sanitary and phytosanitary measures, which include quarantine.

It establishes a new bilateral committee dealing with quarantine issues. The objectives of the committee include “to resolve trade issues, and thereby expand trade opportunities” (Article 7.1) and “to facilitate trade between the Parties” (Article 7.4.3)

Australia’s quarantine regulations have protected our island continent well against pests and diseases that have ravaged whole industries in other parts of the world. We should never allow our quarantine standards to be lowered under pressure from would-be exporters to Australia.

Quarantine decisions should themselves be “quarantined” from trade policy considerations and no committee dealing with these issues should have an objective of “facilitating” let alone “expanding” trade.

A recent draft risk assessment by Biosecurity Australia on the importation of US pork has already raised the question of whether we are yielding to US pressure. The President of the US Pork Producers Council, Jon Caspers has said that “the support of US pork producers for the Australian free trade agreement is contingent upon *Australia completing its technical work and opening its market to US pork.*”

Australia is presently free of “post weaning multi-systemic wasting syndrome” which is devastating pig herds worldwide. As the causes of this disease are not yet known it is premature to suppose imported pork could be adequately screened to prevent introduction of this disease to Australia.

We urge the Committee to look very closely at this aspect of the Agreement and to consider Australia’s interest first.

3. Tariff cuts

Article 2.3 and Annex 2.B set out Australia’s obligations to eliminate tariffs.

Australia has already unilaterally abandoned most of its tariffs resulting in the decimation of our manufacturing industries.

The two remaining industries with any significant tariff protection are the textiles, clothing and footwear industry with 15-25 % tariffs and the motor vehicle industry with tariffs between 5 and 15 %. Tariffs on motor vehicle parts will drop from 15% to zero when the Agreement comes in to effect. Tariffs on assembled motor vehicles are to be phased out by 2010 and tariffs on clothing by 2015.

These industries employ thousands of workers and are often located in regional areas with high unemployment. Removing the remaining tariff protection of these industries will inevitably result in huge job losses and further depression and social disruption in these regional areas.

The Committee should require regional employment studies to assess the likely impact of the Agreement on all regions that may be affected by reduced employment in the textiles, clothing and footwear industry and the motor vehicle industry. The well-being of regional Australia should take precedence over theoretical gains from the Agreement.

4. Public services

Under Article 10.1 of the Agreement Australia is agreeing to treat US companies offering services on an equal footing with Australian companies. Subsection (4) of this Article excludes services supplied in the exercise of a governmental authority from these provisions.

However, the definition of such services is exceptionally narrow, i.e. “A **service supplied in the exercise of governmental authority** means any service which is supplied neither on a commercial basis, nor in competition with one or more service suppliers.”

This could mean those basic government services such as health, education, water, energy and post are not excluded from the Agreement’s rules on services as there are non-government service suppliers competing with the public services in each of these areas.

This may allow US companies to demand full market access even in these key areas.

The Committee should examine the definition of services and ensure that Australian governments - Federal, State and local - retain the freedom to determine how these essential community services are managed.

5. Agriculture

The Agreement was originally promoted by the Government as a means of gaining substantial new access for Australian agriculture to the large US market. The Agreement has failed to deliver on this promise.

Sugar has been completely excluded in the interest of protecting the US domestic sugar producers.

Beef and dairy tariff reductions from the US side are to be reduced in 18 years, i.e. 2022! Additionally there are price protection clauses which allow the US even after this time to veto entry of these products if they threaten the domestic price.

Conclusion

The Free Trade Agreement between Australia and the United States has failed to deliver substantial benefits for Australia.

We have not made any substantial gains for Australian agriculture. It was, of course, always unrealistic to expect that we could do so. The United States, like Europe and Japan, is always going to protect the interests of its own farmers. **Only the Australian Government doesn’t seem to care if whole rural industries collapse because of an inability to compete with subsidised or protected agricultural products in both the domestic and international markets.**

On the other hand the Agreement is endangering the PBS our quarantine regulations, the existence of our remaining manufacturing industries and our ability to manage foreign investment and public services in the national interest.

In our view the Committee should recommend against ratification of the Agreement as contrary to Australia’s national interest.