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SUBMISSION

The Geelong West Branch of the Labor Party is located in Geelong, the centre of Victoria's largest manufacturing region.

Our manufacturing includes: clothing, footwear, carpets, automotive parts, furniture, plastic goods, and miscellaneous manufactures. In addition, many local businesses supply manufacturers with parts and services.

We note that in the *Memorandum of Understanding* signed by China and Australia on 18 April 2005 that 'products across all sectors would be negotiable' and there would be 'liberalisation and facilitation of goods and services.'

In the *Australia-China Free Trade Agreement Joint Feasibility Study* it is stated:

While an FTA would accelerate job losses in some industries (especially in wearing apparel and motor vehicles and parts in Australia...this would be offset by total FTA-related employment growth. (p.129)

So it is admitted there will be job losses in exactly those manufacturing industries that employ the greatest number of workers in Geelong.

What guarantee does the Geelong region have that the expected growth in 'total FTA-related employment' will occur in the regions or occupations that are negatively affected by the Free Trade Agreement? This bland motherhood statement offers little comfort to regions like Geelong.

Even though Australia has recognised China as a "market economy", there are many features of the Chinese economy and legal system which are of concern, such as

- The Chinese government intervention in the operation of the market;
- Hidden government assistance to companies;
- Artificial currency value;

- A lack of transparency in the way the cost of goods and services are calculated;
- A very high level of bureaucracy of officials and rules in order to do business;
- The way the legal system enforces contracts;
- Lack of protection of intellectual property;
- Labour standards and human rights.

We also note in the study commissioned by the Department of Foreign Affairs and Trade entitled *Modelling the potential benefits of an Australia-China Free Trade Agreement: Impact on Australian States and Territories* that ‘States/Territories which are over-represented in agriculture and mining tend to benefit more from an FTA than States/Territories **which are over-represented in clothing and miscellaneous manufacturing**’.

On page 3 of the same study, we note that ‘**benefits are partially offset by an expected contraction in the clothing industry.**’ As well as hosting ‘**over 40% of the Australian clothing industry,**’ Victoria is also the ‘**largest producer of miscellaneous manufactured products and motor vehicles and parts**’. (Our emphasis).

The Geelong region is a centre of precisely those industries identified in bold above. Therefore this region stands to gain little from a projected Australia-China FTA, in fact it will most likely be disadvantaged.

In their submission, Textile Clothing and Footwear Union of Australia (Vic Branch) state:

Currently Chinese imports account for 25% of textile imports into Australia and a staggering 74% of clothing imports. This growth has accelerated since tariff reductions in the mid-1990s and should they be granted preferential access it is likely to explode to levels that will see Australian jobs in the industry further decrease.

In 2003, the Geelong Trades and Labour Council submission to the Productivity Commission stated:

Geelong has over 60 firms operating in the region involved with TCFL [Textiles Clothing Footwear and Leather]. The TCFL industry forms an important part of Geelong’s manufacturing sector. It employs 2,150 people and accounts for 14.2% of Geelong’s total manufacturing workforce.

The industry’s 2,150 employees contribute almost \$70 million in wages and salaries to the local economy. These jobs are the lifeblood to the Geelong Community, the Workers in the Industry and their Families.

Together with car manufacturing and associated industries and miscellaneous manufacturers, workers in manufacturing in the Geelong region totalled over 13,000 according to the latest Census statistics for the Greater Geelong region (Regional Victoria in Fact 2001). For the electorate of Geelong Province, a slightly different area, the figure of manufacturing workers given is about 15,000. These figures do not even take into account the thousands of clerical and sales workers who are associated

with manufacturing. If we use the multiplying factor of 1.38 as advocated by the Geelong Chamber of Commerce in its submission to the Productivity Commission, the total number of people working in manufacturing comes to over 20,000. This represents a major proportion of the workforce in Geelong, estimated at about 74,000 in 2002.

The Geelong Chamber of Commerce also asserts that a reduction in tariff levels would be a serious blow for the textile clothing and foot wear industries. We say that the proposed FTA has the same effect on those industries as drastic tariff reductions. Unless some protection is put in place it is possible that many of the workers in manufacturing will lose their jobs due to the importation of cheaper products from China with which local manufactures cannot compete.

We note that on 13 May 2005 the Department of Foreign Affairs and Trade has amended the Customs Manual on anti-dumping 'to clarify operation of existing concepts within the Customs Act.' It has done this because of 'the Government's consideration of whether to treat China as a market economy for the purposes of anti-dumping.'

In the *Memorandum of Understanding* cited above, China's full market economy status is indeed being recognised, meaning Australia accepts China as an equal WTO trading partner. In cases of suspected dumping, Australia would not be able to seek recourse to the Protocol of Accession of the People's Republic of China to the WTO, or paragraph 242 of the WTO Report of the Working Party on the Accession of China.

Paragraph 242 of the WTO Report of the Working Party on the Accession of China deals with provisions applying to trade in textiles and clothing products until 31 December 2008. It covers market disruptions due to imports of such products from China and the ability of the Member so affected to request consultations with China to avoid such disruptions.

Under Paragraph 2 of the *Memorandum of Understanding* this condition has been waived.

Our worry is that this waiver will allow the import of cheap Chinese goods in even greater quantities without the constraints that Australia could impose when China was classed, as it was prior to the signing of the *Memorandum of Understanding*, as an Economy in Transition (EIT).

In 1999, President Clinton signed a Free Trade Agreement between the United States and China, without however according it 'free market status' and thus, in theory, enabling the United States to bring cases against China over product dumping. To little avail, it would seem. Last year, the United States recorded its biggest-ever trade deficit with China (US\$124 billion).

A documentary screened on SBS on 17 May 2005 dealt in part with the effects of that Free Trade Agreement and the resultant influx of products from China that were so cheap that they were considered 'dumped':

SKIP HARTQUIST, Five Rivers Attorney: It's not fair trade. It's not free trade. The Chinese are pricing their products in a manner contrary

to the obligations they undertook when they joined the World Trade Organization a few years ago.

The Chinese system has built-in advantages that no one else in the world has. Their currency is undervalued by, we estimate, about 40 percent. Their workers are not treated fairly in terms of worker rights. The government provides subsidies to Chinese producers at preferential interest rates that may not even have to be repaid. It's a rigged system.

The products referred to in the passage above were television sets. However, what is to prevent a similar situation arising with other locally made products? (Already it is almost impossible to buy clothing that is not made in China, even previously sacrosanct Australian brands such as Bonds and Rivers.) Unless China is made to value its currency realistically and anti-dumping regulations are strictly applied there is no way in which Geelong manufacturers can compete on this very unlevel playing field.

In the same documentary, lessons may be learned from the United States experience that may apply here:

ALAN TONELSON, U.S. Business & Industry Council: The myth of an enormous and growing China market wound up locking the United States into a trading partnership with China that had to benefit China much more than it could benefit us....And the reason was China would always be able to sell the United states much more goods than Americans could sell to Chinese because Americans had the incomes that are needed to buy Chinese products. Chinese consumers overwhelmingly don't have the incomes needed to buy American products.

In the Victorian Government Submission to the Senate Foreign Affairs, Defence and Trade References Committee Inquiry into Australia's relationship with China it is stated:

...given the strength of China's manufacturing industry, Victoria's manufacturing sector faces considerable competition from China, both domestically and in export markets. The Federal Government should consider transitional assistance ...to manufacturing industries such as textiles clothing and footwear which face job losses in the coming years as a result of the effect of tariff reductions via the implementation of an Australia-China FTA.

We concur with the above and ask you to note that this applies particularly to the Geelong region.

Unless the Australian Government is prepared to enforce tough conditions on the Chinese Government in any trade deal that is signed, conditions for workers in the manufacturing industries will decline, jobs will disappear and then who will buy the Chinese imports?

We do not feel that the proposed Australia-China Free Trade Agreement is of benefit to Australia because it will result in massive job losses and limited economic gains, if any. Therefore we do not support this free trade agreement with China.

However, should the agreement go ahead, we ask assurances that:

- **the Australian government, in their negotiations with China, demand as a condition of any agreement that China re-value its currency so as to more truly reflect its worth;**
- **the Australian Government seek greater wage fairness for Chinese workers in comparable industries to Australian workers, to alleviate the inherent unfairness of ‘sweatshop labour’, as a matter of justice;**
- **the Australian Government will put in place safeguards for jobs and industries in the Geelong region that stand to be most disadvantaged by an Australia-China FTA;**
- **that assistance will be given to workers who lose their jobs due to Australia-China FTA;**
- **the Government will strictly apply anti-dumping regulations to goods imported from China under the FTA;**
- **local firms who deliberately use the Australia-China FTA to swamp the market place with cheap China-produced goods be penalised;**
- **the Government retain its power to impose duties on imports from China deemed to be priced unfairly;**

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