



NSW.ACT

In December 2004 Rev. Harry Herbert, Executive Director of UnitingCare NSW.ACT, wrote to the Minister for Trade, The Hon. Mark Vaile MP, about the Australia-China Free Trade Agreement. Mr Vaile's letter in reply dated 20 January 2005 indicated that the Department is still receiving submissions about this matter, and that it would be appropriate to make a submission. We are therefore forwarding these comments to you to be considered as part of the public consultation process.

Ann Wansbrough

Comments to the Department of Foreign Affairs and Trade

Re: proposed Australia-China Free Trade Agreement (FTA)

UnitingCare NSW.ACT welcomes this opportunity to raise a number of concerns about proposals to start negotiations for an Australia-China Free Trade Agreement early in 2005.

The NSW Synod of the Uniting Church has expressed the view that free trade agreements need to be pursued in a way that is consistent with democratic processes and that all such agreements should be consistent with internationally recognised obligations regarding human rights, core labour standards and environmental responsibility. The Synod has also expressed the view that the Australian Government should ensure a strong, environmentally sustainable economy in which there is full employment for all who want it, with just wages and conditions. It is in this context that we make the following comments.

The issues involved in a free trade agreement with China are complex and the decision as to whether to start negotiations should follow a full public and parliamentary debate.

While our concerns are partly based on information from AFTINET (of which we both a member and a funder), and the comments of the Sean Cooney and Sarah Biddulph, Senior lecturers in Law, University of Melbourne and Doug Cameron, National Secretary, AMWU at an AFTINET seminar on December 7 2004, they have also been increased by a study of the DFAT brochure on the Australia-China FTA Feasibility Study (forwarded to us by Mr Vaile).

We note that the graph in the DFAT brochure on the Australia-China FTA feasibility study shows that while Australian exports to China have grown consistently from 1999 to 2003, Australia's imports from China have also been growing consistently and at a faster rate; that is, *Australia's trade deficit with China is increasing*. Yet the text of the brochure fails to address the question of how China's exports will impact on the Australian economy, focusing instead on Australia's export opportunities. *We urge that the feasibility study address fully the issue of Australia's growing imports and trade deficit with China and the extent to which this reflects an inequitable basis for trade.*

The AIG's submission to DFAT in 2004 argued, "It is critical that Australia adopts a strategic policy position in support of manufacturing – a major contributor to Australia's GDP and exports – so that it can be better positioned to meet bilateral and global change." They also point out that China's challenge to Australian industry is "massively exacerbated by China's managed exchange rate policy and hidden industry price support mechanisms."

Australia needs a strong manufacturing sector. China is already Australia's second largest export market and third largest source of imports, mostly manufactured goods. A free trade agreement would mean recognition of China as a market economy and the granting of preferential zero tariff trade access to its products. This would have huge impacts on Australian manufacturing industry, with job losses in many regional areas of high unemployment.

The competitiveness of many of China's manufactured exports rests on artificially low wages,

poor working conditions and lack of workers' rights to bargain for better conditions. The Sydney Morning Herald of October 30 2004 quoted studies by Anita Chan, Australian National University Researcher, showing that wages in China's free trade zones are \$96-112 per month. Real wages have been falling, despite rises in the official minimum wage.

Sean Cooney has argued that China is not yet effectively enforcing its labour laws and there is a serious problem regarding Occupational Health and Safety, with high injury rates in some industries. Unions are not independent of employers or the state, and are not experienced in bargaining on behalf of their workers. According to Doug Cameron, more than 7000 miners die each year in China.

We should not grant preferential trade access while China fails to implement its own labour laws and to abide by fundamental workers' rights as defined by the International Labour Organisation. As the AIG has suggested, "Finding an equitable basis on which Australia can continue to engage with China is the threshold issue."

An "equitable basis" should include both countries implementing effective environmental protection in accordance with the principles of ecologically sustainable development.

We therefore urge that the Australian government adopt the following approach:

- *Full examination in the feasibility study of the social, environmental 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.*