

**Submission to the Department of Foreign Affairs and Trade
on the Feasibility Study into a possible Free Trade Agreement
between Australia and India from the Australian Fair Trade &
Investment Network (AFTINET)**

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1. Overview

The Australian Fair Trade and Investment Network (AFTINET) is a national network of 90 organisations and many more individuals supporting fair regulation of trade, consistent with human rights, labour rights and environmental protection. AFTINET welcomes this opportunity to make a submission to the Department of Foreign Affairs and Trade (DFAT) on the Feasibility Study into a possible Free Trade Agreement between Australia and India.

AFTINET supports the development of trading relationships with all countries and recognises the need for regulation of trade through the negotiation of international rules. AFTINET supports the principle of multilateral trade negotiations, provided these are conducted within a transparent framework that provides protection for developing countries and is founded upon respect for democracy, human rights, labour standards and environmental protection. In general, AFTINET advocates that non-discriminatory multilateral negotiations are preferable to bilateral negotiations that discriminate against other trading partners. AFTINET is particularly concerned about the recent proliferation of bilateral preferential agreements pursued by the previous Australian Government.

AFTINET believes that the following principles should guide Australia's approach to a feasibility study for a possible trade agreement with India:

- Trade negotiations should be undertaken through open, democratic and transparent processes that allow effective public consultation to take place about whether negotiations should proceed and the content of negotiations.
- Before an agreement is signed, comprehensive studies of the likely economic, social and environmental impacts of the agreement should be undertaken and made public for debate and consultation.

- Trade agreements should not undermine human rights, labour rights and environmental protection, based on United Nations and International Labour Organisation instruments.
- Trade agreements should not undermine the ability of governments to regulate in the public interest.

This submission raises AFTINET's initial concerns and alerts DFAT to potential concerns that may arise if negotiations proceed. Specifically, this submission raises the need for effective community consultation and transparent negotiations, the impact on balanced economic development and food security in India, and the potential for the FTA to undermine the ability of governments to regulate in the public interest.

2. Issues of concern

2.1 Trade negotiations should be undertaken through open, democratic and transparent processes that allow effective public consultation

The Australian Government should commit to effective and transparent community consultation about proposed trade agreements, with sufficient time frames to allow informed public debate about the impact of particular agreements.

To facilitate effective community debate, it is important DFAT develop a clear structure and principles for consultation processes that can be applied to all proposed trade agreements. The Senate Foreign Affairs, Defence and Trade Committee made detailed recommendations for legislative change in its November 2003 report, *Voting on Trade*, which, if adopted, would significantly

improve the consultation, transparency and review processes of trade negotiations¹. The key elements of these recommendations are that:

- Parliament will have the responsibility of granting negotiating authority for particular trade treaties, on the basis of agreed objectives;
- Parliament will only decide this question after comprehensive studies are done about the economic, regional, social, cultural, regulatory and environmental impacts that are expected to arise, and after public hearings and examination and reporting by a Parliamentary Committee; and
- Parliament will be able to vote on the whole trade treaty that is negotiated, not only on the implementing legislation.

We welcome the Australian Labor Party policy platform on increased transparency in the process of undertaking talks regarding a trade agreement. We are encouraged by the platform that states:

“...prior to commencing negotiations for bilateral or regional trade agreements, a document will be tabled in both Houses setting out the Labor Government’s priorities and objectives, including independent assessments of the costs and benefits of any proposals that may be negotiated. This assessment should consider the economic, regional, social, cultural, regulatory and environmental impacts which are expected to arise.”²

AFTINET eagerly anticipates the adoption of this policy and the inclusion of social, cultural and environmental impacts into the assessment of any proposed trade agreements.

AFTINET welcomes the policy put forward by the ALP to table any trade agreements in Parliament with any implementing legislation. However,

¹ Senate Foreign Affairs, Defence and Trade Committee, ‘Voting on Trade: The General Agreement on Trade in Services and an Australia-US Free Trade Agreement’, 26 November 2003 at paragraph 3.91.

² Australian Labor Party National Platform and Constitution 2007, Section 3.26.

AFTINET still believes that to properly increase transparency and democracy the Parliament should be the body that decides on whether or not to approve a trade agreement, not just its implementing legislation.

Recommendation: That the Government set out the principles and objectives that will guide Australia's consultation processes for the FTA and that the Government will have regular consultations with unions, community organisations and regional and demographic groups which may be adversely affected by the agreement.

Recommendation: That the Government establish parliamentary review processes, which give parliament the responsibility of granting negotiating authority for the proposed FTA and that Parliament should vote on the agreement as a whole, not only the implementing legislation.

2.2 Australia's negotiating targets and the impact of these on development and poverty in India.

Australian industries have targeted agriculture, mining and intellectual property as issues in a proposed India/Australia Free Trade Agreement. AFTINET is concerned for the impact that a potential India/Australia FTA would have on an already embattled Indian farming sector. These broad environmental, social and economic impacts need to be factored into any assessment of potential outcomes of an FTA.

Agriculture

Australia has already outlined its interest in increasing liberalisation in the agriculture market of India. This interest and push for access has already seen Australia threaten to lodge a dispute with the WTO regarding transport subsidies for Indian sugar exports. This pressure has seen India announce the removal of this program as of 31 September 2008.

The agricultural sector in India has seen a dramatic rise in the number of farmer suicides. Between 1997 and 2005, over 90,000 farmers have taken their own lives, a rate of one every 32 minutes, as a result of the conditions which they are suffering³. Indebtedness has been the main cause of farmer suicide with the highest rates being in the regions that produce mostly export related crops that include a heavy use of chemical fertilizers⁴.

Given the dire situation that much of the Indian farming sector is in, Australia's interests in market access must respect and accept the policy space necessary for the Indian Government to provide support essential to its farmers. Such support could include the guaranteeing of minimum support prices for food grains. These minimum prices could be calculated to include the increased costs of living, promotion of new rural industries to provide alternate sources of income, and budgetary support for establishing seed banks.

Mining and the Hoda Committee recommendations

The Australian Government has indicated its interest in ensuring that the recommendations of the Hoda Committee into Mining are implemented as part of an FTA. This is of concern for AFTINET as these recommendations include aspects that reduce the scope for public voices to be heard, and reduce the role of the assessment of the environmental impacts of mining.

The Hoda Committee recommends that mine prospecting clearance should not involve the need for assessment of its environmental impacts⁵. The Committee maintains that "waste is very minimal" at the prospecting stage and so

³ Sainath, P. (2007) *One Farmer's Suicide Every 30 Minutes*, <http://www.zmag.org/content/showarticle.cfm?SectionID=66&ItemID=14288>

⁴ Ibid.

⁵ Hoda, A. (2006) *National Mineral Policy: Report to High Level Committee*, Government of India Planning Commission, http://planningcommission.nic.in/reports/genrep/rep_nmp.pdf

prospecting should have an exemption from environmental clearance⁶. AFTINET is concerned about this attitude towards the environment and in particular Australia's support for it within any future FTA.

Prior assessment of the environmental impacts allows prospectors to gauge the impacts that not only prospecting but any future mine will have on the region. Given the push that the Hoda Committee is seeking for Foreign Direct Investment in the mining sector of India, there should be increased protection of and incorporation of environmental concerns not less

Another concern that AFTINET has with Australia's desire for the implementation of the Hoda Committee recommendations relates to the process of public consultation. The Committee recommends that "public consultations should be dispensed with for areas less than 50 hectares and also for renewal leases."⁷ It goes on to recommend that public hearings "should be limited only to people living in the area or to the legislators representing the area or NGOs registered in that area, and outsiders should not be allowed to participate."⁸ Written submissions are accepted from 'outsiders' as part of 'public consultations'.

Public consultations are part of ensuring that the decisions made by governments are transparent, accountable and that all relevant issues are considered before a decision is made. The above recommendations look to diminish that level of transparency and accountability by restricting the public access in the consultation process. Mining areas less than 50 hectares will still have impacts on the local population and environment, such as access to natural resources like water, increased pollution, changing social dynamics and employment.

⁶ Hoda, A. (2006) *National Mineral Policy: Report to High Level Committee*, Government of India Planning Commission, http://planningcommission.nic.in/reports/genrep/rep_nmp.pdf

⁷ Ibid.

⁸ Ibid.

The removal of renewal leases from the process of public consultation prohibits the public from expressing concerns about the negative impacts that mining may have had on the area as well as outlining consequences that have been unforeseen. This process is an important way for those affected by mining to voice their concerns before extending any project that is having a negative impact.

Biodiversity and Intellectual Property

India has expressed its interest in including biodiversity within any agreement on intellectual property under an FTA. This corresponds with the current Biodiversity Act (2002) in India that requires business to receive governmental permission before acquiring any biodiversity related patents⁹. The Act created Biodiversity Boards and Management Committees at a village level to establish “people’s biodiversity registers”.¹⁰

There is much concern amongst villagers in India about the level of control over the information that is shared. According to P.V. Satheesh of Deccan Development Society, a well-known nongovernmental organisation in southern Andhra Pradesh state, there is no method of allowing communities themselves to validate what is being written about their knowledge¹¹. This could enhance corporate patenting of community traditional knowledge, a threat well demonstrated in relation to basmati rice strains. This stripping of control of traditional knowledge should not be reinforced or legitimised by any agreement with Australia.

Recommendation: Australia ensures that environmental and social impact assessments are factored into the evaluation of mining projects

⁹ India: Villagers Protest Biodiversity Law (2007)
<http://ins.onlinedemocracy.ca/index.php?name=News&file=article&sid=8841&theme=Printer>

¹⁰ Ibid.

¹¹ Ibid.

and that open and transparent avenues of consultation are not diminished or restricted in any proposed Australia/India FTA.

Recommendation: Australia ensures that any demands made on the Indian agriculture sector allow the Indian Government the policy space to address the issue of farmer suicides in predominantly export farming areas by the means they deem necessary.

Recommendation: Australia ensures that biodiversity and the patenting of life forms are excluded from any proposed India/Australia FTA to ensure that Indian traditional knowledge is not seized by global corporations.

2.3 The relationship between the agreement and human rights, labour and environmental standards

We note that the Australia-US Free Trade Agreement contains labour and environmental chapters that refer to ILO and UN standards on labour rights and the environment. It would therefore be consistent with this for any proposed agreement between Australia and India to thoroughly examine these issues as part of the feasibility study. There is increasing concern in the community about the inconsistency of the policy which allowed these issues to be included in the AUSFTA but not in other bilateral agreements. We note, for example, that the Senate Foreign Affairs and Trade Committee conducted an Inquiry into Australia's relationship with China in 2005. The Inquiry received many submissions from unions and other community groups about violations of human rights and labour rights in China. The Inquiry Report, supported by both Government and Opposition members of the committee, used these submissions to document widespread human rights and labour rights abuses in China, and stated that "the Australian government should take every opportunity, including negotiations for a Free Trade Agreement, to raise Australia's concerns about

violations of human rights and labour standards in China”¹².

The feasibility study should include analysis of the current state of compliance by both Australia and India with human rights, labour and environment standards, including the International Labour Organisation’s Declaration on Fundamental Principles and Rights at Work. These standards include:

- the right of workers and employers to freedom of association and the effective right to collective bargaining (conventions 87 and 98),
- the elimination of all forms of forced or compulsory labour (conventions 29 and 105),
- the effective abolition of child labour (conventions 138 and 182), and
- the elimination of discrimination in respect of employment and occupation (conventions 100 and 111).

This should include an analysis of how the trade agreement would impact on the ability of Australia and India to ensure compliance with human rights, labour and environmental standards by investors, including effective monitoring mechanisms.

2.4 Trade agreements should not undermine the ability of governments to regulate in the public interest.

It is important that a proposed FTA does not undermine the ability of either the Indian or Australian Governments to regulate in the public interest. AFTINET is concerned that the Government’s capacity to regulate may be compromised in two ways. Firstly, by limiting the ability of governments to regulate investment and essential services. Secondly, by using an investor-state complaints process.

¹² Senate Committee on Foreign affairs, Defence and Trade, *Opportunities and challenges: Australia’s relationship with China*, November 2005: xxx.

- **Protecting the ability of governments to regulate investment and public services**

AFTINET understands that trade in services and investment will be a negotiating focus of the Indian FTA. It is important that trade agreements do not undermine a government's capacity to make laws and policies in the public interest, particularly in regard to essential services and investment.

GATS plus

Essential services should be exempt from an Indian FTA. The inclusion of essential services, like health, water and education, in trade agreements limits the ability of governments to regulate these services by granting full 'market access' and 'national treatment' to transnational service providers of those services. Governments should maintain the right to regulate to ensure equitable access to essential services and to meet social and environmental goals. More specifically, public services should also be exempt from an Indian FTA.

AFTINET is particularly concerned about the 'GATS plus' commitment outlined in the recent Australia/Japan Free Trade Agreement Feasibility Study - "The (Feasibility) study group concluded it would be important that an FTA be 'GATS plus'. An ambitious, GATS plus outcome on services would send a strong message to the region and be a model for future trade and economic agreements in the region".

Public services should be explicitly exempt from the Indian FTA. To clearly and unambiguously exempt public services, it is important that public services are defined clearly. AFTINET is highly critical of the definition of public services used in the Thai Free Trade Agreement, the US Free Trade Agreement and the WTO's agreement on trade in services (GATS), which defines a public service as "a service supplied in the exercise of governmental authority ... which means any

service which is supplied neither on a commercial basis, nor in competition with one or more service suppliers.” This definition results in ambiguity about which services are covered by the exemption. In Australia, as in many other countries, public and private services are provided side by side. This includes education, health, water, prisons, telecommunications, energy and many more.

Even when essential services are not publicly provided, governments need to regulate them to ensure equitable access to them, and to meet other social and environmental goals. To the extent that services and investment are included in any trade agreement, it should be under a positive list rather than a negative list. A positive list allows parties and the community to know clearly what is included in the agreement, and therefore subject to the limitations on government regulation under trade law. It also avoids the problem of inadvertently including in the agreement future service or investment areas, which are yet to be developed. A positive list means that only that which is specifically intended to be included is included.

Recommendation: The Indian FTA should not seek to limit the capacity of either Government to regulate foreign investment to achieve social policy.

Recommendation: Public services should be clearly and unambiguously exempted from the Indian FTA, there should be no restrictions on the right of governments to regulate services in the public interest, and, if services are included, the FTA should employ a positive list (rather than a negative list) to denote which services will be included in an Agreement.

- **No Investor-State disputes process**

There should be no investor-state disputes process giving corporations the right to complain to a trade tribunal and seek damages if a government law or policy

harms their investments. AFTINET has consistently opposed this process, as it gives corporations unreasonable legal powers to challenge the laws and policies of another country. Furthermore, AFTINET opposes a disputes process model that allows disputes to be arbitrated by panels of trade law experts which are not open to the public and which do not reference public policy considerations. We note that an investor-state disputes process was not included in the AUSFTA.

Recommendation: The Indian FTA should not contain an investor-state dispute process.