

Australia: cynical shadow boxing between Howard and Latham over US trade deal

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After five months of posturing, threatening at times to oppose the deal, the Mark Latham-led Australian Labor Party announced its support last week for the Howard government's Free Trade Agreement with the Bush administration. With Labor's help, the treaty is now expected to pass through parliament before the end of the week, clearing the way for Prime Minister John Howard to call a federal election.

To label the agreement a "free trade" pact is a misnomer. Widely regarded as a payoff for Howard's unhesitating support for the illegal invasion of Iraq, the FTA is an exclusive, preferential trade pact with Washington, signed at the direct behest of the largest corporations in both countries. It will accelerate the destruction of jobs, working conditions and social services, and boost corporate interests in every sphere of economic, social and cultural life. In particular, the deal will assist giant drug companies in undermining Australia's Pharmaceutical Benefits Scheme (PBS), which gives patients access to essential medicines at subsidised prices. Only a few major Australian-based corporations, such as BHP-Billiton, News Corporation, Westfield, Qantas, Telstra, Visy, Southcorp and the banks, stand to gain from improved access to US markets.

Once again, as on every major issue, Labor has demonstrated its bipartisan agreement with the Howard government. With the approach of the election—Howard must still set a date—Labor has rubberstamped Howard's budget handouts to the wealthiest taxpayers, passed a series of draconian "counter-terrorism" laws, and all but dropped Latham's "promise" to withdraw military personnel from Iraq by Christmas.

On this occasion, Latham felt obliged to disguise his political agreement with Howard. Conscious of the widespread sentiment of suspicion and animosity toward anything associated with the Bush administration, the war on Iraq or Howard's obsequious support for them, the Labor leader staged a last-minute stunt. While emphasising his party's readiness to sign off on the treaty, he attached two conditions. One was the strengthening of minimum local content rules that require 55 percent of television programming to be Australian-produced. The other was the introduction of penalties to deter pharmaceutical companies from lodging spurious applications to prolong ("evergreen") the 20-year patents on their medicines

and thus block the approval of cheaper generic drugs under the PBS.

The farcical character of Latham's attempt to grandstand on the PBS issue is exposed by the fact that only five weeks ago, the Labor party dropped its two-year objection to the government's 21 percent hike in PBS prices, adding up to \$50 a month to the medical bills of seriously-ill patients. Without so much as a murmur from any Labor MP, the leadership declared that if elected to office, it would need the extra \$1.1 billion to be raised each year in order to finance its policies.

Latham's manoeuvre is the most blatant of his efforts since being elected leader last December to camouflage his pro-business program behind a thin veneer of populism. Having joined forces with the government to impose drastic PBS price rises, he is now posing as a champion of the interests of ordinary people against the drug companies. The mass media, however, trumpeted his cynical ploy as a political masterstroke that placed Howard on the back foot. Paul Kelly, the *Australian's* editor-at-large, for example, hailed Latham as "mercurial, unpredictable and headstrong". By defying the "orthodoxy" on the FTA, Latham had "turned the issue back on Howard".

In reality, Latham is walking a political tightrope. On the one hand, he is acutely aware that if the Labor Party simply rubberstamped the treaty, it stood to lose thousands of already disillusioned voters to the Greens, who have opposed the deal. Labor's so-called "left" MPs, who are particularly sensitive to this danger, voted against the FTA inside the parliamentary caucus. Sections of the trade union bureaucracy, demanding greater protection for national-based industry, also opposed it.

On the other hand, desperate to please big business and prove himself a loyal supporter of the US alliance, Latham has been backpedalling on the FTA since it was finalised in February. From declaring that Labor would block the treaty because it excluded the sugar industry—"no sugar, no deal"—he claimed last week that the agreement "will be of long term benefit to Australia" through "integration with the world's largest economy".

This about-face has been performed under mounting pressure from Howard—whose ministers accused Latham of "visceral anti-Americanism" for prevaricating on the FTA—and Bush

himself. Last week, the US president staged a ceremony at the White House to sign the treaty, where he went out of his way to praise Howard and declare that relations between the US and Australia had “never been closer”.

Up until a few days ago, Latham had argued that Labor could not make a decision on the FTA until it received a Senate committee report on the treaty. But he then effectively short-circuited the release of the Senate report. After backroom discussions, the three Labor Senators on the committee announced their support for the FTA, clearing the way for Latham to formally unveil Labor’s position the next day. The much-vaunted Senate report remains unreleased.

As soon as the corporate media declared that Howard should accept Latham’s cosmetic proposals for the sake of securing the treaty, there was never any doubt about the outcome. Howard quickly calculated that he could not afford to let slip one of his main election platforms: his supposed ability to profitably exploit his close ties to the Bush administration.

The high farce reached its climax this week, when Howard called Latham into a rare face-to-face meeting to finalise the wording of the amendments needed to seal the deal in time for the scheduled January 1 start date. The entire affair has served to underscore the charade of the undeclared election campaign—which is already well underway. The two parties continue to jockey and jostle for position without the slightest real difference between them.

Labor’s proposed clampdown on “evergreening” will make little difference to the FTA, including the profits of the pharmaceutical giants. As health and legal experts have explained, trying to ban patent manipulation is hardly likely to succeed, given the huge financial resources that companies have to fight legal cases. Massive profits are at stake—the scheduled introduction of generic anti-cholesterol, anti-depressant and other vital drugs over the next four years alone could shave \$900 million off the PBS budget over the next four years.

Moreover, the FTA provides the drug companies with many other means to force up prices to US levels, which are more than double those paid by the Australian PBS. These include forcing generic manufacturers to search worldwide for existing patents, and taking appeals for the listing of drugs under the PBS to new review panels. The underlying thrust of the FTA provisions is to erode the viability of the PBS. The inflated prices already charged by the pharmaceutical companies have sent its budget soaring to more than \$5.6 billion per year. By one estimate, this figure will blow out by another \$1.5 billion under the FTA, throwing the scheme’s future into doubt.

As for the FTA’s supposed benefit to the national economy, much of it is based on employers obtaining greater productivity from cost cutting, rationalisation and other restructuring, involving the further wholesale elimination of jobs and working conditions. In a report commissioned by the Australian Manufacturing Workers Union (AMWU), the National Institute

of Economic and Industry Research calculated that 200,000 jobs will be lost over the FTA’s lifetime.

Other hoped-for “benefits” include higher profits derived from extending by 20 years the copyright protection for books, music, films, art and computer software, all at the expense of ordinary consumers. Small businesses and family farmers will suffer through the lifting of restrictions on investment and imports by US-based manufacturers, agribusinesses and service companies. For rural producers, whole sections of the American market, notably sugar, meat and grains, remain totally or partially protected.

Labor’s initial reservations about the treaty echoed divisions within ruling circles, rather than any concern for its impact on ordinary people. Those opposed to the FTA, including Labor “lefts”, sections of the trade union leadership, local manufacturers and national-based media and production companies, reflect the interests of nationally-protected and less globally competitive industries that stand to lose out.

These divisions have resulted in wildly divergent estimates of the FTA’s supposed financial benefits, ranging from the government’s claims of a \$6 billion annual boost to the economy, to an ACIL Consulting calculation that the Gross Domestic Product will actually shrink by about 0.2 percent. In announcing its decision to back the treaty, the Labor Party cited another study suggesting something in between—a small annual gain of some \$53 million.

AMWU national secretary Doug Cameron accused Labor of “letting down tens of thousands of workers who could lose their jobs under the agreement”. But the same union officials have worked hand in glove with the employers for the past two decades to demolish jobs, scrap job security and break down hard-won conditions in the name of making “Australian” industries more competitive.

The real issue for millions of ordinary working people is not whether to be “for” or “against” the FTA, but the need to develop an independent political perspective, in common struggle with workers in America and around the world, against the destructive market forces of global capitalism.



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