



## ASU, CPSU & CEPU Submission

Inquiry into Australia's trade and investment relations with  
Asia, the Pacific and Latin America

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# Executive Summary

## Joint Standing Committee on Foreign Affairs, Defence and Trade

### Inquiry into Australia's trade and investment relations with Asia, the Pacific and Latin America.

The opportunities and concerns around expanding Australia's role in the nominated regions raised by the submitting group of public service trade unions will focus on those which impact largely on sectors generally categorized as public services. These include activities of governments at national, regional or local levels and services such as provision of gas, electricity, water and waste water management, environmental and social services, non-teaching education, cultural and recreational services, health, maintenance of roads and buildings. These services may be provided by workers employed by governments, non-Government Organizations (NGOs), government-owned organizations or multi-national companies.

This submission will highlight the interrelatedness of trade, investment, human development and security of stakeholders

#### 1. The nature of existing trade and investment relations

The submitting public service trade unions are concerned with the rights and capacities of stakeholders to contribute to policies and practices which impact on their lives and work. There is ongoing concern that Australia must be coherent and **consistent** in its **approaches** to relationships with partners. Stakeholders need to be able to trust that conditions for aid will be at least consistent with conditions for trade and investment. Similarly, Australia cannot credibly have a gendered approach to aid but ignore this aspect of trade and investment.

There must be awareness of the real costs involved in trade and investment practices: the cost to a population's health and safety, the cost to a country's infrastructure and public services, the cost to long term sustainable environment.

In many cases, foreign investment has not fulfilled human development potential: there has been a lack of productivity spill over into other areas as a result of foreign investment; technology transfer is the exception rather than the rule. The volume of foreign direct investment has been deemed less important to its success than the degree to which it has been integrated with a country's national development plans.

Trade unions are concerned with a range of aspects: impact on public services and infrastructure; democratic rights and security in partners; vocational and workplace training.

#### 2. Likely future trends in those trade and investment relations

Effective strategies for sustainable economic growth and the consequent increase in security for all members of the populations will demand tri-partite (governments, companies and labour) cooperation in research and consultation to identify required resources and infrastructure needs and to engage all key identified stakeholders in agreements.

For sustainable democratic growth, organisation of labour into effective trade unions is a key step in ensuring this important sector is able to participate in policy and decision making in ways which are informed and relevant to economic and cultural realities and needs.

There is a need to focus on systems and monitoring practices for financial accountability; strict legislation and codes of practice; targeted and appropriate labour practices; inclusion of women and research into real value added aspects of women's labour.

**3. The role that these countries might play in advancing the DOHA round of multilateral trade negotiations in the WTO**

When negotiating trade agreements, care must be taken to avoid any resulting rising inequality, unemployment or reduction in the supply of essential services. There must be awareness of the rights of the workers and the users of public services which are so frequently dependent on the economic realities of States. As consumers they are not present at major trade negotiations but their interests need to be represented.

**4. The role of the Government in identifying opportunities and assisting Australian companies, especially those in rural and regional areas to maximize opportunities in these regions.**

There are great opportunities for new business, trade and investment in many partner countries. Rural communities often have reduced access to public services and infrastructure. They are often distanced from employment opportunities – other than those they create for themselves. Small businesses and entrepreneurs often develop as a response to limited options. Poverty is, as a rule, highest in rural areas – with women still being amongst the poorest. There is an opening for the Australian Government to focus on networking and building trading partnerships with such small businesses – including those run and developed by women.

# The Submission

This inquiry is to examine and report on opportunities for expanding Australia's trade and investment relations with particular attention to:

- The nature of existing trade and investment relations
- Likely future trends in those relations
- The role that these countries might play in advancing the DOHA round of multilateral trade negotiations in the WTO; and
- The role of the Government in identifying opportunities and assisting Australian companies, especially those in rural and regional areas to maximize opportunities in these regions.

This submission is made by a joint group of Australian public service trade unions affiliated with Public Services International (PSI), which is a global union federation made up of more than 650 trade unions representing more than 20 million workers who deliver public services in 160 countries. PSI has affiliates in all three nominated regions: Asia; Pacific; Latin America.

The opportunities and concerns around expanding Australia's role in the nominated regions raised by the submitting group of public service trade unions will focus on those which impact largely on sectors generally categorized as public services. These include activities of governments at national, regional or local levels and services such as provision of gas, electricity, water and waste water management, environmental and social services, non-teaching education, cultural and recreational services, health, maintenance of roads and buildings. These services may be provided by workers employed by governments, non-Government Organizations (NGOs), government-owned organizations or multi-national companies.

This submission will highlight the interrelatedness of trade, investment, human development and security of stakeholders. Stable states where stakeholders are recognized and have a fair degree of economic security are a pre-requisite for sound trade and investment. There are dangers in accepting short term opportunities with long term detriment to partners in trade and investment. Trade unions are well placed to understand the concerns of communities who are often ignored in trade negotiations, who may receive little or no benefit from investment and who, ultimately, may suffer from depletion of their resources in a race for short term policies and practices in which they are accorded no part. Trade unions are also well placed to understand the negative impact on national and regional security when stakeholders are excluded from benefits - and the cycle of instability leading to reduced trade and investment.

## 1. The nature of existing trade and investment relations

Australia's ongoing trade and investment with the named regions is recognised as growing. In Latin America, alone, it is estimated there are now approximately 469 Australian businesses exporting to Brazil, 439 exporting to Chile, 379 to Mexico, 245 to Argentina and 209 to Peru. Free trade agreements are a major part of ASEAN relationships. ASEAN is the eighth most important source of imports to Australia and the sixth most important export destination for Australian goods and services. Australia is negotiating for the establishment of an ASEAN Economic Community. Australia has committed to APEC, stating that economic growth in the region has outstripped the rest of the world.<sup>1</sup>

The submitting public service trade unions are concerned with the rights and capacities of stakeholders to contribute to policies and practices which impact on their lives and work. There is ongoing concern that Australia must be coherent and **consistent** in its **approaches** to relationships with partners. For example, the Principles which came from the 2005 Paris Declaration on Aid Effectiveness will be reviewed at the Third High Level Forum in Accra

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<sup>1</sup> APEC Australia 2007

September 2008. There will be discussion around the need for political change in aid recipient countries. There is recognition of the need for donor countries to engage with countries' policy debates and the institutions and entities which underlie deficits in countries own infrastructures and growth. These Principles cannot be treated as totally separate from trade and investment policy and practice. Stakeholders need to be able to trust that conditions for aid will be at least consistent with conditions for trade and investment. Similarly, Australia cannot credibly have a gendered approach to aid but ignore this aspect of trade and investment.

Criticism of WTO's past exclusion of human development aspects of negotiations reflects this concern for the stakeholders in partner countries. There is an important role for Australia to act as a trade and/or investment partner as a developed country which is consistent in its approaches and which recognises the rights of partners in ways which are economically, politically and democratically appropriate to its partners in other regions. Recognising the human development aspect in the DOHA rounds is an important step.

This requires continued recognition that it is in Australia's – and its partners' – interest to demonstrate commitment to human development even when there would appear to be a focus primarily on trade or investment. There must be awareness of the real costs involved in trade and investment practices: the cost to a population's health and safety, the cost to a country's infrastructure and public services, the cost to long term sustainable environment.

It must be recognised that there are (at least) two aspects of measuring trade and investment:

- Performance requirements (local content, local manufacturing, export performance and technology transfer). This includes how trade and investment contributes to a country's development and meets its policy goals.
- Investment incentives such as loans and tax rebates.

In many cases, foreign investment has not fulfilled human development potential: there has been a lack of productivity spill over into other areas as a result of foreign investment; technology transfer is the exception rather than the rule. The volume of foreign direct investment has been deemed less important to its success than the degree to which it has been integrated with a country's national development plans.

The Integrated Framework for Trade Related Technical Assistance for the Least Developed Countries (LDCs) has two major objectives: to mainstream trade into LDCs' national development plans and poverty reduction; to assist in coordinated delivery of trade related technical assistance in response to needs identified by LDCs. This is supported by, among others, WTO. It gives some lead as to how trade and investment needs to be approached.

The approach must always be based on recognition of the **interdependence of human development, human security, economic growth and trade, regional and national security.**

- a) Trade unions such as those working in public services are experienced in working in related sectors within the labour market and in processes which allow for – encourage – informed debate and participation. If trade and investment are to have mutually sustainable benefits, stakeholders must be involved in related decisions and policy and practice.

**Response:** Commitment to informed and skilled stakeholder participation in policy and decision making – with related requirements for processes which develop and enable such participation.

**Response:** Commitment to trade and investment schemes which consider the long term impact on partner stakeholders.

- b) Public services are an essential part of trade and investment, providing the communal and societal infrastructure to support business, entrepreneurship, development of transport, waste facilities, health services etc necessary to underpin transactions and engagements. There is a need to ensure effective social dialogue so that all key stakeholders in the use and provision of public services are enabled to participate effectively in decision and policy making regarding those services. This will not happen by accident. Organizations such as trade unions are well placed to enable the participation of members as providers – and users – of public services. Informed support and recognition of unions and other similar agencies will provide for the underpinning increase in informed and skilled participation of key stakeholders in economic and social policy. **Democratic rights** of stakeholders – particularly labour – must be protected. The rights of local communities to public services must be protected – particularly when there is any potential for competition between business and local consumer.

**Response:** Support and engagement of trade unions and other relevant groups within civil society when trade and investment agreements are planned and/or implemented.

- c) Any trade and investment agreements need to require social policy support to achieve effective input by and for those likely to be impacted, whether positively or negatively, by development of public infrastructure and public services, resulting from or required for trade and investment. This will need to include policy and practices **adequately funded and resourced** in areas of vocational and workplace education and training, related business developments (transport, equipment supply and repair etc) and access to processes which enable participation. The frameworks for such development must be cognisant of the existing cultural and national frameworks of each nation. There is often a failure to recognise the potential and expertise of traditional community governance models. Local labour, women's and environmental organisations are also often overlooked in the development or review of policy and practices in service delivery.

There is a need for diverse and industry appropriate **vocational and workplace education and training** systems. This needs to support ongoing development of local trainers and training facilities as well as a wide range of training and skill development programs across all industry competencies, to recognised objective standards incorporating safety, sustainability and productivity issues. This will need to recognise existing indigenous and community economic, financial and education capacities. It is imperative that women have equitable access to training and workplace education.

**Response:** Work with the submitting trade unions and their partners to provide exchanges of best practice and vocational training and skill and capacity building among all levels of management and workers in public service provision

**Response:** ensure that trade and investment agreements require appropriate allocation of resources and opportunities for vocational and industry related training and education.

**Response:** demonstrate and demand awareness of the role of women in industry and related areas of society – and of the rights of women to contribute in trade and investment policy and practices.

- d) Adequate **communications** will be needed between Australia and multi-levels within trade and investment partner countries - between all levels within states: national and local. Again, trade unions are experienced in structures which engage across the tiers of decision and policy making and are well placed as communication channels.

**Response:** Ensuring that consultation and negotiation for trade and investment are designed so that all tiers of the community are informed and engaged appropriately.

- e) Security is closely linked with economic realities and issues. Trade and investment with an unstable, insecure or failed state is ill advised – and non-productive in any sustainable way. It is not accidental that trade with Latin America has grown as states become more secure politically and economically. In the APEC 2007 statement it is noted, that there is a need to combat corruption and promote good governance to build a predictable business environment.

A failed state is one that is unable or unwilling to protect its citizens. Poverty and lack of access to rights to education, health and public resources and lack of democratic power over distribution and accountability are forms of violence against a citizenry. A failed state is a security concern beyond its own boundaries - a potential locale for international crime or even terrorism. Security issues arise in communities where there are disparities between those sectors with appropriate access to resources and services, public utilities and training and information. Civil unrest is often linked to gaps in wealth and influence. It can also arise when there is a sense of no accountability of service providers and policy makers. Political unrest often results when populations are deprived of essential elements of development and due access to employment and economic stability. The right to organise and ensure collective strength of workers and sectors of populations is essential.

Domestic and human insecurity contributes to national and international vulnerability. A lack of human development is interwoven with economic vulnerability. Adequate and culturally appropriate measures for prevention, prosecution and holding accountable those who fail to respect the right to safety and to democratic practices are needed. Policing, public education, health and safety services, alternatives to situations which create vulnerability – all require attention, resources and monitoring and research. Trade unions can contribute positively to human development and democratic processes. Trade unions need to be protected and supported when facing opposition to organising and advocating for workers.

Women are among the poorest in the world and their economic and education deficits contribute to their vulnerability. The link between insecurity of any sector of a population and the insecurity of the whole community is recognised.

## **Responses to security challenges**

It is proposed that responses to security challenges should include the following:

- a) The Australian Government should ensure high level support for the freedom and opportunity of workers to participate in trade unions.
- b) There needs to be recognition of the interlinked causes of insecurity in and between the focus countries.
- c) There needs to be serious support for campaigns against community discrimination and criminality, accompanied by training and education of key community sectors such as police, health providers and judiciary.
- d) Work with governments and public service providers to ensure systems and training for skilled monitoring and holding accountability those who hold an official brief to protect will be an essential.

## **2. Likely future trends in those trade and investment relations**

The submitting public service trade unions believe that, even with differences in resources and stages of development, trade and investment in the focus regions will require similar development of public infrastructure and public services as those in the public sector in Australia. It is, of course, recognized that in many cases growth in trade and investment will be exacerbated by the increased awareness of the potential impact of climate change and the ongoing changes resulting

from globalization of economic and social elements of communities at varying stages of economic development. The importance of regional economies and the interrelationships with Australia make it essential that stable economic states are enabled to develop.

Effective strategies for sustainable economic growth and the consequent increase in security for all members of the populations will demand tri-partite (governments, companies and labour) cooperation in research and consultation to identify required resources and infrastructure needs and to engage all key identified stakeholders in agreements.

For sustainable democratic growth, organisation of labour into effective trade unions is a key step in ensuring this important sector is able to participate in policy and decision making in ways which are informed and relevant to economic and cultural realities and needs.

- (a) Commitment to **building and re-building public infrastructure**. Trade and investment growth inevitably requires growth in public infrastructure and public services. Failure to keep pace with this can result in a decrease in standards for local populations. It is imperative that appropriate accompanying investment be required in any trade and investment negotiations and agreements. It is recognized that because of size of investments required for infrastructure there will be competing demands. It is imperative to take a long term view if mutually beneficial sustainability is to be possible.

**Response:** Work with partners to identify, prioritize and support the building and rebuilding of essential infrastructure.

- (b) Investment in infrastructure development requires extensive funding support. There will be an ongoing need for establishing systems and allied training and monitoring practices and standards for developing high standards of **financial and treasury related activities and accountability**. Corruption resulting from inadequate standard setting and monitoring practices is a serious concern in ensuring economic growth and allied security within states. Even passive acceptance of corruption contributes to wastage and inefficiency. Allowing corruption to occur – by not insisting on monitoring and accountability – is unacceptable.

**Response:** Work with partners to agree financial systems and practices which meet accountability requirements and which can be monitored and audited – with commitment of national institutions and agencies responsible for health, education, water, basic utilities and other public services.

- (c) **Strict legislation, registration systems and codes of practice** will be needed as public services and their related infrastructure are developed or refined. Many state and non-state actors in the regions in question currently lack the resources and expertise to be able to work for such legislation at any serious and credible level. The availability of expert advisors will be an essential – but hopefully short term – part of any strategy to build accountability and measurement in public services.

**Response:** Work with national agencies and institutions to ensure appropriate strict legislation, registration systems and codes of practice.

- (d) Related to this will be the need for **training and awareness of legislation, registration requirements and codes and agreements** as workers and policy makers will need to be familiarized and skilled at all relevant sectors of industry and labour. It will need to be recognized that without trained personnel to implement, monitor and audit such legislation, registration and codes, any changes will be problematic. This relates closely with the need to ensure stakeholder participation that is informed and appropriately skilled. Trade unions have expertise and experience in developing skilled key stakeholders who can be involved at all stages.

**Response:** Accompany strict and appropriate legislation and standard setting with appropriate information and training for monitoring and accountability.

- (e) The need for strategies to recognize the benefits which could come with effective and well targeted **partnerships**. While there is economic need in States, many workers are under pressure and want to migrate for employment opportunities. This can result in a dearth of skilled **labour** in many areas related to provision of public services – and a dearth of labour for many infrastructure projects. The submitting trade unions believe that effective partnerships need to ensure appropriate terms and conditions for local labour designed and regulated to increase the skills and capacity of a work force. This would also mean ensuring support for local trade unions.

**Response:** Undertake a serious review of how best to develop new markets and skilled labour in trading partners so that there is less need for migration of labour. Trade and investment options for Australia and focus countries should be explored and investigated for new opportunities. There is a need for expert investigation of new labour opportunities and for the best means of supporting new, economically viable options. Trade unions such as those making this submission will be key in ensuring that there are appropriate conditions for labour which does migrate – and they should be involved in setting up relevant monitoring and accountability.

- (f) **Women’s labour** is frequently ignored or goes unnoticed. The Australian Government’s gender approach in aid and development cannot be set aside when developing trade and investment. It needs to be noted that there is a recognized lack of data and information on women’s economic roles generally in the Asia and Pacific Economic Community, accompanied by a lack of recognition of women’s roles in the paid work force and a lack of data on women’s contributions in the informal sector and unpaid work in most regions.<sup>2</sup> There is a serious challenge to obtain a collation and analysis of this major element in regional economies. Trade and investment negotiations and agreements will be stronger if based on sound data and information about all aspects of partner work forces.

**Response:** There should be urgent steps to consult with women and others in the regions to gather data and information regarding women’s labour and their actual and potential contribution to trade and investment schemes. This needs to be accompanied by surveys and investigations into how specifically women’s labour can be maximized for mutual benefit of women and of trading partners. It will be important that such investigations and inquiries recognize the input of women as well as of statisticians – cultural and social behaviour will be key to achieving useful information and women’s own input to potential developments.

- (g) Trade and investment opportunities will need development of accompanying **marketing skills and customer relations** – this is particularly relevant in public service provision where there is recognition that new public management theory often has an inappropriate focus on profit making and fails to recognize that public service users have a right to such services. This is an area where exchanges between Australian and regional trading partners - management and labour - could benefit from collaborative exchanges of best practice.

**Response:** Promote exchanges and joint training within public service trade unions and other agencies to develop marketing and customer service skills to underpin effective public service provision.

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<sup>2</sup> UNDP op cit p98

### 3. **The role that these countries might play in advancing the DOHA round of multilateral trade negotiations in the WTO**

When Australia negotiates trade agreements, the approaches and ways of work in negotiating such agreements must acknowledge the concerns of labour, all relevant key stakeholders and the organizations – trade unions – which can represent and ensure skilled participation.

There is a growing concern at the lack of focus on human development within bodies such as the World Trade Organization - consumer welfare (much less development) has not been the main focus of negotiators<sup>3</sup>. Australia, as a developed country has a responsibility to be the spokesperson for an approach which takes seriously the needs and realities – including the human development needs and realities - of less developed states in the operation of global and regional agencies negotiating **trade agreements**.

Australia could take a lead in urging a place for recognizing the value added by women, for example, in communities – with paid and unpaid labour, skill and societal support. It is no longer acceptable that trade agreements ignore impact on people – nor that they ignore the contribution of a range of people.

It should be noted - hopefully with lessons for future negotiations - that Australia's current approach to developing a free trade agreement with fourteen Pacific Island States is open to strong criticism. There is a perception that Australia, is pressuring for an agreement without appropriate social impact assessment.

The submitting group of trade unions share the concern voiced by other civil society groups that when negotiating trade agreements, care must be taken to avoid any resulting rising inequality, unemployment or reduction in the supply of essential services. There must be awareness of the rights of the workers and the users of public services which are so frequently dependent on the economic realities of States. As consumers they are not present at major trade negotiations but their interests need to be represented.

There were encouraging signs of moves towards recognition of human development aspects at the last DOHA Round of the WTO, which could lead to better relationships.

It is also essential that regional negotiating capacity be built alongside the negotiating capacity of individual states and the key stakeholders at all levels of involvement.

Trade unions representing the collective rights and interests of workers must be involved. They have demonstrated skill in building capacity of stakeholders for informed participation in negotiations. Collective agreements strengthen the development of quality public services and can contribute to informed and skilled negotiating at national and regional levels.

**Response:** Ensure that Australia represents the need for human development to be taken into account when negotiating trade agreements and when participating in WTO talks at DOHA.

**Response:** Australia must model negotiating practices which respect and develop the skills and capacities of trading partners to participate as respected partners – partners who are enabled to apply their knowledge and partners with relevant and appropriate information and expertise.

**Response:** Work with trade unions and other civil society groups to build informed negotiating capacity.

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<sup>3</sup> United Nations Development Programme Report, 'Making Global Trade Work for People' 2003 p70.

4. **The role of the Government in identifying opportunities and assisting Australian companies, especially those in rural and regional areas to maximize opportunities in these regions.**

There are great opportunities for new business, trade and investment in many partner countries. Rural communities often have reduced access to public services and infrastructure. They are often distanced from employment opportunities – other than those they create for themselves. Small businesses and entrepreneurs often develop as a response to limited options. Poverty is, as a rule, highest in rural areas – with women still being amongst the poorest. There is an opening for the Australian Government to focus on networking and building trading partnerships with such small businesses – including those run and developed by women.

As noted above, Australia must be consistent in approaches to partners. The Paris Principles cannot be agreed in isolation. AUSAID has recognized that gender is a key element in development. There are lessons to be learned when developing new trade and investment opportunities. Small scale, often rural based business opportunities need to be explored with trading partners. It is not acceptable to see women as recipients of aid alone. A focus on exploring appropriate trade options with women – at the very least involving women – would be mutually beneficial. The Australian Government could take a lead by supporting identification of such opportunities with sound prospects for profitability and sustainability in regional markets.

Trade union networks and structures could assist with local knowledge of small scale entrepreneurs, skill sets and standards of production.

**Response:** Work with trade unions and other locally based industry groups to identify potential trading partners in rural communities – and within women’s sectors. Make provision for a range of scale in trade and investment schemes.

**Response:** allocate funds to support research into the real value of women’s labour

**Response:** Work with Australian models to make connections and exchange best practice in how rural businesses cooperate for mutual support – and then promote exchange with communities in trading partners. [The Women on Farms would be one example]