

## **Preliminary comments on impacts of Thailand Australia Free Trade Agreement in Australia**

The text of the Thailand Australia Free Trade Agreement was finally released on May 12, 2004, six months after the two governments announced the deal was done in October last year.

The Thai Prime Minister is expected to visit Australia for a signing ceremony in June. The Joint Standing Committee on Treaties takes public submissions and will examine the text, but this is a formality, as Cabinet can make the decision to endorse the treaty before their recommendation is made.

Submissions on the Thai Agreement to the Joint Standing Committee on Treaties are due on June 11. Although the Committee is a formality, it is important that the community submissions are made, so the government cannot claim that there was no community concern about the agreement. Parliament does not vote on trade agreements, but does have to vote on implementing legislation to bring the agreement into force.

AFTINET will do a submission with more detailed analysis and circulate it to members. In the meantime, here is our preliminary analysis of the main impacts on Australia.

We are in contact with Thai community groups and will pass on their analysis of the impacts of the agreement there. There could be negative effects from expanded Australian agricultural and services imports.

### **Impacts on Australia**

**1) Tariffs on industrial goods:** Australia has very low remaining tariff barriers averaging 5%, except in the vehicle industry and the clothing, footwear and textile industries, which vary from 5-15 %. There are various staged schedules for reduction of tariffs on Thai imports, with 47% of total Thai import tariffs reduced to zero immediately. Vehicle industry tariffs are reduced zero by 2010, and TCF tariffs reduced to zero by 2015. Both of these industries employ large numbers of non-English speaking background workers in regional areas of high unemployment. Regional employment studies are needed to show the impact of these tariff reductions, which could be the biggest impact of the agreement in Australia.

**2) Few services commitments:** There is a "positive list" for services. This means that it only includes those sectors and areas of regulation which each government agrees to list in the agreement. This is better than a "negative list" which includes all services unless they are listed as exceptions, and place much greater limits on the ability of governments to regulate services.

The Thai government refused a "negative list " structure, presumably because it wanted to keep some ability to continue to regulate services, and did not want to go beyond the WTO GATS framework, which is a positive list structure. The Australian government wanted a negative list as in the Singapore Australia FTA and the

Australia US FTA. Australian negotiators have indicated they will pursue this issue when the agreement is reviewed after five years.

The Australian commitments on services appear to be similar to its existing commitments under the GATS agreement, and its initial offer in the current GATS negotiations. This means that most public services are not included. Those services included are business and professional services, communications, construction, distribution, financial, tourism, recreation and transport services. There are exceptions which note government majority ownership of Telstra, limits on foreign ownership of Telstra, and regulation of Australian coastal shipping.

There are commitments on private secondary, vocational and tertiary education services, but not on public education services. Health services commitments appear to be limited to private podiatry and chiropody services. As with GATS, the commitments on environmental services include wastewater management, but not water for human use.

**3) Expanded temporary movement of people:** the agreement permits temporary entry to work in Australia up to 12 months for service sellers, and for up to four years for contractual service suppliers. These commitments are not limited to the services sector, but apply to all Thai citizens. This is a broader commitment than in other agreements.

**4) Few Investment commitments:** The Australian commitments on investment also appear to be based on existing policy, with reservations for the foreign Investment Review Board and sensitive areas like media, telecommunications and airlines.

**5) Investor State complaints process:** There is an investor-state complaints process which gives corporations the right to complain to a trade tribunal and seek damages if their investments are harmed by a government law or policy. The trade tribunal to be used is UNICITRAL, run by the UN Commission on International Trade, which has some of the more secretive and least transparent processes, even amongst trade tribunals. AFTINET has consistently opposed this process, as it gives corporations unreasonable legal powers to challenge government law and policy.

**6) No Government Procurement commitments:** There are no immediate commitments on government procurement. However, a working group is established to report 12 months after the agreement comes into force about whether government procurement should be included in the agreement.

**7 Intellectual Property Commitments:** There is a commitment to observing WTO TRIPS agreement, but none of the "WTO plus" clauses that are in the US FTAs.

**8) Almost no Economic Growth:** The CIE economic consultants study, which always overestimates the benefits and underestimates the costs, predicts that additional economic growth resulting from the agreement will be negligible: between 0.01% and 0.03% of GDP after 10 years.