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To whom it may concern

I hereby enclose a submission as a private citizen on the free trade agreement recently negotiated between Australia and Thailand.

Yours sincerely

C.<W. Lkyd-Smitii

Bill Lloyd-Smith

(enclosed)

Free Trade agreement between Australia and Thailand?

While the world has been engrossed with terrorism and the recent conflict in Iraq, Australia has quietly pursued a free trade agreement with the USA, although the necessary legislation has not been enacted yet. At the same time, Australia has even more quietly pursued a free trade agreement with Thailand. There is still hope that the latter agreement can be properly checked first. Indeed, there are a lot of nagging concerns that should make us very wary of this trade deal.

Why should we worry about this agreement? It is a good idea to consider what we are committing future generations to. Thailand's population is slightly more than 60 million persons and is growing faster than Australia's population as you can glean from the United Nations Demographic Yearbook. This is roughly three times the population of Australia.

An issue of major concern is the huge difference in wage structures between Australia and Thailand. It should be obvious to everyone that many Australian companies have moved offshore in order to take advantage of substantially lower wage costs in developing countries. It should be obvious to you that many Australians employed in local industries will probably lose their jobs. After that they will have great difficulty in finding new jobs. Local industries provide work for local people, reduce the need to import goods from overseas and tend to reduce our enormous foreign debt (currently over \$250 billion).

Let us consider the following hypothetical scenario. We consider several nations with similar populations, similar economies and similar wage structures. Suppose that one of these countries decided to improve the working conditions of everyone engaged in paid employment, especially those who are not so well off. At once, that country is placed at a disadvantage in international competition, due to increased costs of production. Of course, this problem might be overcome via suitable international agreements as Simone Petrement noted in her biography of Simone Weil (see page 317 in English language edition). This is not as practical as it looks, since it is very difficult and time-consuming to obtain these agreements.

The time-honoured solution was to use measures such as tariffs but these ideas are strongly rejected by most economists these days. WTO and GATS rules restrict the usage of tariffs and other measures intended to discourage imports. However, it is permitted under WTO rules to impose a uniform surcharge of imports to correct a balance of payments problem. Both Ken Davidson of "The Age" and the late W.C. Wentworth have made that point and advocated such measures.

Of course, my purpose in describing this scenario is to illustrate the problems in making trade agreements between two nations (such as Australia and Thailand) with widely differing wage structures. The difference in populations does not help. You really have to ask what benefits are expected to arise from this agreement and who is going to miss out.

By going ahead with this agreement, are we really helping Thailand or ourselves? It is so easy for economic advisers to come up with ways to increase "efficiency" through more foreign trade and more outsourcing and so on. These highly paid advisers do not tell you how to suitably employ the people displaced by such cost-cutting measures in other forms of paid work. Australians are much more likely to be displaced by job losses than Thais. As for Thai workers, are we really helping them with this agreement? Is it not obvious that we would simply be taking advantage of their low

wages by outsourcing production to their country? There is little prospect of a suitable agreement being made to achieve similar wage structures between the two nations. We cannot live on the wages earned by Thai workers and I do not see any likelihood of Thai workers getting the level of pay that we get here.

Some people may argue that the proposed agreement is beneficial to Australia. We should ask ourselves who really benefits. The trade statistics may look impressive but we need to ask about the distribution of these benefits. Importers may derive huge benefits from this deal. An Australian worker who loses his/her job clearly derives a very large negative "benefit" if that loss is a byproduct of this trade deal. Just using "averages" to disguise these disparities is not honest reporting, as I know from my knowledge of statistical reasoning and statistical methods.

Further, let us consider the case of footwear. A locally made pair of men's leather shoes may well cost over \$100 here if reasonable quality is desired. A similar pair could be made far more cheaply in Thailand. Suppose it could be sold here for a profit at a mere \$50. A cunning seller might arrange for this item to be sold at \$90, thereby obtaining a hefty profit in the process. Surely this is just a rip-off. This kind of thing is not new; importers got away with this type of behaviour long ago.

In the Whitlam era, tariffs were slashed but importers did not pass on the savings to consumers. This must have been a surprise to the Whitlam Government so they tried to stop that practice with new legislation. We can expect similar games today if the deal goes through.

Only a generation ago, Australia was nearly self-sufficient. Now we are rapidly losing what little control we still have over this country's resources. Unfortunately our leaders have shown little interest in the public good. Rather, our leaders have bought the idea that governments should get out of the way of market forces in the name of "efficiency". They see efficiency as an end in itself.

In passing, it is strange to note the substantial amount of opposition to the trade deal with the USA, while little is said about the trade deal with Thailand. I do not intend to rehash the arguments against the USA agreement as you can easily find them on the Web. It is submitted that good reasons exist for concern about the Thailand trade deal but these reasons differ in detail from those advanced in regard to the USA trade deal. Some of them have been addressed in this submission.

In conclusion, there is no need for the Australian Government to go ahead with the recent trade agreement with Thailand. Indeed, the Joint Committee on Treaties should emphatically reject the deal. We cannot afford to get rid of tariffs quickly, even though most economists see tariffs as bad and "inefficient" so we have to live with them for some time. Please keep the public good in mind, even though it may mean that you cannot just slavishly follow an economics textbook. Economics is best treated as purely one of several tools to advance the common good.