

# **Submission of the *Green Party of Aotearoa New Zealand***

on

## **a 'Closer Economic Partnership' between Thailand and New Zealand**

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[Submission prepared by Dr Christine Dann, [christine.dann@clear.net.nz](mailto:christine.dann@clear.net.nz), 03 329 4067]

### **Executive Summary**

The Green Party is opposed to a free trade agreement or its euphemism a 'closer economic partnership' between Thailand and New Zealand.

The reasons for this are:

- it would lead to further destruction of jobs and firms in the textile, clothing and footwear sector
- it would also be likely to have negative impacts on jobs and firms in the carpet, rope and twine, tyre and automotive parts industries
- it would be grossly unfair to New Zealand workers and enterprises to be forced to compete with Thai export manufacturers who do not meet basic standards of justice and sustainability with regard to labour conditions and pay rates, human rights and environmental protection
- it would also increase New Zealand's record trade deficit
- it is now abundantly clear from a decade of data that trade liberalisation has exacerbated environmental unsustainability and social inequality globally and locally, and is not in New Zealand's short-term or long-term interests

The Green Party also has strong concerns about:

- the lack of a full cost-benefit analysis of the likely economic, social and environmental impacts of the CEP, and full public consultation based on such a CBA
- the lack of parliamentary oversight and sign-off of the treaty-making process
- the use of bilaterals to subvert or circumvent attempts to set and enforce fair multilateral trading rules
- the long-term economic, social and environmental implications of increasing import dependency instead of moving towards self-reliance

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## 1. The Green Party position on trade and investment

- 1.1 The Green Party is committed to the principles of environmental sustainability, social justice, participatory democracy and non-violence contained in our foundational Charter.
- 1.2 The Party's policy on trade and investment is based on these principles. In order to increase net human and environmental welfare, trade and investment (like other economic activities) must be conducted in environmentally **sustainable** ways, they must be **safe** (doing no harm to humans or other species) and they must be **just** (not involving exploitation or oppression at any step in the chain from producer to consumer).
- 1.3 The Party believes that New Zealand has an obligation to practice and promote these principles in its trading agreements and relationships, for the benefit of its own citizens, for the citizens of the countries it trades with, and for national and international environmental sustainability.

## 2. The truth about 'free' trade – the emperor has no clothes

- 2.1 Globalisation (meaning the globalisation of economic activity based on increasing cross-border trade and investment) has so far failed on two major counts. These are covered in detail in the latest major international report on the impacts of globalisation, released by the International Labour Organisation's World Commission on The Social Dimension of Globalization on 14 February 2004. The report *A Fair Globalization: Creating Opportunities for All* – details are available at <http://www.ilo.org/public/english/bureau/inf/pr/2004/7.htm> – summarises the two major failures as follows:
  - 2.2 Firstly, *it has failed in its own terms*. It has not delivered economic growth even as narrowly measured in GDP terms. (Using GDP as a measurement of total economic activity has of course been strongly critiqued as an inadequate guide to how well-off a state – or planet – is in real terms, since it does not count losses of environmental and social capital which offset any increases in monetary wealth. If such GMPs (Genuine Measures of Progress) were to be used instead of GDP the picture would be even bleaker.)
  - 2.3 Secondly, *it has failed to deliver on its promises* of more income, more employment and better standards of living for poor countries, regions and individuals. These now look like sugar coating on what is a very bitter pill for the 'Two Thirds' world, which was told that trade was better than aid for improving its economic lot, and has suffered a decline in aid with no compensatory benefits from trade.
- 2.4 The ILO World Commission summarises what has happened thus:

*'Since 1990, global GDP growth has been slower than in previous decades. This, the Commission said, "is at variance with the more optimistic predictions on the growth-enhancing impact of globalization".'*

*Growth in terms of per capita income has been unevenly distributed across countries, among both industrialized and developing countries, with only 16 developing countries growing at more than 3 per cent annually between 1985 and 2000 and 55 developing countries growing at less than 2 per cent during the same period - of which 23 suffered negative growth;*

*The income gap between the richest and poorest countries is widening significantly, rising from US\$ 212 versus US\$ 11,417 respectively in 1960-1962 to US\$ 267 versus US\$ 32,339 in 2000-2002;*

*The economic performance of developing countries lagged increasingly behind that of industrialized countries between 1991 and 2001, creating a world in which 22 industrialized countries representing only 14 per cent of the world's population dominate about half the world's trade and more than half of its foreign direct investment (FDI);*

*Globally, unemployment continued to increase in 2003, with the number of people out of work and looking for work in 2003 reaching more than 185 million, or about 6.2 per cent of the total labour force, the highest unemployment figure ever recorded by the ILO. Especially hard hit were some 88.2 million young people aged 15-24 - most of them in developing countries - with an unemployment rate of 14.4 per cent;*

*The "informal economy" involving persons without fixed employment or benefits continued to expand in countries with low GDP growth rates as more people sought fewer available jobs. At the same time, the number of "working poor" - or persons living on the equivalent of US\$ 1 per day or less - held steady in 2003, at an estimated 550 million.*

*Growth in foreign direct investment (FDI) accelerated during the early 1980s and by 2000, over 100 countries had adopted significant liberalization measures towards FDI. However, the Commission said, "many of these hopes have not been fulfilled. Despite rapid growth of FDI flows to developing countries, investment remains highly concentrated in about 10 of these countries".*

*Net overseas development assistance (ODA) flows have been decreasing and are far below the long-standing target of 0.7 per cent of GDP, with the average now only 0.23 per cent. Meeting the 0.7 per cent target would increase assistance by over US\$ 100 billion a year. The report says, "We add our voices to those demanding that this commitment be respected. If all countries had met the target over the last 30 years, an additional US\$ 2.5 trillion would have been available for development".*

*The Millennium Development Goals (MDGs) are endangered, and available estimates suggest that for all countries to meet the MDGs by 2015, at least US\$ 50 billion a year in additional ODA would be needed. The report said while donors made commitments at the Summit of the Americas in Monterrey in January to increase ODA by US\$ 16 billion by 2006, this "still leaves over two-thirds of the total to be met, even if all commitments are honoured".*

- 2.5 Under globalisation conditions, then, the rich are getting richer and the poor are getting poorer. This is happening within countries (of which New Zealand is one) as well as between countries. Free trade encourages the environmentally unsustainable over-production and long distance transportation of goods without delivering the promised increased income or standard of living benefits to the majority of the world's population. On the contrary, it makes a substantial number of them worse off.
- 2.6 In New Zealand's case, trade liberalisation has not only not delivered a net economic gain to NZ, it has substantially increased the country's debt levels. In commenting on the proposed CEP with Singapore in 2000, the Green Party said that in ten years of de facto free trade with Singapore (1989-99) New Zealand had accumulated a \$698.2 million deficit in merchandise trade, and advised strongly against signing the CEP on the grounds that it would be sure to exacerbate the deficit. The warning was ignored, and the prediction proved to be shockingly correct – between 2001 and 2003 a deficit of \$742 million was accumulated, exceeding the deficit it had taken ten years before full free trade to accumulate.
- 2.7 With regard to a CEP with Thailand, we make the same warning and the same prediction – although this time (for the reasons given in under 7. Economic Development and Tariffs, below) we think the results will be even worse. They are already bad - New Zealand has had a merchandise trade deficit with Thailand for the past six years, with an accumulated deficit of \$849 million.
- 2.8 So who will benefit from increased trade between New Zealand and Thailand? We argue below that those who stand to reap the financial benefits would do so only because they are evading the

social and environmental costs of their production for export, and that for New Zealanders as a whole, and for those in certain industries and occupations in particular, there would be a net loss.

### **3. The treaty-making process – reducing the democracy deficit**

- 3.1 The first loss that New Zealand citizens as a whole suffer in the manic push for trade liberalisation at any price is the deficit in democratic process. The Green Party believes that public interest decisions should be made at the appropriate level. For decisions which affect the welfare of all citizens of the nation, as trade agreements do, the appropriate level is the national assembly of elected representatives – *not* the cabinet of government ministers. International treaties which have the force of national law (and in some cases may even override national law, and are not subject to scrutiny and dispute settlement in national courts, as is the case with the World Trade Organisation) should be considered and decided upon by Parliament as a whole, not merely the government of the day.
- 3.2 It is not good enough to say that 'commercial sensitivity' and other private financial interests preclude public democratic scrutiny of these de facto laws and regulations which impact on the incomes, livelihoods and general wellbeing of citizens. Citizens have a right – and government has a responsibility – to pursue open and transparent consideration of all aspects of free trade treaties. These include their social and environmental impacts and their public costs as well as their private benefits.
- 3.3 If parliament rather than government was responsible for treaty-making there would be more incentive for government ministers to take responsibility for their ministerial and departmental responsibilities which are impacted on by the treaty concerned. When the Green Party asked all ministers in February 2003 exactly how the General Agreement on Trade in Services (GATS) impacted on their portfolio responsibilities, only two were able to answer the question even partially. The rest were satisfied with the general briefing paper prepared for Cabinet by MFAT officials - officials who have no expertise in health, education, environment, conservation, broadcasting or any of the other areas where the government was making GATS offers and requests.
- 3.4 In the same vein, we see in the information paper on the Thailand-NZ CEP prepared by MFAT that there is no indication that a comprehensive Cost-Benefit Analysis of the CEP has been or will be conducted, including social and environmental impacts. The Green Party believes that in one important regard trade treaties are no different from other commercial contracts – they should not be concluded without due diligence and a full CBA. However, unlike purely commercial contracts, the analysis and diligence must not be limited to the financial bottom line, but must include the social and environmental bottom lines as well. Without a comprehensive CBA being prepared, using the appropriate experts, followed by wide consultation and debate based on that document rather than on the limited and inadequate information available from MFAT, the Green Party believes that the treaty-making process lacks legitimacy and will inevitably result in treaties as detrimental as the Singapore CEP is proving to be.
- 3.5 We would like to be reassured by MFAT and the government that such a CBA will be prepared, but given the extremely short timeline given for preparing a study on the CEP indicated in the information paper, plus the government's publicised intentions to sign up to the CEP in November 2004, we have no confidence that this will happen, and that a proper process of 'due diligence' will occur. We are deeply disturbed by the government's faith-based approach to free trade treaty-making, which seems to be focussed solely on increasing exports without any regard to

whether the trade balances or not, let alone goes into the black. Nor is there any concern for what the economic, social and environmental costs of such an approach might be. Critical as we were of the limitations of the information paper provided on the proposed CEP with Hong Kong, it did at least identify some of the potential fishhooks in that deal (such as enforcing Rules Of Origin provisions) and with further research it became clear that it was inadvisable to proceed.

3.6 While the Hong Kong information paper was far from being the sort of comprehensive CBA we believe is essential, it was at least an attempt to provide some facts and raise some valid concerns. The information paper provided on Thailand is not only woefully inadequate in this regard, it also contains gross errors on basic matters of fact such as the population of Thailand and its GDP, and on the value of two-way trade between Thailand and New Zealand, and exports to Thailand. This is inexcusably sloppy, and gives us further grounds to question MFAT's suitability to resource a proper trade treaty making process.

3.7 Finally, treaties concluded under the current process not only lack legitimacy with New Zealanders as a whole, but in the Green Party's view they appear not to be worth the paper they are written on as far as guaranteeing tangata whenua their rights under the Treaty of Waitangi. A CBA prepared for the Thai-NZ FTA should include an analysis of what effect, if any, including Article 74 (Treaty of Waitangi) in the Singapore-NZ CEP has had, whether this is satisfactory to Maori, and what they might prefer to see instead.

#### **4. Setting and subverting the rules**

4.1 The Green Party believes that international trade should be conducted according to fair and transparent rules, which are then fairly and transparently monitored and enforced. Unfortunately, most of the rules currently promulgated by the World Trade Organisation and the various regional and bilateral agreements in the world today fail to meet these criteria. The WTO Agreement on Agriculture, for example, is a farcical arrangement of obscurely named coloured boxes riddled with exceptions and escape clauses which allow countries that heavily subsidise their agricultures and agricultural exports to continue to do so with impunity, while penalising those countries which do not. Nor does the Agreement on Agriculture (or the WTO generally) place any importance on putting human needs before commercial greed, refusing at every opportunity to date to seriously address the demands of developing nations for special and differential treatment which would enable them to guarantee food security for their citizens, among other important objectives.

4.2 When it comes to enforcing such worthwhile rules as it has, the WTO is equally unsatisfactory. The powerful states in the WTO firstly ignore the rules, and then the decisions of the WTO's secretive tribunals. It is completely unsurprising to the Green Party that the WTO Ministerial in Cancun in September 2003 broke down as it did, and that the WTO has failed to make progress towards becoming a fairer and more accountable and transparent system since.

4.3 However, we take no comfort from the fact that the breakdown of the WTO is leading to a succession of bilateral trade agreements which replicate some of the most egregious aspects of the WTO approach to rule setting, and also include an expansion of WTO style hegemony into new areas, such as investment and government procurement, which developing nations ruled out of bounds at Cancun. The North America Free Trade Agreement (NAFTA) contains such provisions, including the notorious Chapter 11, which puts the 'rights' of private investors to profit before the rights of citizens to enjoy a clean environment and the responsibilities of governments to ensure that they do so. The Singapore-NZ CEP (Part 8) contains provisions on government procurement which severely limit the scope of the national level of government to promote economic

development in New Zealand by preferring NZ suppliers of government goods and services. Further, although it can not legally enforce it, the national level of government has done all it practically can to similarly constrain local government. This is a very bad precedent for future bilaterals.

4.4 Even worse precedents are currently being set across the Tasman, which will have direct and indirect impacts on New Zealand. The recently concluded US-Australia FTA is considered even by the boosters of free trade in New Zealand to set a very bad benchmark for other free trade agreements with the US, with almost no concessions made on agricultural access on the US's part, let alone commitments to reduce subsidies at their end (the evasion of WTO rules mentioned above), while Australia had to concede much more on both agricultural access and services. This new low standard is likely to follow on into other agreements which Australia negotiates, such as the one it is about to conclude with Thailand, although in that case it may be on the winning side of the hard bargain. The Green Party contends that wherever the rules are unfair, everyone loses, and that bilaterals should only be countenanced if they *raise* standards above the WTO level, not lower them.

## 5. Labour standards and human rights

5.1 As a matter of principle the Green Party considers that New Zealand should not enter into trade agreements with countries which have not ratified and/or are not enforcing core ILO labour conventions. The problems of therefore negotiating a fair CEP with Thailand, which has much lower labour standards than New Zealand, are canvassed below.

5.2 In the Governor General's Speech from the Throne on 21 December 1999 the incoming government said "...legitimate issues of labour standards and environmental concerns need to be integrated better with trade agreements". We have yet to see the government make good on this matter, and would argue that in the case of Thailand such issues are desperately relevant. Thailand has a very bad record with respect to labour standards, rights and conditions. It has not ratified four of the eight core ILO Labour Conventions, so it is not internationally bound to allow for the right to organise and conduct collective bargaining, rights which New Zealand provides for. It has not ratified the Convention on Discrimination, so Thai women workers can be and are less well paid and less protected than men. Children are also denied the protection of the Convention on Minimum Age, with the result that some 500,000 13-14 year olds are known to be working for an employer, while nearly one and a half million children aged 6-14 are not registered in school - many of them may be working. (1) Finally, although Thailand has ratified the Conventions on forced labour, it does little to enforce them. On the contrary, de facto forced labour is widespread. Particularly affected are migrant workers, especially those fleeing political repression and human rights abuses in Burma. They are vulnerable to gross exploitation in Thailand, and even murder. (2)

5.3 Thai-born workers are not necessarily treated any better than migrants. Sweatshop production of internationally branded goods is not uncommon in Thailand. (See, for example, an account of poor conditions and low wages in Nike and Adidas factories in Thailand at <http://www.cleanclothes.org/news/newsletter13-thai.htm> . Other reports on unhealthy, unsafe working conditions with extremely poor pay, and the legal and other difficulties workers face in organising to change this, can be found at <http://www.thailabour.org> and <http://www.cleanclothes.org> ) Even where the workers are paid their legal entitlements, and not actually forced to work long hours in unsafe and/or unhealthy conditions, the minimum wage in Thailand is so low (165 Baht per day, which is NZ\$6:20 or 77 cents per hour for a standard 8 hour day) that overtime is necessary to provide the minimum necessary to live on. Hence average hours of work in Thailand range from from 49 to 51. This equates to a lot of production at bargain basement rates – something

which New Zealand can not compete with. The average weekly wage in New Zealand is \$753; in Thailand it is \$64.50. Thus average wage labour in Thailand is nearly 12 times cheaper than it is in New Zealand.

- 5.4 This would be a genuinely fair comparative advantage for Thailand only if the cost of living in Thailand were nearly 12 times cheaper than it is in New Zealand, but this is not the case. On the contrary, the Cost of Living Index (as calculated by Expat Forum at <http://www.expatsforum.com/Resources.icol.htm> ) is higher for Thailand (105) than for New Zealand (101). (The baseline is what US\$100 will buy for a 'basket' of food, clothing, healthcare, transport, entertainment and miscellaneous goods and services.) Very basic food (e.g. fried rice) for three meals a day in Thailand costs B60. Compare this with \$8:15 per day which the University of Otago calculates as the (very) basic cost of food per day for an adult New Zealander. A Thai on the minimum wage eating three meals a day will therefore need to work three hours every day just to feed herself, whereas a New Zealander on the minimum wage of \$9 an hour need work only 54 minutes.
- 5.5 There is no way that this can be said to be fair – for the under-paid, over-worked Thai worker or for the New Zealand enterprises which will go out of businesses and the workers who will lose their jobs if they are exposed to this unfair travesty of 'competition'. This is not a level playing field – it is tilted as steeply as Aoraki Mt Cook.
- 5.6 The Green Party therefore considers that unless fair labour standards clauses are part of a Thai-NZ CEP, it should not proceed. One very important way to make trade agreements fair is to insist that human rights and labour rights must take precedence over trade facilitation. There should be no presumed right to import goods produced by bonded (slave) labour, child labour, prison labour or sweated labour, let alone export them free of tariffs or other constraints. On the contrary, trade agreements should not ignore or subvert international and national labour and human rights standards. Requiring that all imports be produced fairly would be the single most important thing that the New Zealand government could do to raise living standards in the developing world. It would also be simple justice for the workers and manufacturers of New Zealand, who should not and can not be expected to compete against exploitative production conditions in other countries.
- 5.7 If the government is determined to press ahead with this CEP, it should at least make an historic start on fair trade by writing a labour and human rights standards clause into the agreement. Such a clause should provide both New Zealand and Thailand with the right to use whatever protective mechanisms they deem appropriate against goods produced in ways, or in places, which do not meet basic standards as regards worker freedom, remuneration, conditions of work and age restrictions. It should also provide for independent monitoring systems to ensure that standards were being met.

## **6. Environmental standards**

- 6.1 In addition to being fair, trade must be sustainable. Sustainability for trade has two aspects. The first is sustainable production for export – if trade goods are produced unsustainably then trade is occurring at a true loss even though it may (for a time) show a monetary profit. (A well-known example of this being the booms and busts in the trade of fish species around the world – some stocks of which may never recover to become tradeable again.) The other side is the sustainability of the means of trade itself, which in this day and age means principally the sustainability of the energy sources used to power the transporters of trade goods.

6.2 Successive NZ governments have refused to face facts with regard to the sustainability (and decreasing availability) of New Zealand's trading energy sources. A culture of denial and manufactured ignorance is widespread. There is a reluctance to admit that cheap and readily available oil has probably passed its peak, or will do so very soon, and that as it becomes more and more scarce and expensive the implications for New Zealand as a trade-based economy are huge. The best thing New Zealand could do to prepare for this eventuality is to build energy sustainability into its trading arrangements, by not importing goods it can produce at home. It is probable that as oil shortages start to bite economic signals will re-orient the New Zealand economy from oil and import dependency to renewable energy and self-reliance, but the transition could be very painful unless it is planned for by a succession of aware and responsible governments. One obvious way in which New Zealand can ease the transition is to maintain tariffs on goods it can easily produce itself, to keep those industries viable. This is discussed in greater detail in 7. Economic Development and Tariffs, below. With regard to a CEP with Thailand specifically, there should be an energy audit done on the production and transport of the trade goods covered by the CEP, with New Zealand reserving the right to 'future-proof' its economy by protecting sustainable industries.

6.3 In addition to an energy audit, other factors contributing to total sustainability must be considered. What environmental standards are enforced in Thailand, and how do they compare with the environmental standards which New Zealand producers are required to meet? We recommended in 3.4 above that a CBA on a trade treaty must have regard to the environmental bottom line, and that expert advice is needed on this matter. It is the government's responsibility to ensure that such analysis is done and made available for public discussion. If Thai producers are legally able to produce under lower environmental standards than New Zealand producers, this constitutes a hidden subsidy to Thai exporters as well as a cost to the environment, and should be strongly resisted. As with labour standards, New Zealand should not countenance a race to the bottom, but should include in any bilateral the right to apply any protective mechanisms it deems appropriate against goods produced to lower environmental standards.

6.4 As well as reserving its right to insist on high environmental standards New Zealand should not sign a CEP with Thailand if it compromises environmental sustainability in any of the following ways:

- Jeopardises biosecurity. The CEP should explicitly refer to the precautionary principle as expressed in the Cartagena Protocol to the Convention on Biological Diversity and in the Convention on Trade in Endangered Species as the basis for ensuring the compatibility of trade and environmental protection, with precaution not trade facilitation as the default position.
- Allows for privatisation of public services in conservation, environment and recreation. As the GATS rules currently stand, this would lead to the perverse outcome of legitimate public funding for such services being performed by local or central government and non-profit organisations being treated as an illegitimate subsidy. They then become liable to challenge by profit-making enterprises.
- Allows for compensation in state-investor disputes where necessary environmental protection, in line with New Zealand law, reduces investor return. This is an iniquitous feature of some FTAs (such as NAFTA) and should not be allowed in any New Zealand bilaterals.

6.5 A CEP with Thailand has one particular consequence for the New Zealand environment which should be also seriously considered before it is proceeded with. This is its potential to encourage further production of dairy products at a time when many consider that dairying in New Zealand has already exceeded, or is about to exceed, the limits of sustainability. New Zealand's most valuable export to Thailand, over \$100 million ahead of the next most valuable, is dairy produce.

Allowing such produce into Thailand tariff-free may not increase total production in New Zealand if it is diverted from other markets. But if it does, it may well be doing so at too high an environmental price, from the 'dirty dairying' in the North Island which pollutes and destroys streams and wells to the dryland conversions in the South Island which may have already exceeded sustainable allocation of the limited water resource in eastern catchments, and are likely to have the same pollution impacts as further north.

## **7. Economic development and tariffs**

- 7.1 The government of New Zealand has a responsibility and a duty to promote economic development and employment in New Zealand. It has a number of ways in which it can do this, including protecting industries and jobs from foreign competition via tariffs and import quotas. The Green Party believes that government has a valid role to play in promoting employment and economic development by protecting enterprises from unfair competition. Unfair competition comes from countries like Thailand which pay exploitatively low wages and are not required to meet the same industrial health, safety and environmental standards.
- 7.2 Further, given the major changes to the world economy which are going to occur as fossil fuels become scarcer and more expensive, the Green Party believes that New Zealand has a significant strategic interest in promoting and protecting self-reliant economic activity, and that it is a dereliction of the government's duty of care and protection towards present and future citizens to push the country further into trade debt and import dependency.
- 7.3 With regard to the impacts on balanced and sustainable development of a CEP with Thailand, it is clear that New Zealand's already beleaguered textiles, clothing and footwear (TCF) sector would bear the brunt of the slashing of tariffs. TCF is the third largest category by value of Thai manufactured exports. (3) Thailand has plenty of TCF product to export to countries which are foolish enough to allow tariff-free entry to goods produced on a non-level playing field. Other industries in New Zealand which currently receive 10% or higher tariff protection which would be vulnerable to removal of tariffs on goods from Thailand include the tyre, rope and twine, automotive parts and carpet industries.
- 7.4 For the reasons given above, the Green Party thinks it is neither sensible nor desirable to cut tariffs which are protecting strategically important production, and nor is it fair or wise to expose New Zealand producers who are abiding by fair labour standards and sound environmental standards, and paying living wages, to competition from foreign concerns which are doing none of these things.
- 7.5 Similarly, New Zealand should not consider itself under any obligation or necessity to enrich and employ foreign firms in supplying services to central or local government. The Green Party opposed the government procurement clause in the Singapore-NZ CEP and it opposes any future such clauses in bilaterals. It is perfectly legitimate and desirable for public money to be used to create employment for New Zealanders where a bona fide service is required and can be supplied locally.
- 7.6 The same goes for the provision of essential social services such as health and education. The Green Party is opposed to all attempts to extend what New Zealand is already committed to under GATS via the mechanisms of bilaterals.

## **8. Rules of Origin**

- 8.1 The Green Party believes that the 40% ROO provision in the Singapore-NZ CEP is too low, and 50% should be the minimum in any future CEPs.
- 8.2 Further, we are unhappy with the monitoring of the Singapore ROO provisions, and the lack of compliance exposed.
- 8.3 The potential for ROO abuses in TCF imports from Thailand is increasing as Thai manufacturers start outsourcing production to neighbouring countries with whom Thailand is currently negotiating liberalised trade and investment agreements. What is not a major concern today could very rapidly become one.

## **9. Foreign investment**

- 9.1 In the Green Party's view the Singapore-NZ CEP set a very bad precedent with regard to the thresholds set for foreign investment regulation (\$50 million or a shareholding of 25%). This is an unwarrantable restriction on the government's right to ensure that all foreign investment is in the national interest, and we would not want to see it replicated in any other trade treaties.
- 9.2 The Singapore-NZ CEP also contains other special privileges for Singaporean investors under Part 6: Investment Annex 2, which would allow for Singaporean provision of private tertiary education under the same terms as terms and conditions as local private providers, with the right under Article 34 of the CEP to enforce this provision. Singapore, on the other hand, has reserved its right to impose local or special restrictions on foreign investors. We believe that New Zealand was wrong and foolish to give these privileges to foreign investors, and should never do it again.

## **10. Conclusion – back to the drawing board**

- 10.1 This submission raises a number of questions which the information paper does not even begin to answer. Before the CEP proceeds any further the Green Party wants to see the following steps taken:
- a full Cost-Benefit Analysis prepared by those with the appropriate expertise on the likely economic, social and environmental impacts of the CEP;
  - a public submission and consultation process based on that CBA, and not on in-house MFAT documents which leave out the social and environmental dimensions, and restrict their economic analysis to guessing benefits rather than quantifying both benefits and costs, and allocating them accurately;
  - within that CBA, proper attention paid to the labour and environmental standards issues, to the role of tariffs and government procurement in promoting and protecting sustainable development in New Zealand, and to the specific concerns around biosecurity, ROOs, trade in services, and foreign investment provisions.
- 10.2 Until and unless such a proper decision-making process is followed, the Green Party believes that the government should withdraw its stated commitment to concluding a CEP with Thailand in November of this year. It should also state honestly that it does not know if such a CEP would be in New Zealand's overall best interests since the research has not been done to show whether it would be or not. It should therefore wait until this work has been done, and then proceed with a

CEP only if it shows that the benefits of a CEP would significantly outweigh the costs.

## **Footnotes**

1. See 'Lost Childhood in Thailand', Free Labour World, # 12, December 1996 available at [http://www.citinv.it/associazioni/CNMS/achivio/lavoro/lost\\_childhood.html](http://www.citinv.it/associazioni/CNMS/achivio/lavoro/lost_childhood.html)
2. Information from the NZ Council of Trade Unions
3. Calculations from the Bank of Thailand Table 49: Total Quantity and Value of Exports show that the biggest category of exports by value in 2003 was electrical apparatus, circuits, parts and related items (892,928 million Baht) followed by electrical appliances of all kinds (534,672 million Baht) and then textiles, clothing and footwear (487,680 million Baht).