

Six Months on ...

There was much hope that the December 2007 elections in Thailand would restore some normality to the political and economic scene in the country. The People's Power Party (PPP) won a near majority of the seats in Parliament and a new coalition government took office.

Two months later Thaksin Shinawatra returned to Thailand from his enforced "exile" post the military coup and it was clear that there would be some troubled times ahead.

The return of the street protests in Bangkok in May 2008 by the People's Alliance for Democracy (PAD), very much on an anti-Thaksin platform, once again put Thailand's political situation on tenterhooks with the ever present rumour mill working overtime.

The Thai News Agency reported in May that an ABAC poll, conducted by the Assumption University poll agency, found that public concern focused on the political situation had shot up to 85.5 percent in May from 58.2 percent in March. It also found concerns over the economy had risen to 79.6 percent from 62.4 percent, mainly due to surging fuel prices.

Whilst it can be argued that this is all part of the joys of democracy, or that it's a return to the normal for Thai politics, there is no doubt that the ongoing uncertainties generate concerns for potential inbound investors and for the development of bi-lateral trade between Thailand and Australia. It will be interesting to see how the official trade figures reflect this background when they are released.

Thailand remains one of Australia's major trading partners – in the year to 31 December 2007 it was our tenth largest export destination and the seventh largest importing country. Thailand is also a key player in the socio-economic relationships within ASEAN and its bordering countries; an example of this was the staging of the food and aid relief post following the Burmese cyclone.

The ATBC plays an important role in the promotion of bilateral trade and investment between Thailand and Australia and, not withstanding the present challenges, it will continue to assist members in their efforts.

Over the past 3 and a half years we have been fortunate to be able to have worked with HE Bill Paterson as the Australian Ambassador to Thailand. The post TAFTA period in Thailand has seen much change and many issues. Bill



has been particularly helpful to the ATBC and its members throughout his term and always making himself available to assist in facilitating our interests. We wish to record our thanks on behalf of the ATBC to Bill and Helen for all their help and for their company and wish them all the best.

Our National Executive Director, Branko Jovanovic, advised our Executive in June that he would be leaving the Australian Chamber of Commerce and Industry (ACCI) so that he and his wife could move to Melbourne in order to take up employment opportunities there.

The ACCI currently provides the Secretariat for ATBC (and a number of other bi-lateral Business Chambers), and we are working with them to find a replacement for Branko who will help develop our membership base and services to members.

On behalf of our National Executive and our members, we thank Branko for his efforts during his time with ATBC and wish him and his family well for their new roles and life in Melbourne. ■

Regards

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Emissions Trading Scheme and Multilateralism

By Daniel Tehan

As important as it is to deal with greenhouse issues, the introduction of a domestic Emissions Trading Scheme (ETS) ahead of a post-Kyoto multilateral agreement on curbing global greenhouse gas emissions must be approached cautiously.

It is well known that Australia currently contributes 1.5% of global greenhouse gas emissions, and this number continues to fall in the face of dramatic emissions increases in the rest of the world. Developing countries, for example, are forecast to account for more than three quarters of the increase in global emissions between 2005 and 2030.

If Australia were to cap its emissions through the introduction of a trading scheme without similar action occurring in other countries and especially in developing countries, the cheaper production costs in free rider or non-complying countries may, in some instances, result in jobs and industries being "off-shored" to these lower cost centres. If this scenario were to occur, there would be no net change to global emissions output and negative economic consequences for Australia – in other words, it is possible that a portion of Australia's targeted emissions reduction could become developing country emissions due to shifting production.

Overseas, these two problems of environmental integrity from developing country inaction and the loss of international competitiveness have been recognised, and policy makers around the world are searching for solutions.

In the United States, a White Paper prepared by the House Energy and Commerce Committee staff on climate change legislation design asserts the dangers of the US moving unilaterally ahead of multilateral attempts to limit global emissions. It argues that the only way to overcome the dangers, both environmental and economic, is for a United States ETS to encourage developing countries to reduce their emissions and that "unilateral action by the US could harm the competitive-

ness of our industries in world markets and result in the loss of American jobs." Debate in the US is not about whether to include developing countries in a domestic ETS, but how to do so in a manner consistent with the rules and regulations of the World Trade Organisation. On 5 March this year the US Energy and Air Quality Subcommittee of the House Energy and Commerce Committee discussed the WTO implications of a carbon border tax, a carbon intensity-based regulation on imports, and imposing conditions or costs on foreign country participation in the US carbon market.

The situation is not too dissimilar in Europe. While more advanced than the US on its draft legislation for a second phase ETS (that was presented to the European Parliament in January), the EU has also left open the possibility of border measures. European Commission President, Jose Manuel Barroso, has stated that "There is no point in Europe being tough if it just means production shifting to countries allowing a free for all on emissions." Academic work in the EU also suggests that a CO2 border tax adjustment can be both feasible and compatible with WTO constraints.

In a working paper for the Department of Applied Economics at the University of Cambridge, authors Ismer and Neuhoff conclude that a border tax adjustment for an ETS is an economically viable approach to address the risk of leaking emissions and jobs, profits and tax revenues and "should be compatible with World Trade Organisation laws."

Border tax measures such as these, which are designed to solve the dilemma of non-participation by developing countries, are very much a second-best solution behind a multilateral climate change agreement. Also they do not effectively target either competitiveness, or developing country action, and have the potential in a worst case scenario to lead to open trade disputes between developing and developed countries.

The conclusion of a post-Kyoto multilateral agreement must be Australia's top

priority at the United Nations. This is the best way to prevent domestic economic dislocation if we move too far or too fast and in a unilateral manner. It would also be the way to stop dangerous unilateral trade measures from being adopted in the future by the EU and the United States. Our policy makers should also begin planning the type of relationship a post-Kyoto multilateral environment agreement should have with the WTO and what trade restrictions, if any, a post-Kyoto agreement would allow.

Australia does have the opportunity to develop a world leading ETS framework yet in the absence of meaningful international commitments it must be realistically phased, have achievable targets and feature a sensible approach on compensation issues. ■

The Australian Chamber of Commerce & Industry (ACCI) has been the peak council of Australian business associations for 107 years and traces its heritage back to Australia's first Chamber of Commerce in 1826. Membership of ACCI is made up of the State and Territory Chambers of Commerce and Industry together with the major national industry associations. Through its membership, ACCI represents over 350,000 businesses nationwide, including over 280,000 enterprises employing fewer than 20 people, over 55,000 enterprises employing between 20 and 100 people and the top 100 companies. ACCI is the largest and most representative business organisation in Australia with its members employing over four million people. ACCI's motto is "Leading Australian Business."

ACCI and its predecessor organisations have been at the forefront of the trade policy debate in Australia for over a century. ACCI has consistently represented Australian business on tariff debates, the creation of the world trading system and during the negotiations of multilateral, regional and bilateral trading agreements. Moreover, through its State and Territory Chambers, it delivers practical support, advice and guidance to exporters. This includes, but is not limited to, the issuing of Australian Certificates of Origin and ATA Carnets, delivering exporter development programs, organising and leading trade missions, and facilitating industry development programs aimed at capacity building to enhance Australia's competitiveness offshore.