

# M&F

Molesworth & Featherston In The Loop

## POLITICS AND ECONOMICS

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### Trade

## Thai loosened

The next phase of trade talks between New Zealand and Thailand is sure to be delayed at least following this weeks military coup d'etat.

New Zealand ambassador to Thailand Brooke Barrington was quoted in a Bangkok paper a few days before the coup saying talks would shortly begin on fresh deals on trade in services and government procurement.

New deals must be off the table for now - New Zealand surely can't negotiate a deal with a country under martial law.

A deal on goods was signed in 2005, although it was a modest agreement. It provided for Thailand to keep some of its tariffs on New Zealand in place for another twenty years. Thai goods won't have completely free access to New Zealand until 2015. A third of goods traded between both countries are currently subject to tariff.

A services agreement would probably cover telecommunications and financial services at least. Those were potential areas for New Zealand involvement because the Thai government had a substantial privatisation programme. It began to founder as political crisis weakened the government. Cancellation of economic reform policies would be a predictable way for the new gun barrel regime to attract some popular support. On the other hand, the deposed government couldn't pass a budget. The military has more persuasive means to get its way, but foreign investors won't be encouraged.

Thailand is our nineteenth largest export market, taking \$375 million in the year to May. Over half that was dairy.

It's our eleventh largest import source, sending us more than a billion dollars of products last year.

New Zealand imports from Thailand grew by more than half in the year after the trade deal was signed, with increases in petroleum, trucks, food and computers, while - notwithstanding the freshly signed trade deal - our exports to Thailand fell.

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## Weekend update

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### *We are living far beyond our means*

Current account deficit figures released on Thursday were smaller than the quarterly deficit three months ago, but still at astronomical levels. At more than \$15 billion the deficit is a record. There is nothing new about our deficit - we haven't paid our way in the world since 1973. No other developed country has performed as poorly. It is around 9.3 percent of GDP.

There are a number of reasons for concern.

First, it makes New Zealand vulnerable. A global recession, increased import prices or a biosecurity accident that damaged our exports could be devastating because we have little buffer left.

Second, we have to fund the deficit by selling something. Mostly we sell financial securities to fund the debt. Last year we funded our deficit by selling \$4 billion of our assets overseas, and nine billion dollars of our assets here.

Third, the deficit could induce what bank economists euphemistically call a 'correction'. A severe adjustment would see the dollar plunge as the market fled our currency. Interest rates would be very sharply increased to stabilise our dollar, inducing a domestic recession. Unemployment and inflation would climb sharply. (Though while a sharp correction is possible, it's far from inevitable - Finance minister Michael Cullen sees a benign unwinding of the current account deficit as the dollar returns to lower levels. But he has to say that.)

Fourth, the deficit shows how desperately poor New Zealand's earning performance has been. Our trade growth is not keeping pace with global growth. Our international investment performance is worse. There is \$133 billion more invested in New Zealand than we invest overseas. Until we increase the performance of New Zealand assets internationally, we are going to continue to borrow our way into the future.

As long as the deficit remains at these levels, the finance minister should be losing sleep.

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## Land Transport Advisers' Forum

Trailblazing solutions for New Zealand's land transport planning and funding issues

**When** ▶ **21 & 22 September 2006**

**Where** ▶ **Langham Hotel Auckland**

### Key sessions on

- ▶ The wider planning framework for land transport decision-making
- ▶ The transport sector regulatory framework and reforms
- ▶ The impact of demographics on transport planning
- ▶ How to make a successful application for public funding
- ▶ Clarifying and reconciling the roles of land transport authorities
- ▶ Legislative reform of the Transport Services Licensing Act
- ▶ International and domestic solutions for funding transport infrastructure
- ▶ The debate over road pricing
- ▶ Funding roading through infrastructure bonds
- ▶ Recent research into roading costs

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Latest legal developments and best practices from leading public sector lawyers

**When** ▶ **28 & 29 September 2006**

**Where** ▶ **Duxton Hotel Wellington**

### Key sessions on

- ▶ Impact of Parliamentary Law on public sector organisations in light of TVNZ's recent brush with the Privileges Committee
- ▶ Implications of the "leaky buildings" decision for government departments
- ▶ Navigating and minimising government negligence claims
- ▶ Exploring the question of the public/private divide in judicial review proceedings
- ▶ Examining the unique ethical challenges facing lawyers in the public sector
- ▶ Official Information Act – where is it at after 25 years and where is it heading?
- ▶ Developing, implementing and managing clear and workable organisational policies
- ▶ Comprehensive review of the new Government Procurement Rules
- ▶ Update on the Bill of Rights and Human Rights Act

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## Child and Youth Welfare Advisers' Forum

Innovative directions and strategies addressing the care and protection of our children and young people

**When** ▶ **9 & 10 October 2006**

**Where** ▶ **James Cook Hotel, Wellington**

### Key sessions on

- ▶ A critique of New Zealand's child protection system
- ▶ Capacity building NGOs and engaging the corporate sector
- ▶ Differential Response Model trials and the nationwide roll-out in 2007
- ▶ Indigenous models for responding to family violence
- ▶ The interface of key legislation in preventing violence
- ▶ Best practice intervention methods
- ▶ Reviewing *Child Poverty Action Group v Attorney-General*
- ▶ Comparing domestic and international responses to care and protection
- ▶ Assessing the theory and practice of supervised contact
- ▶ How to make a family group conference work
- ▶ The outlook for the permanent placement of children

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**International**

Annual meetings of the World Bank and IMF wrapped up with some weak decisions on the future of the IMF, twittering about stalled trade talks and a grab-bag of other issues - but not much accomplished to promote global economic development.

The World Bank's boss, Paul Wolfowitz, has made good governance - especially less corruption - his top priority. It's not an end in itself, but rather the foundation of the path out of poverty, he argues. "It leads to faster and stronger growth. It ensures every development dollar is used to fight poverty, hunger and disease. In more and more countries, leaders and citizens alike are demanding transparent and accountable governments that deliver results." He's facing pressure over the Bank's assertiveness, with the board deciding this week to oversee his anti-corruption programme.

He had plenty of good news. Global aid levels are at historic highs, though not as a percentage of developed country GDP. "The past 25 years have seen more than four million people worldwide escape extreme poverty," he trumpeted. But just a year after the Gleneagles agreement on increased aid to the world's poorest, Mr Wolfowitz noted rich countries are already breaking their promises.

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**A test of good governance**

Hectoring poor countries about the quality of their governance is probably one of the best contributions the IMF and World Bank can make to global living standards. But it would help if they weren't hypocritical about it. When ten thousand delegates from 184 countries arrived in Singapore for the AGMs of the two organisations, 180 anti-globalisation protestors weren't allowed in. World Bank head, Paul Wolfowitz admitted the ban caused damage - although he thought mainly to Singapore. Singapore backed off a little bit, letting some protestors stay. They were there protesting about everything from turtles to globalisation's effect on the poor. Many groups have diametrically opposed goals, with environmentalists and other anti-trade organisations standing alongside groups from poor countries who are demanding more free trade and more access for poor countries. But the ban gave them a platform that featured in virtually every report from the meetings.

Mr Wolfowitz did a good job of distancing the Bank by dumping blame for the ban on Singapore. But it wasn't too much to expect organisers to have anticipated Singapore would respond the way it did. The mess should have been cleaned up before it happened.

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**Rolling average poll**

Just one new set of data from Roy Morgan this week, which had Labour well ahead. It narrows the gap in our rolling poll of polls to less than 2 percentage points.

The other big mover is the Green Party, up over seven, while New Zealand first continues to firm – and in fact all the minor parties show some marginal improvement. Assuming as usual the Maori Party holds its four seats, and sitting leaders hold theirs too, the numbers are:

	Percent Seats	
National	42.09	53
Labour	40.38	51
Greens	7.28	9
NZ First	3.72	0
Maori	2.71	4
United Future	1.65	2
Act	1.23	2
Progressive	0.27	1

It is a 122 seat House with overhang seats for Jim Anderton and the Maori Party. The magic 62 seat majority still eludes the Labour-Green-Progressive grouping by one seat putting United Future and the Maori Party side by side on the balance of power.

**Comment**

Last week we commented, “We would not want for a minute to suggest that Labour did the right thing with its pledge card funding - and in particular it is hard to see how it did not willfully breach the spending cap when it knew the view of chief electoral officer David Henry.”

Grant Woolliams took offence:

“Don't send me another email of your publication. Your defence of this government's over spending was sick making.”

Righto. No more copies of the free edition going that way, then.

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