**SUBMISSION TO THE MINISTRY OF FOREIGN AFFAIRS AND TRADE**

**REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP**

**FREE TRADE AGREEMENT**

**MARCH 2013**

**Introduction and Summary**

1. This submission is made on behalf of the New Zealand International Business Forum (NZIBF) whose members are listed at Annex A. NZIBF is a non-partisan business organisation that provides leadership to enable New Zealand business to exploit new opportunities in international markets.
2. The NZIBF welcomes and supports the Government’s intention to negotiate a free trade agreement (FTA) with other participants in the 16-nation Regional Comprehensive Economic Partnership (RCEP).
3. NZIBF believes that New Zealand involvement in the RCEP will create an opportunity to remove trade barriers, expand trade and investment, place New Zealand on a level playing field with competitors and provide an important impetus to broader trade liberalisation efforts in the region. In addition to improved market access, an FTA could be expected to focus commercial attention on opportunities in participating markets and contribute to new investment, economic growth and job creation.
4. NZIBF sees RCEP and the Trans Pacific Partnership (TPP) negotiations as complementary. Six countries already participate in both. NZIBF believes that, like TPP, RCEP could be a potential pathway towards a wider Free Trade Area of the Asia Pacific (FTAAP).
5. NZIBF, as an umbrella organisation, leaves to sectoral groups the task of identifying specific issues in the negotiation but NZIBF believes the goal of the RCEP should be a comprehensive agreement with a commitment to eliminate barriers in all goods and services sectors by an agreed deadline. In our view, there should be no *a priori* sectoral exclusions from the ambit of the negotiations although we recognise that differing sectors may be subject to differing timetables for liberalisation. The negotiating agenda should encompass all issues of relevance including market access for goods and services, investment, competition policy, intellectual property, government procurement, labour and environment issues. NZIBF encourages the Government to consult and take into account the views of all stakeholders to ensure its negotiating position reflects an overall balance of interests to New Zealand. NZIBF recognises that where adjustment is required domestically appropriate transitional assistance may need to be given.
6. NZIBF recommends to the New Zealand Government that it proceeds to launch the RCEP negotiations but not at the expense of efforts to conclude the TPP negotiations by the end of this year.
7. NZIBF is conscious both of the complexity of the negotiations and of possible objections to the negotiations on the part of protected sectors in some of the other economies participating in the RCEP. NZIBF is therefore engaged in exploring the options for working with likeminded business organisations in other participating RCEP economies promote and defend the negotiation. NZIBF would be happy to keep the New Zealand Government informed as this strategy develops.

**About NZIBF**

1. NZIBF provides a voice to articulate the needs and priorities of New Zealand's international business, in particular the importance of open markets, to the New Zealand Government and public stakeholders. NZIBF works with companies, other business organisations and government agencies to implement projects, including working to develop New Zealand's key international business relationships and conducting research relevant to New Zealand's international competitiveness. NZIBF provides policy advice and support to the three New Zealand members of the APEC Business Advisory Council (ABAC).
2. NZIBF has wide sectoral membership and operates as an umbrella group. NZIBF’s role is to support the RCEP negotiating process so that it ultimately leads to the timely conclusion of a comprehensive FTA which delivers value for New Zealand interests. While this submission is made on behalf of the membership of NZIBF a number of members are likely to make their own submissions containing more detailed comments on specific issues relevant to their individual business interests.

**The Case for Freer Trade in the Asia Pacific Region**

1. RCEP comprises the 10 members of ASEAN and the six countries with which ASEAN has existing FTAs – Australia, China, Japan, Korea, India and New Zealand. At the moment there is a noodle bowl of overlapping FTAs between these and other economies in the region. RCEP holds the prospect of creating a consistent and consolidated region-wide FTA and a business-friendly environment across East Asia. RCEP will further cement New Zealand’s place in the region, and complement our existing trade agreements with regional partners.
2. In the margins of the East Asia Summit on 20 November 2012, Leaders announced that RCEP would be a “modern, comprehensive, high-quality and mutually beneficial economic partnership agreement establishing an open trade and investment environment in the region”. NZIBF supports these objectives and recommends that the New Zealand Government press for an agreement that meets those goals. A high quality agreement would significantly improve trading conditions for business in the region, including participation in global and regional value chains.
3. The potential economic significance of RCEP should not be under-estimated. The participants in RCEP negotiations have a total population of over 3 billion people and a trade share estimated at around 27% of global trade (based on 2010 WTO figures), covering GDP of around $US20 trillion (2011 IMF figures)[[1]](#footnote-1). RCEP covers 57% of New Zealand’s exports (2011), 27% of global trade (WTO, 2010) and combined GDP totalling almost US$ 20 trillion (IMF, 2011).
4. RCEP will draw together ASEAN’s various FTAs, and also overlap some current bilateral negotiations (although existing FTAs will continue alongside the outcome of RCEP.) At the same time, RCEP will involve the creation of new FTA relationships where they do not already exist, e.g. Japan/New Zealand, India/New Zealand, Korea/New Zealand and numerous others (eg China with Japan, Korea and India respectively) and Japan/Korea, and also for Australia with Japan and India for example. Thus some of the biggest challenges (and potential for economic gains) will come from negotiation of FTA relationships among the ‘Plus 6’ countries.

**ASEAN Australia New Zealand Free Trade Agreement (AANZFTA) and RCEP**

1. NZIBF has long believed that AANZFTA provides a suitable model or template for further liberalisation involving other partners in the Asia Pacific region. AANZFTA is an existing high-quality agreement with comprehensive coverage that liberalises and facilitates trade in goods and services and aims to improve the business environment and promote cooperation on a broad range of economic areas of mutual interest to all members. AANZFTA also provides a good precedent for Rules of Origin (ROO), which is important in the RCEP context where we want to see ROO that will facilitate and promote trade across all sectors. NZIBF therefore recommends that the New Zealand Government promote the AANZFTA agreement as a sensible basis from which the RCEP negotiations should proceed. Some other existing ASEAN +1 FTAs have not reached a sufficient level of tariff elimination (some are below 90%) whereas the average level of tariff elimination under AANZFTA is 95.7%, making it ASEAN’s most advanced FTA. It is encouraging that ASEAN economies have opened up 99.1% of products to at least one FTA partner[[2]](#footnote-2).

**Issues in the negotiation**

1. Japan is the only RCEP economy with which NZ has not yet launched bilateral FTA negotiations, although there are others with which we have not yet concluded bilateral negotiations. Pending a Japanese decision to join the TPP negotiations, RCEP provides an opportunity for New Zealand to negotiate an FTA relationship with Japan, our fourth largest market.
2. NZIBF shares the view of the APEC Business Advisory Council that the ultimate goal of regional economic integration can best be expressed through the creation of a Free Trade Area of the Asia Pacific (FTAAP)[[3]](#footnote-3). RCEP is one of the possible pathways leading towards an FTAAP. TPP is another. NZIBF would like to see both the RCEP and TPP negotiations evolve in such a way that their contents converge, making it more likely that they could be docked together in due course, to promote the prospects of achieving an FTAAP.
3. Given that RCEP has the potential to provide an effective template for Asia Pacific liberalisation as well as to liberalise trade between New Zealand and other participating economies, NZIBF believes that the agreement should be high quality and conform fully to Article XXIV (8) (b) of the WTO’s General Agreement on Tariffs and Trade which stipulates that FTAs should cover “substantially all trade” among participating countries. NZIBF recommends that there should be no a priori sectoral exclusions from the ambit of the negotiations. This implies the full inclusion of agricultural products in the final agreement. At the same time NZIBF recognises that differing sectors may be subject to differing timetables for liberalisation. In general NZIBF recommends any timetables should if possible reduce and in no case extend the timeframe for liberalisation set by other agreements to which New Zealand is already a party including the AANZFTA and NZ/China FTA. On services, NZIBF would like to see a negative list approach meaning that categories of services are included unless specifically excluded.
4. NZIBF notes that the negotiating agenda for RCEP will encompass many issues of relevance including market access for goods and services, investment, competition, intellectual property, dispute settlement and “other issues”. NZIBF submits that those other issues should include government procurement, labour and environment issues. NZIBF encourages the Government to consult widely with sectors likely to be affected directly by the negotiation. NZIBF recognises that where adjustment is required domestically appropriate transitional assistance may need to be given.
5. The RCEP negotiations are likely to be complex, therefore the goal of concluding them in 2015, which was set by Leaders in late 2012, is highly ambitious. NZIBF recommends to the New Zealand Government that it proceeds to conclude these negotiations as soon as practically possible without detracting from the goal of concluding TPP in 2013.
6. NZIBF believes the New Zealand Government should be open to further APEC countries joining the RCEP negotiations at an appropriate time and that the final agreement should contain relevant provisions relating to the future accession of new parties.

**Promoting and defending the negotiation**

1. NZIBF stands ready to work closely with the New Zealand Government and its agencies, other business organisations in New Zealand and allies in the region to promote and defend the RCEP negotiation. NZIBF suggests that a mechanism should be created to enable business input into the negotiation as a whole, other than just at the individual economy level. The stakeholder engagement process that occurs in the margins of TPP negotiations provides a good model.

**Recommendations to the Ministry of Foreign Affairs and Trade**

1. NZIBF recommends that the Ministry:

(a) **note** NZIBF’s support for the launch of RCEP negotiations with 15 other nations in the Asia Pacific region

 (b) **agree** that the goal of the RCEP should be a comprehensive agreement with a commitment to eliminate barriers in all goods and services sectors by an agreed deadline without *a priori* sectoral exclusions from the ambit of the negotiations

(c) **agree** that the negotiating agenda should encompass all issues of relevance including market access for goods and services, investment, competition policy, intellectual property, government procurement, labour and environment issues

(d) **consult** widely with sectors likely to be influenced directly by the negotiation

(e) **agree** to include in the final agreement an accessions clause providing for the membership of other parties

(f) **agree** to proceed to conclude these negotiations as soon as practically possible without diverting negotiating resources needed to bring the TPP negotiations to a conclusion by the end of 2013

(g) **note** that NZIBF has in hand a strategy to work with other business organisations from participating RCEP economies to promote and defend the negotiation in our respective economies.

(h) **agree** to seek the establishment of a mechanism for stakeholder engagement in the margins of the RCEP negotiations.

**NZ International Business Forum**

**March 2013**

**ANNEX A**

**NZIBF: MEMBERSHIP 2013**

**Executive Committee**

Malcolm Bailey, Director, Fonterra Co-operative Group Ltd

Michael Barnett, Chief Executive, Auckland Regional Chamber of Commerce and Industry

Peter Clark, Chief Executive, P F Olsen Ltd

Kerry Francis, Chief Executive, Institutional Banking and Markets, ASB Bank Ltd

Sir Graeme Harrison, Chairman ANZCO Foods Ltd and NZIBF

John Loughlin, Chairman, Zespri International Ltd

Bill Luff, General Manager, Corporate Affairs, Solid Energy Ltd

Phil O’Reilly, Chief Executive, BusinessNZ

Mike Petersen, Chairman, Beef + Lamb New Zealand

Graham Stuart, Chief Executive, Sealord Group Ltd

Stephen Jacobi, Executive Director

Fiona Cooper Clarke, Associate Director

1. MFAT website, March 2013 [↑](#footnote-ref-1)
2. “RCEP and FTAAP”, a presentation by Yoshi Fukunaga, Economic Research Institute for ASEAN and East Asia, to the APEC Business Advisory Council, Manila, 22 January 2013. [↑](#footnote-ref-2)
3. APEC’s Bogor goals, renewed at the APEC Leaders meeting in Lima in November 2008, call for free trade amongst developed countries by 2010 and developing countries by 2020. NZIBF recognises that the goal for developed countries is now unattainable. [↑](#footnote-ref-3)