



SUBMISSION TO THE MINISTRY OF FOREIGN AFFAIRS AND TRADE

TRANS PACIFIC PARTNERSHIP NEGOTIATIONS EXPRESSIONS OF INTEREST FROM JAPAN, CANADA AND MEXICO

FEBRUARY 2012

Introduction and Summary

1 This submission is made on behalf of both the NZ US Council (the Council) and the NZ International Business Forum (NZIBF) whose members, listed respectively at Annex A and Annex B, represent significant commercial interests in the NZ/US relationship and in New Zealand's external economy.

2 Both the Council and NZIBF welcome and support the Government's efforts to negotiate a Trans Pacific Partnership (TPP) which both provides a new benchmark for trade and investment liberalisation amongst the membership and an effective pathway to the broader concept of a Free Trade Area of the Asia Pacific (FTAAP). Both organisations see TPP as being the most practical means to realise a deeper economic relationship between New Zealand and the United States as well as other key partners in the region, to improve the operation of regional supply chains and to promote regional economic integration. Both organisations welcome the progress that has been made in the negotiations to date, reflected in the broad outlines of TPP which were released at the APEC Economic Leaders meeting in Honolulu in November 2011. These broad outlines constitute a very clear and unambiguous statement of the vision for TPP as a high quality, ambitious and comprehensive agreement. Both organisations support the goal of seeking to conclude the negotiations if possible in the course of 2012.

3 Both the Council and NZIBF welcome the expressions of interest on the part of Japan, Canada and Mexico to join the TPP negotiating process. To realise the ambition of TPP as a pathway towards FTAAP it is important that the process be open to further APEC economies joining the negotiations at an appropriate time. New Zealand has significant trade and investment interests with each of the three aspirant members which could be addressed through their inclusion in TPP. The organisations therefore support in principle the inclusion of Japan, Canada and Mexico in the negotiations.

4 The broad outlines released in Honolulu provide an indication of the standards that each aspirant needs to be prepared to meet in terms of liberalisation. While these standards may pose challenges for each of the three aspirant economies, it should be up to each economy to demonstrate how it is prepared to meet these standards. Future members should be in no doubt about the future shape of the final agreement.

5 Given the momentum that has been established in the negotiating process to date, both organisations urge the Government to continue to engage actively with the nine existing partners with a view to concluding the negotiations in the course of this year and to establish parallel consultation processes with the three aspirant members. These consultation processes should aim to clarify the applicability of the broad outlines to the trade policy regimes in each of the aspirant economies and to determine the timing for each aspirant to join the negotiation. While it would be unwise to allow this to slow up the broader negotiating process, it may be advantageous to allow aspirants to observe proceedings as soon as possible pending their full association.

About the NZ US Council (www.nzuscouncil.com)

6 The New Zealand United States Council was established in 2001. It is a non-partisan organisation, funded by business and the Government, and committed to fostering and developing a strong and mutually beneficial relationship between New Zealand and the United States. The Council stands as a credible, non-governmental voice in this relationship. It has developed a strong platform and excellent networks to communicate the significance of the relationship to New Zealanders and to develop an active American constituency. The Council's present financial supporters include some of New Zealand's largest companies covering the primary, manufacturing, finance, travel and services sectors. The Council works closely with its counterpart in Washington DC, the US NZ Council, with other business groups in New Zealand and the United States¹ and with government agencies, especially the Ministry of Foreign Affairs and Trade, New Zealand Trade and Enterprise, Tourism NZ and the New Zealand Embassy in Washington. The Council is governed by a Board of directors chaired by the Rt Hon James Bolger ONZ, former Prime Minister of New Zealand. An Advisory Board provides advice and support to the Board.

¹ Including the US TPP Business Coalition, Emergency Committee on American Trade (ECAT), US Chambers of Commerce, National Association of Manufacturers, National Foreign Trade Council, US-ASEAN Business Council and the Council for the Americas

About NZIBF (www.nzibf.co.nz)

7 Incorporated in May 2007², NZIBF aims to ensure New Zealand enterprises are fully integrated and engaged in the global economy and New Zealand's global competitive position is maximised. To enable New Zealand business to exploit new opportunities in international markets, NZIBF provides leadership; works with businesses and affiliated business organisations to implement key projects; and articulates the needs and priorities of New Zealand's international business as well as the importance of open markets to both the New Zealand Government and stakeholders.

8 The NZIBF Board chaired by Sir Graeme Harrison, Chairman of Anzco Foods, brings together leaders from amongst New Zealand's largest internationally oriented companies and peak business organisations. NZIBF works closely with other business organisations and the New Zealand Government to implement its strategic plan. With assistance from the Government has under implementation a project aimed at enhancing New Zealand's business and economic engagement with Japan. NZIBF has publicly advocated the conclusion of a comprehensive FTA with Japan.

TPP: progress to date

9 The Council and NZIBF believe that TPP provides an effective model or template for trade and investment liberalisation amongst Asia Pacific economies. TPP has been confirmed by APEC Economic Leaders as providing a pathway for achieving the proposed Free Trade Area of the Asia Pacific (FTAAP) and realising APEC's stated goal of free and open trade and investment in the region by 2020³. If successfully concluded TPP would deliver a vehicle for achieving the NZ US Council's long-standing goal of a free trade agreement with the United States. The United States remains a key economic partner for New Zealand, one in which we are disadvantaged by the absence of an FTA. The Council has therefore been a strong advocate of an FTA which would serve to eliminate trade barriers for agricultural and a range of other goods and services; provide greater security for existing trade and investment; restore the competitive balance in the market between New Zealand and other suppliers such as Chile and Australia which already have FTAs; open up federal government procurement to New Zealand suppliers; and focus important commercial attention on the relationship. While, with the growth of the Chinese market, New Zealand's exposure in the United States has lessened to a certain extent in recent years, it should not be overlooked that New Zealand has important

² NZIBF is a successor organisation to the NZ Trade Liberalisation Network Inc which was established in 2001.

³ APEC's Bogor goals, reaffirmed at the APEC Leaders meeting in Yokohama in November 2010, call for free and open trade in the region including amongst developing countries by 2020.

economic interests with the United States to advance and protect through an FTA in the context of TPP.

10 The Council together with NZIBF recognise that the vision for TPP is much bigger than just the United States: TPP provides a means of reducing the costs of doing business in the region, improving the operation of regional supply chains and expanding trade and investment as a means to promote sustainable economic growth and reverse the effects of ongoing financial and economic instability. TPP has the capacity to become a next generation agreement which while addressing market access issues also focuses on behind the border issues of concern to business, promoting regulatory coherence and greater alignment between domestic economies. This agenda is of particular relevance to businesses operating in multiple locations across the region. TPP is not the only potential pathway to FTAAP and greater regional economic integration but it is the most advanced and it is being conducted through a negotiating framework that has been accepted by nine partners on both sides of the Pacific and reflecting differing stages of development. TPP is also the US Administration's only current trade negotiating initiative.

11 Both organisations welcome the progress that has been made by the nine parties in the negotiation to date. In particular the announcement of the "broad outlines" of TPP at the APEC Economic Leaders meeting in Honolulu in November 2011 marked a significant milestone in the negotiation. The broad outlines make clear that the vision for TPP is for a future agreement which is high quality, ambitious and comprehensive. The organisations believe the wording of the broad outlines was unambiguous in this regard and provides a clear statement for existing and future participants in TPP about the standards they will be required to meet in acceding to the final agreement. The organisations have noted the intent to work towards concluding negotiations in 2012 and support this goal provided the final outcome reflects the level of ambition expressed in the broad outlines. The organisations define "concluding negotiations" to mean reaching final consensus on the draft legal text (subject to legal verification) as well as accompanying market access schedules.

Potential new members: Japan, Canada, Mexico

12 The NZ US Council has previously submitted that New Zealand should be open to further APEC economies joining the negotiations at an appropriate time⁴ and that the final agreement should contain relevant provisions relating to the future accession of new parties. Both organisations believe that the credibility of TPP in terms of a pathway to FTAAP would be significantly enhanced by the addition of further economies. Indeed TPP's broader utility as a pathway to FTAAP would be

⁴ In its earlier submission to MFAT the Council considered the New Zealand Government should not exclude the possibility at an appropriate time of admitting other negotiating partners beyond APEC.

impaired if further economies including the larger economies in the region such as Japan, China and Korea were effectively unable to join.

13 As noted above the broad outlines released in Honolulu should leave aspirant economies in no doubt about the standards which they will need to meet in any future agreement: each aspirant economy should therefore be required to demonstrate to the satisfaction of existing participants that they are in a position to meet these standards and if so be admitted to the negotiation as soon as practically possible. This should not be interpreted as a “pre-negotiation”, rather a process which aims to clarify the applicability of the broad outlines to the trade policy regimes in each of the aspirant economies.

Japan

14 NZIBF is already on public record as supporting the negotiation of a comprehensive FTA between New Zealand and Japan. Japan is New Zealand’s fourth largest export market (7.5 percent of exports) and a major investment partner for New Zealand. Japan’s significance relative to other partners has been declining in recent years and Japan is virtually the only Asian economy with which New Zealand neither has an FTA nor a negotiation underway. In a situation similar to that in the United States New Zealand is disadvantaged relative to competitors in the Japanese market who either have FTAs (such as Chile) or are in negotiations to achieve an FTA (such as Australia). The prospect that Australia might succeed in eliminating the current 38.5 percent MFN tariff rate in beef is a particular risk for New Zealand. For these reasons both organisations support in principle Japan’s involvement in TPP.

15 Both organisations are aware of the intense policy debate that the prospect of TPP membership has engendered in Japan. This debate is unprecedented: for the first time the potential for liberalisation of the highly protected agricultural sector is being actively discussed and powerful economic organisations in Japan such as the Keidanren and Chambers of Commerce are calling for radical change in economic management. While there is clearly considerable opposition to TPP in Japan there is also significant support and the intensity of the debate points to the seriousness with which the Japanese Government is approaching TPP.

Canada

16 Canada is a significant global economy and an old friend of New Zealand although the economic relationship (Canada is New Zealand’s 19th largest trading partner) has never matched the closeness of political ties: this is largely because Canada maintains policies which restrict or impair market access for dairy (through the operation of supply management policies) and wine (through the existence of monopolistic liquor distribution agencies in some provinces especially Ontario).

Canadian involvement in TPP would provide an opportunity to address these market access barriers while also adding to the reach of TPP in terms of a broader regional agreement. Both organisations therefore support in principle Canada's involvement in TPP.

17 In the past Canada has shown itself reluctant to address agricultural market access barriers, although it may be forced to do so in the context of current FTA negotiations underway with the European Union. Commentary in Canada suggests that the policy debate about TPP is only just beginning. The political complexity of addressing supply management in the dairy industry and the strength of opposition of the highly protected dairy sector should however not be under-estimated. Both organisations consider the continuation of supply management for dairy products to be incompatible with Canada's future membership of TPP.

Mexico

18 Mexico is New Zealand's 25th largest trading partner and a market where New Zealand's access, especially for beef was impaired by Mexico's accession to NAFTA. Both organisations support in principle Mexico's involvement in TPP.

Timing issues

19 While the Council and NZIBF support in principle the participation of Japan, Canada and Mexico in the negotiations, careful consideration needs to be given to the timing of their involvement. On the one hand legislative requirements in the United States in particular are likely to require a three month consultation period with Congress; on the other there is a risk that the aspirant economies particularly Japan and Canada with defensive concerns on agricultural and other issues may complicate the negotiation. For this reason the Council and NZIBF believe that the priority should be on concluding negotiations among the nine participants if possible in the course of 2012 and initiating a parallel consultation process with regard to Japan, Canada and Mexico. As noted above the aim of this process should be to determine whether the aspirant economies are in a position to meet the standards set by the broad outlines and to set a timetable for their admission to the negotiation. Provided there is comfort with their ability to meet the high standards of TPP, the aspirants could be admitted to the negotiation as soon as possible. This may not occur until after the negotiation amongst the nine is completed. If this is so the time between the conclusion of TPP9 and the ratification of the agreement should be used to develop the modalities for the expansion of the agreement to TPP12. If existing participants agree it may be advantageous to allow aspirants to observe proceedings as soon as possible pending their full association to the negotiation.

Issues in the negotiation

20 As noted above, the Council and NZIBF have wide sectoral membership and operate as umbrella groups and leadership bodies. The role of both organisations is to support the negotiating process so that it ultimately leads to the timely conclusion of a high quality, ambitious and comprehensive agreement which delivers value for New Zealand interests. It is not the organisations' role to represent specific industry viewpoints in the negotiation – this is best left to industry sectoral groups and individual members of both organisations can be expected to make their own submissions.

Recommendations to the Ministry of Foreign Affairs and Trade

21 The Council and NZIBF recommend that the Ministry:

- (a) **note** both organisations' support for the broad outlines of TPP released in Honolulu last November
- (b) **note** both organisations' support in principle for the inclusion of Japan, Canada and Mexico in the TPP negotiations
- (b) **agree** that the immediate priority in the negotiation is to complete the negotiation among the nine existing participants as soon as possible
- (c) **agree** that a parallel consultation process be undertaken with Japan, Canada and Mexico with a view to determining those economies' ability to meet the standards of high quality, ambition and comprehensiveness as set out in the broad outlines
- (d) **agree** that provided the aspirant economies are prepared to meet the high standards set by the broad outlines they should be admitted to the negotiation as soon as practically possible.

For further information please contact:

Stephen Jacobi
Executive Director
NZ US Council/ NZ International Business Forum
Phone: (06) 834 3883
Cell: 0294 725 502
Email: stephen@jacobi.co.nz

NZ US Council
Auckland

NZ International Business Forum
Wellington

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ANNEX A

NZ US COUNCIL: MEMBERSHIP 2011-12

Executive Committee

Rt Hon James Bolger ONZ, Chairman
Malcolm Bailey, Board member, Fonterra Co-operative Group Ltd
Michael Barnett, Chief Executive, Auckland Regional Chamber of Commerce
Scott Champion, Chief Executive, Beef + Lamb New Zealand
Fiona Cooper Clarke, Principal, Cooper Clarke Consulting
Bill Falconer, Chairman, Meat Industry Association
Tim Green, Group General Manager, New Zealand Trade and Enterprise
Mike Hearn, Executive Director, American Chamber of Commerce in New Zealand
Murray Jack, Chief Executive, Deloitte
David McLean, Chief Executive, Westpac Institutional Bank
Nigel Moore, Director, Americas Division, Ministry of Foreign Affairs and Trade
John Whittaker, General Manager, Alliances and Government, Air New Zealand

Stephen Jacobi, Executive Director
Christine Connon, Manager, Bi-lateral Business Councils, Auckland Regional Chamber of Commerce

Advisory Board

Helen Anderson, Chairperson, Fulbright NZ
Rt Hon Sir William Birch, former Minister of Finance
Harvey Brookes, Manager, International Relations, Auckland City Council
Lucy Coghill, Future Partners Forum
Leanne Cheesman, Manager, NZ & Pacific Islands, United Airlines
Erica Crawford, Managing Director, Tentpole Holdings Ltd
Robert Falvey, Partner, Minter Ellison Rudd Watts
Charles Finny, Consultant, Saunders Unsworth
Mark Fitz-Gerald, Head of Wealth, Westpac
Philip Grogan, Chief Executive, NZ Winegrowers
Sir Graeme Harrison, Chairman, Anzco Foods Ltd
Brian Lynch, Director, NZ Institute of International Affairs
Phil O'Reilly, Chief Executive, Business NZ and Export NZ
Rick Osborne, Group General Manager, External Relations, Fonterra Co-operative Group
Fran O'Sullivan, Columnist
Suzanne Snively, Managing Director, More Media Enterprises Ltd

Hon Jim Sutton, Chairman, Landcorp
Stephen Titter, President, American Chamber of Commerce
Simon Tucker, General Manager, Policy, Dairy NZ
John Wood QSO, former New Zealand Ambassador to Washington
Shay Wright, Future Partners Forum

Financial partners

Air New Zealand
ANZCO Foods Ltd
ASB Bank
Auckland City Council
Auckland University
Beef + Lamb New Zealand
BusinessNZ
Christchurch Engine Centre
Citigroup
Dairy NZ
Deloitte
Fisher & Paykel Healthcare
Fonterra Co-operative Group
Gallagher Group
MSD
Ministry of Foreign Affairs and Trade
New Zealand Post
New Zealand Trade and Enterprise
New Zealand Winegrowers
Orion Health
Meat Industry Association
Medicines New Zealand
Saatchi & Saatchi
Tait Radio Communications
Telecom New Zealand
Tourism New Zealand
Turners and Growers
University of Canterbury
Westland Milk Products
Westpac Institutional Bank
Zespri International Limited

(October 2011)

ANNEX B**NZ INTERNATIONAL BUSINESS FORUM: MEMBERSHIP 2011-12**

Sir Graeme Harrison (Chair), Chairman, ANZCO Foods Ltd
Malcolm Bailey, Director, Fonterra Co-operative Group
Michael Barnett, Chief Executive, Auckland Regional Chamber of Commerce and Industry (*representing the New Zealand Chambers of Commerce*)
Rod Carr, Vice Chancellor, University of Canterbury
Peter Clark, Chief Executive, PF Olsen Ltd
Don Elder, Chief Executive, Solid Energy Ltd
Kerry Francis, Chief Executive, Institutional Banking, ASB Bank Ltd
John Loughlin, Chairman, Zespri International Ltd
Phil O'Reilly, Chief Executive, Business NZ
Mike Petersen, Chairman, Beef + Lamb New Zealand
Graham Stuart, Chief Executive, Sealord Group Ltd

Alternate Directors

Catherine Beard, Executive Director, Export NZ/Manufacturing NZ
Scott Champion, Chief Executive, Beef + Lamb New Zealand
Simon Limmer, General Manager, Grower and Government Relations, Zespri
Stephen Jacobi, Jacobi Consulting Ltd (*Executive Director*)
Fiona Cooper Clarke, Cooper Clarke Consulting (*Associate Director*)

(December 2011)