



SUBMISSION TO THE MINISTRY OF FOREIGN AFFAIRS AND TRADE

PROPOSED NEW ZEALAND INDIA FREE TRADE AGREEMENT

MARCH 2010

Introduction and Summary

1 This submission is made on behalf of the NZ International Business Forum (NZIBF) whose members are listed at Annex A. NZIBF is a grouping of senior business leaders working to promote New Zealand's engagement in the global economy.

2 NZIBF welcomes and supports the Government's intention to negotiate a free trade agreement (FTA) with India. New Zealand's economic relationship with India is relatively under-developed as high tariff and non tariff barriers have prevented a significant expansion of New Zealand exports and there is a lack of awareness of opportunities in each other's markets. Even under current restrictions however trade is growing rapidly from a small base. Given that India's contribution to the global economy appears set to increase significantly in coming years NZIBF believes there is ample scope to expand the relationship further. An FTA should provide a means to remove existing trade barriers, expand trade and investment, ensure New Zealand is well positioned to establish economic linkages with a new Asian powerhouse and provide important impetus to broader trade liberalisation efforts. In addition to improved market access, an FTA could be expected to focus new commercial attention on opportunities in each other's market and contribute to new investment, innovation, economic growth and job creation.

3 NZIBF, as a leadership body, leaves to sectoral groups the task of identifying specific issues in the negotiation but NZIBF believes that the goal of the FTA should be a comprehensive agreement with a commitment to eliminate all barriers in all goods and services sectors by an agreed deadline. NZIBF believes there should be no *a priori* sectoral exclusions from the ambit of the negotiations but recognises 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. NZIBF recommends to the New Zealand Government that it proceeds to conclude these negotiations as soon as practically possible.

4 NZIBF looks forward to working closely with the New Zealand Government to support a successful outcome to these negotiations.

About the NZ International Business Forum

5 Incorporated in May 2007¹, 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.

6 The NZIBF Board 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.

7 With assistance from the Government, NZIBF already has under implementation projects aimed at enhancing New Zealand's business and economic engagement with Japan, Korea and the European Union. In its strategic plan for 2010-2012 NZIBF has also identified strengthening the relationship with India to be a focus for 2011 onward. Future NZIBF activity in relation to India is likely to take the form of steps designed to deepen engagement with Indian business leaders at the strategic level and to develop and foster a constituency for New Zealand in India that could be used to support the negotiating process.

8 While this submission is made on behalf of the NZIBF membership a number of NZIBF 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 with India

9 NZIBF believes that the economic relationship with India is under-developed. India currently ranks as only 13th as an export market and the level of investment

¹ NZIBF is a successor organisation to the NZ Trade Liberalisation Network Inc which was established in 2001.

between the two countries is also low. The reasons for this include the high tariff and non tariff barriers in the Indian market, the small size of the New Zealand market and the lack of awareness of opportunities that exist. Given that both countries have enjoyed for many years a positive relationship, and that the pace of economic reform in India appears to be quickening, there is reason to believe that the economic relationship could be strengthened significantly through an FTA. Trade is increasing rapidly from a small base (compound growth of 28.2 percent since 2000-08 and 16 percent growth in 2009). New Zealand and India have undertaken a joint study to inform the negotiating process². The study found that a NZ/India FTA would increase real GDP, economic welfare and bilateral merchandise flows. NZIBF welcomes and endorses the findings of this study.

10 NZIBF believes there is ample scope to expand the relationship with India in ways that reflect our respective economic strengths and the fundamental complementarities of our two economies. New Zealand's strengths as a supplier of sustainably produced food and natural resources are of strategic interest to India. India's industrial and technological capabilities are important to New Zealand. There are niche opportunities to be explored in the services sector including the ICT and creative industries. NZIBF believes that an FTA would make a positive contribution to improving the environment for business between the two countries and contribute to increased innovation and technology transfer.

11 India maintains high applied and bound tariffs on a number of key export items including dairy products (20-60 percent), chilled and frozen beef and chilled sheepmeat (30 percent with a binding at 100 percent), frozen sheepmeat (30 percent with bound rates ranging from 35 percent to 100 percent), kiwifruit (30 percent, with a binding at 100 percent) as well processed wood products which could be targeted for elimination in the FTA. Due to current stringent Indian sanitary and phytosanitary (SPS) requirements, there is no trade in sheepmeat, beef, goatmeat or offals between New Zealand and India. Problems have been encountered also with the implementation of India's SPS regime for kiwifruit. Indian authorities currently do not accept the use of phosphine as a treatment for logs despite its widely accepted use in other markets and superior performance. Tariff escalation prevents the export of more value-added wood products. The combined effect of these restrictions has been to prevent the development of exports in those areas where New Zealand enjoys significant competitive advantage.

12 NZIBF believes that an FTA between the two countries should provide a means to remove existing trade barriers, expand trade and investment, ensure New Zealand is well positioned to establish economic linkages with a new Asian powerhouse and provide important impetus to broader trade liberalisation efforts.

² "India New Zealand Joint Study for a Free Trade Agreement/Comprehensive Economic Agreement", Indian Ministry of Commerce and Industry/NZ Ministry of Foreign Affairs and Trade, 30 March 2009

In addition to improved market access, an FTA could be expected to focus commercial attention on opportunities in each other's market with consequent positive impact on trade, new investment, economic growth and job creation in New Zealand.

Issues in the negotiation

13 NZIBF is primarily a leadership body: its membership comprises representatives of key sectors as well as New Zealand's largest business organisations with an interest in promoting New Zealand's relationship with the India as well as other key partners. NZIBF's role is to support the negotiating process so that it ultimately leads to the timely conclusion of a comprehensive FTA which delivers value for New Zealand interests. It is not NZIBF's role to represent specific industry viewpoints in the negotiation – this is best left to industry sectoral groups.

14 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. The aim should be the complete elimination of tariff lines between India and New Zealand. As with New Zealand's other FTAs, the services schedule should follow a negative list approach meaning that categories of services are included unless specifically excluded. Services liberalisation should be achieved across all four modes of supply. NZIBF recognises that differing sectors may be subject to differing timetables for liberalisation. In general the 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 NZ/China FTA or to which India may be a party either now or in the future (particularly Singapore, China, ASEAN and the European Union).

15 NZIBF agrees that issues of concern to India should also be placed on the agenda of the negotiation. 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. NZIBF recognises that whether concessions are made will be determined by the New Zealand Government after consultation with stakeholders and with regard to the overall balance of interests achieved in the negotiation.

16 NZIBF believes the negotiating agenda for the FTA 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 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.

17 NZIBF is mindful that New Zealand is currently engaged in negotiations towards an expanded Trans Pacific Strategic Economic Partnership (TPP) with the existing signatories (Brunei, Chile and Singapore) along with Australia, Peru, the United States and Viet Nam (initially as an observer). NZIBF believes that benchmarks to be set in the TPP negotiation should also be reflected in the NZ/India FTA. Given that TPP has been mooted as a possible template for trade liberalisation in the Asia Pacific region NZIBF further believes that there may be a case to extend TPP membership to India in due course. Similarly NZIBF believes that India is a credible candidate for membership of the APEC grouping.

18 While conscious of the complexity of the negotiations NZIBF recommends to the New Zealand Government that it proceeds to conclude these negotiations as soon as practically possible.

Recommendations to the Ministry of Foreign Affairs and Trade

19 NZIBF recommends that the Ministry:

- (a) **note** the NZIBF's support for the negotiation of a comprehensive FTA between New Zealand and India
- (b) **agree** that the goal of the FTA should be the elimination of all 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 and **consider** transitional adjustment assistance where necessary
- (e) **agree** to proceed to conclude these negotiations as soon as practically possible
- (f) **note** that NZIBF intends to develop a focus on India in 2011 with a view to designing and implementing a project to support the negotiation in both New Zealand and India.

For further information

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**NZ International Business Forum
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ANNEX A

NZIBF: MEMBERSHIP 2010

Graeme Harrison, Chairman, ANZCO Foods (*Chair*)
Rod Carr, Vice-Chancellor, University of Canterbury
Peter Clark, Chief Executive, PF Olsen and Company
Don Elder, Chief Executive, Solid Energy NZ Ltd
Charles Finny, Chief Executive, Wellington Regional Chamber of Commerce*
Robin Hapi, Chairman, Sealord Group Ltd
Gary Judd QC, Chairman, ASB Bank Ltd
John Loughlin, Chairman, Zespri International Ltd
Mike Petersen, Chairman, Meat and Wool New Zealand
Phil O'Reilly, Chief Executive, Business NZ
Henry van der Heyden, Chairman, Fonterra Co-operative Group Ltd

Stephen Jacobi, Jacobi Consulting Ltd (*Executive Director*)
Gabrielle Rush, Rush Consulting (*Associate Director*)

* *Representing the New Zealand Chambers of Commerce*

Alternate directors

Malcolm Bailey, Board member, Fonterra Co-Operative Group Ltd
Scott Champion, Chief Executive, Meat and Wool NZ
Carol Ward, Director, Corporate and Grower Services, Zespri International