



SUBMISSION TO THE FOREIGN AFFAIRS, DEFENCE AND TRADE COMMITTEE OF THE NEW ZEALAND PARLIAMENT

INTERNATIONAL TREATY EXAMINATION OF THE AGREEMENT BETWEEN NEW ZEALAND AND THE SEPARATE CUSTOMS TERRITORY OF TAIWAN, PENGHU, KINMEN AND MATSU ON ECONOMIC COOPERATION (ANZTEC)

JULY 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 warmly welcomes and supports the Government's intention to conclude an economic cooperation agreement ("ANZTEC") with the separate customs territory of Taiwan, Penghu, Kinmen and Matsu, or Chinese Taipei.
- 3 NZIBF believes this high quality agreement with New Zealand's 11th largest trading partner will lead to significant new trade and investment opportunities between the two economies and can be expected to contribute to economic growth and job creation. It is particularly pleasing to see a comprehensive market access agreement with a commitment to remove tariffs on all New Zealand exports to Chinese Taipei within specified periods. By the end of the first four years 98.7% of current exports to Chinese Taipei will be duty free. This is a very short period of time compared to many trade agreements and we wish to congratulate the two sides for this important achievement. The remaining tariffs on liquid milk and deer velvet will be lifted within 8-12 years, thus addressing two longstanding barriers to New Zealand exports.
- 4 This agreement is also consistent with wider trade and investment liberalisation efforts currently underway in the Asia Pacific region. While the agreement will be valuable to specific sectors of the New Zealand economy, we believe its strategic importance should not be underestimated.

About NZIBF

- 5 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, 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 competitiveness. NZIBF provides policy advice and support to the New Zealand members of the APEC Business Advisory Council (ABAC).

- 6 NZIBF has wide sectoral membership and operates as an umbrella group. While this submission is made on behalf of the membership of NZIBF, some members may also make their own submissions from a sectoral perspective.

Economic Importance of ANZTEC

- 7 We note that Professor Neil Quigley's earlier feasibility analysis¹ indicated that New Zealand could conservatively expect to generate increases in merchandise exports in excess of NZ \$100 million (at 2010 prices) as a result of any agreement which removed tariff barriers on New Zealand exports to Chinese Taipei. We believe there is significant potential on the upside.
- 8 NZIBF has noted the advantages of the ANZTEC as set out in the National Interest Analysis and has concluded that ANZTEC offers real economic benefits to New Zealand. On entry into force tariffs on 44% or NZ\$432.5 million of New Zealand's current exports to Chinese Taipei will be eliminated, with an estimated duty saving to New Zealand exporters of NZ\$40.3 million. A further \$8.7 million in duty savings will be achieved within two years on exports of New Zealand beef. A further \$14.7 million in duty savings will be achieved within three years on exports of New Zealand kiwifruit. It is pleasing to see longstanding barriers to exports of New Zealand deer velvet and liquid milk also being addressed, albeit over a longer timeframe. A deal which requires New Zealand to liberalize \$2.5m worth of tariffs in return for \$89m of tariffs liberalized by the Taiwanese is a very good deal indeed in our view.
- 9 In addition to these goods market access benefits, there are also excellent outcomes in other areas such as services and investment. The services agreement goes further than the basic WTO GATS agreement and will create new opportunities for New Zealand in the education services sector. The new high quality investment rules will facilitate a growing investment relationship. New Zealand will also benefit from new rules to facilitate the movement of business people in Chinese Taipei. We expect new business to flow from New Zealand's new access to the government procurement market in Chinese Taipei. We welcome the fact that ANZTEC creates a framework for addressing trade and investment issues including through an Investor State Dispute Mechanism and, for the first time in such an agreement, for addressing issues related to trade and labour, trade and the environment and indigenous people's issues.

¹ "An Assessment of the Potential Benefits from an Economic Cooperation Agreement Between the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) and New Zealand", by Prof. Neil Quigley, Victoria University of Wellington, 25 November 2011.

Strategic Importance of ANZTEC

- 10 The agreement has importance strategic significance in addition to the obvious economic benefits. It represents the third leg of the free trade stool in terms of New Zealand's trade relations with China, Hong Kong and Taiwan. It demonstrates that Taiwan is capable of entering into high quality trade agreements which is an important consideration at a time when wider regional trade agreements are under development, such as the Trans Pacific Partnership (TPP) and Regional Comprehensive Economic Partnership (RCEP). We see ANZTEC as being consistent with these moves towards greater regional economic integration. It represents another step forward towards regional consensus on the benefits of trade and investment liberalisation, thus taking us a step closer to our ideal of a Free Trade Area of the Asia Pacific.

Recommendations to the Foreign Affairs, Defence and Trade Committee

- 11 NZIBF recommends that the Committee:
- (a) **note** NZIBF's support for the economic cooperation agreement with Chinese Taipei.

**NZ International Business Forum
July 2013**

NZIBF: MEMBERSHIP JULY 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
Peter McBride, Chairman, Zespri International 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