



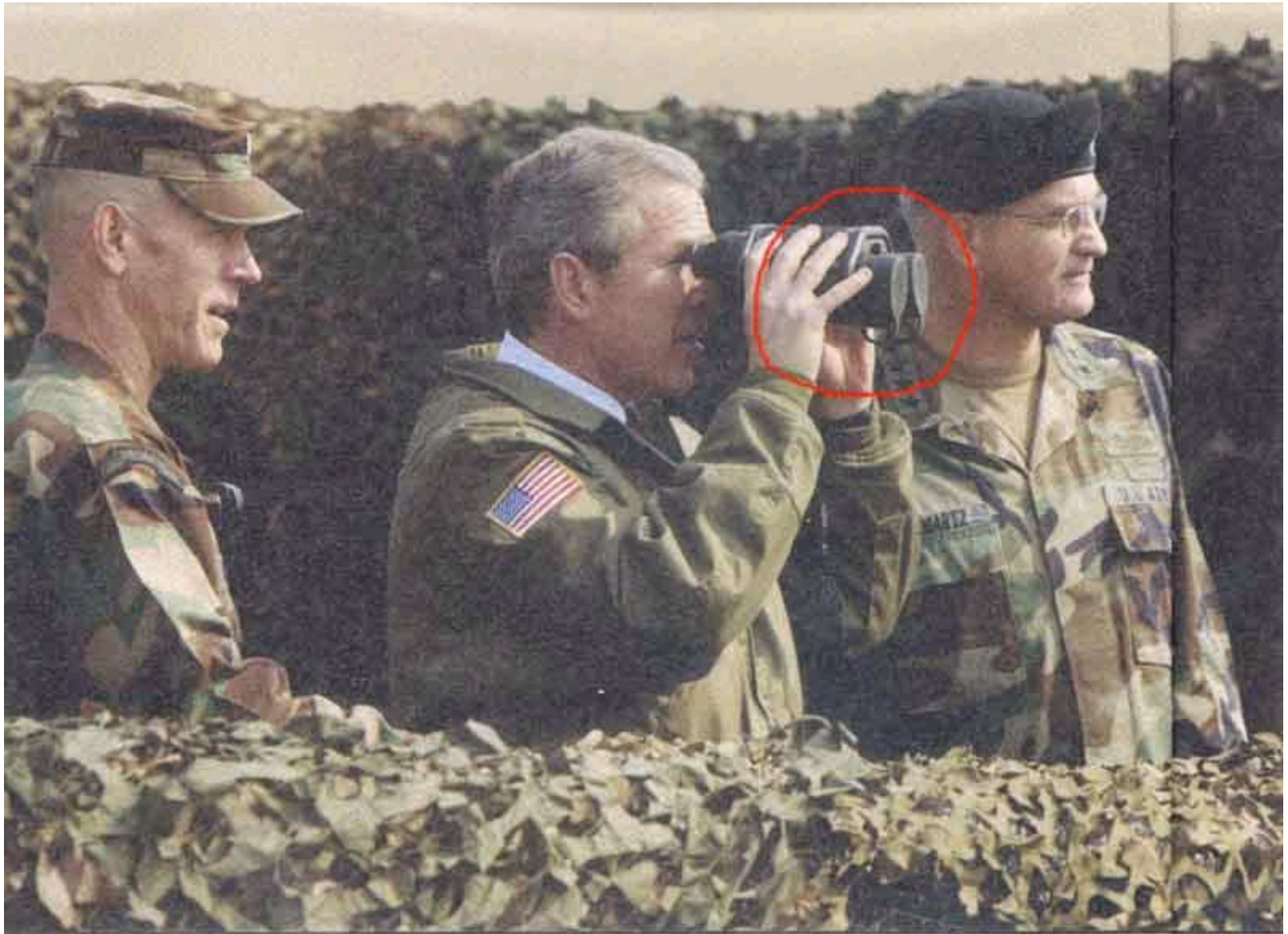
A hitch-hiker's guide to trade agreements

Presentation to U3A

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Wellington, 14 October 2014





OMMANNEY/CONTACT PRESS IMAGES

How not to look at the future

Outline

- What is the context in which NZ trades with the rest of the world ?
- How does NZ pursue freer and fairer trade?
- Is TPP the disaster so many say it will be?





- A collaboration of key business leaders
- Focus on integrating New Zealand into global economy
- Provides policy advice and support to  ABAC
- www.nzibf.co.nz
- www.tradeworks.org.nz

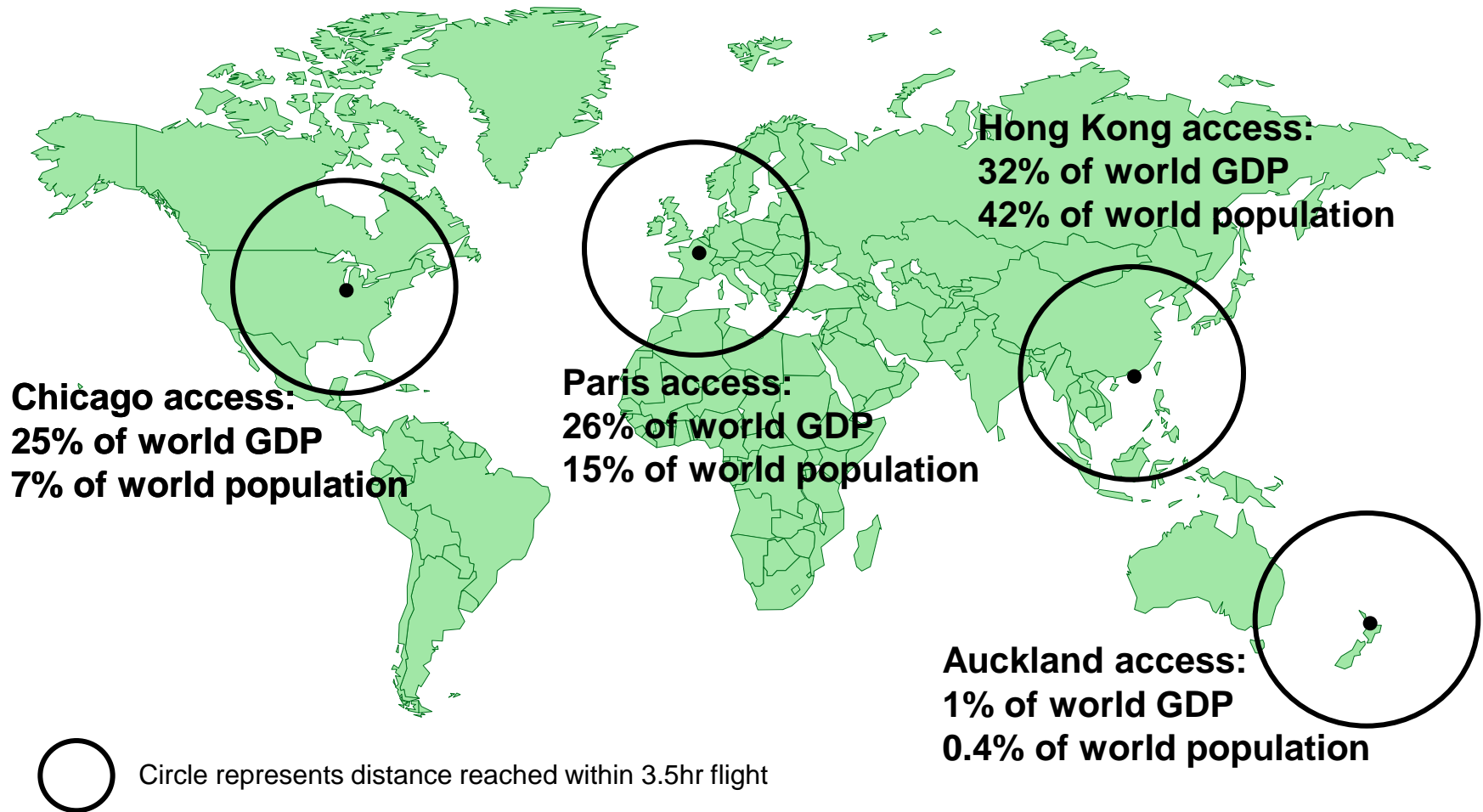


WHAT IS THE CONTEXT FOR TRADE?

New Zealand
has been built
on trade.

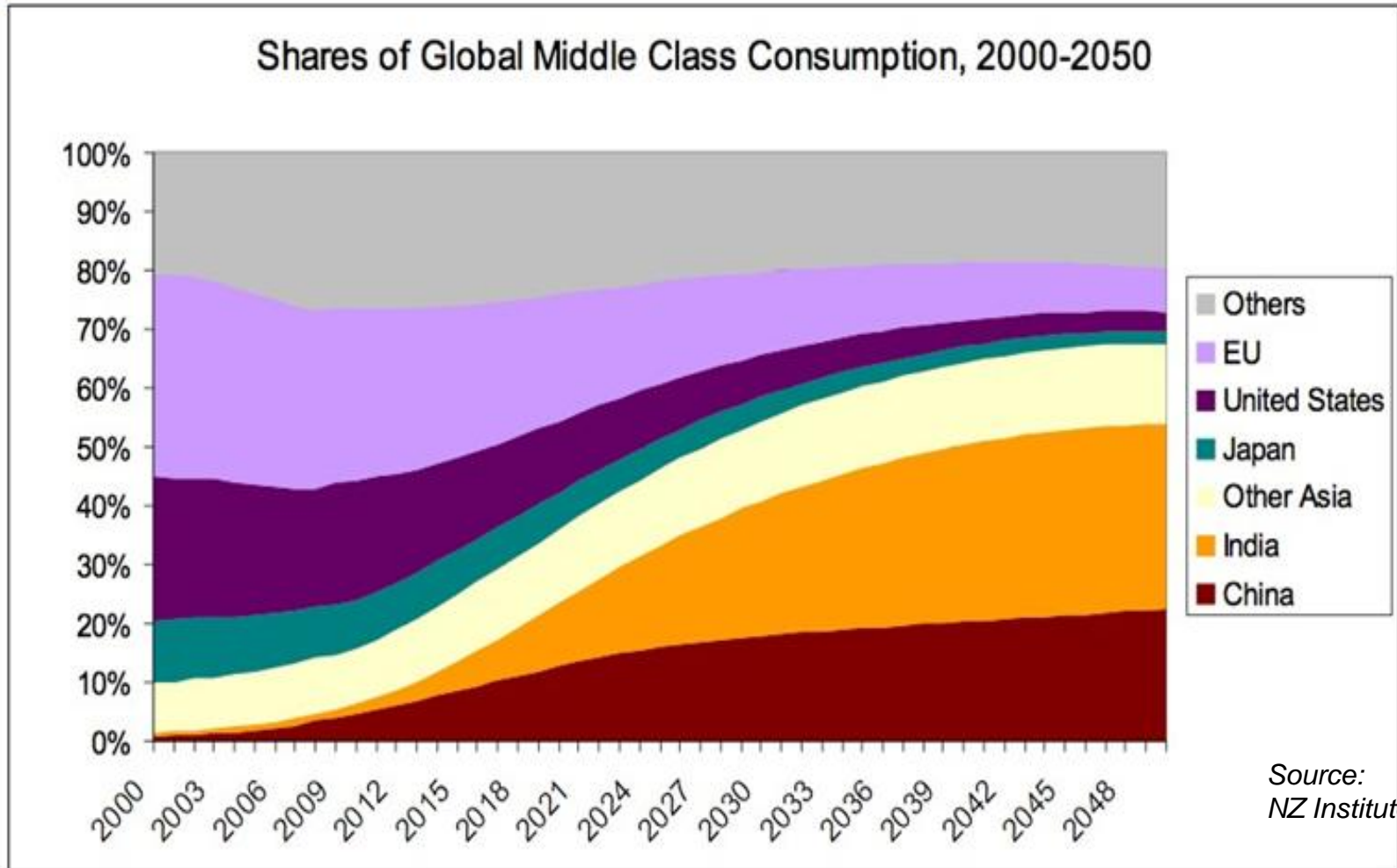


New Zealand's predicament

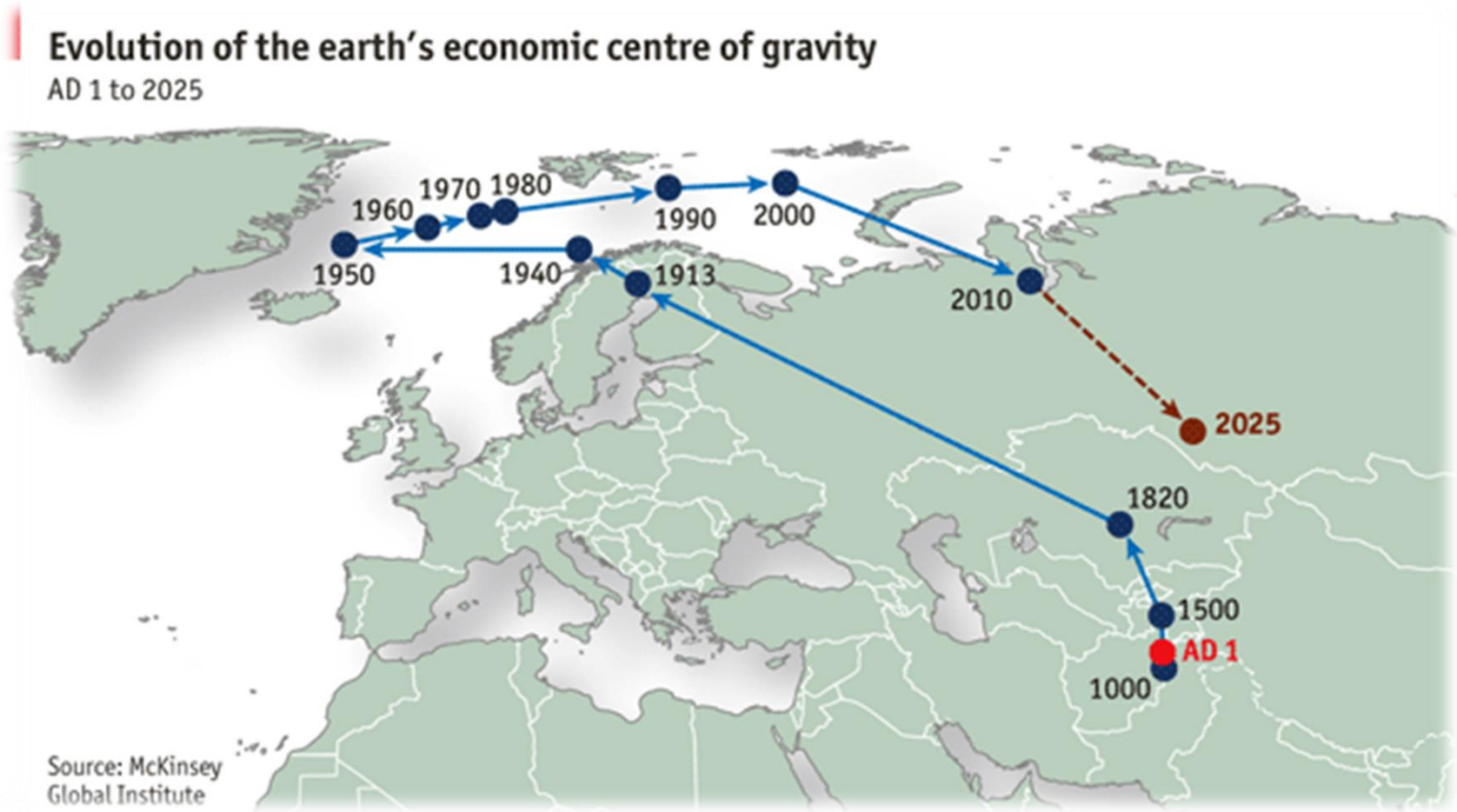


Source: Groningen Growth and Development Centre and the Conference Board, Total Economy Database, May 2006, <http://www.ggdc.net>

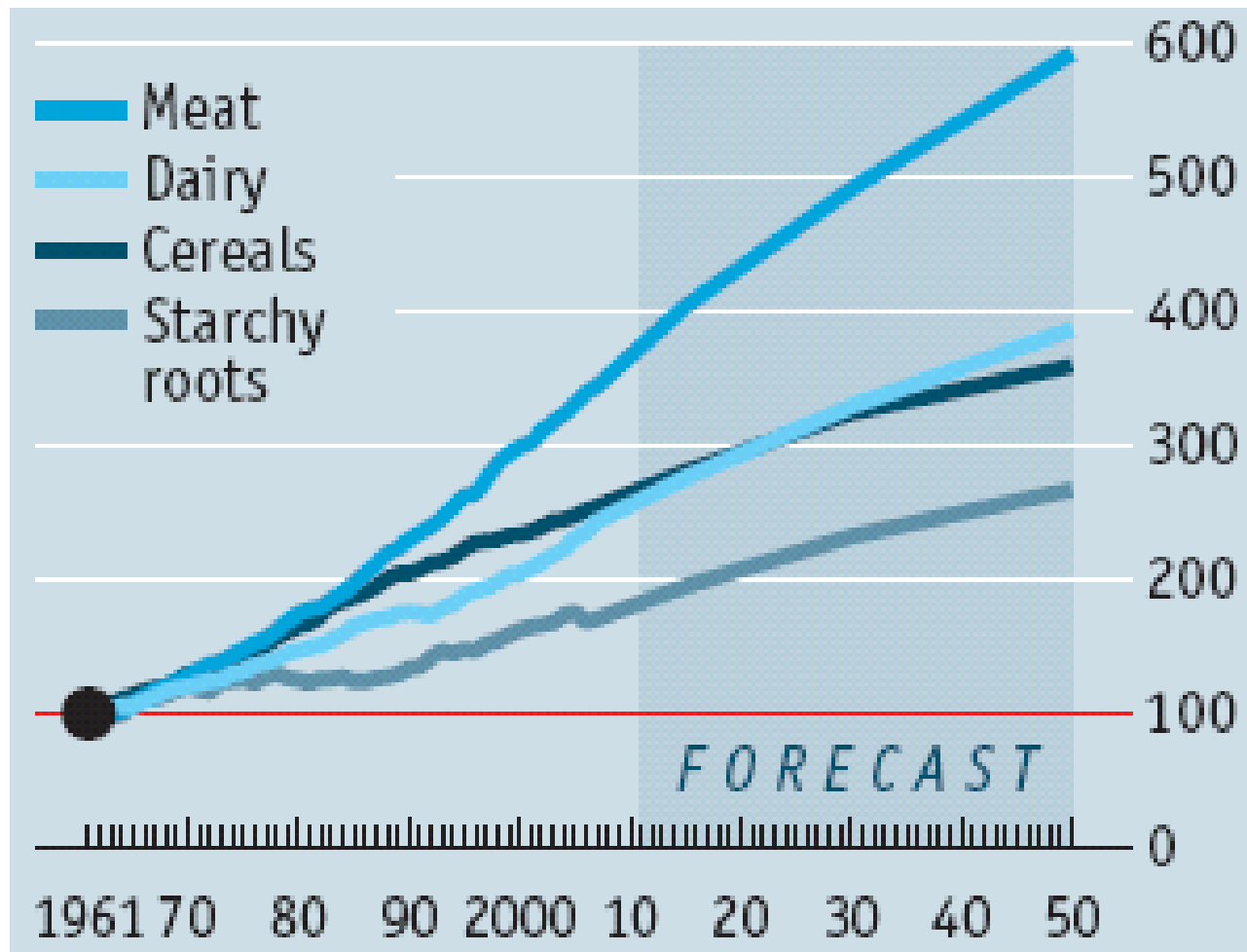
The world is changing



The re-emergence of Asia



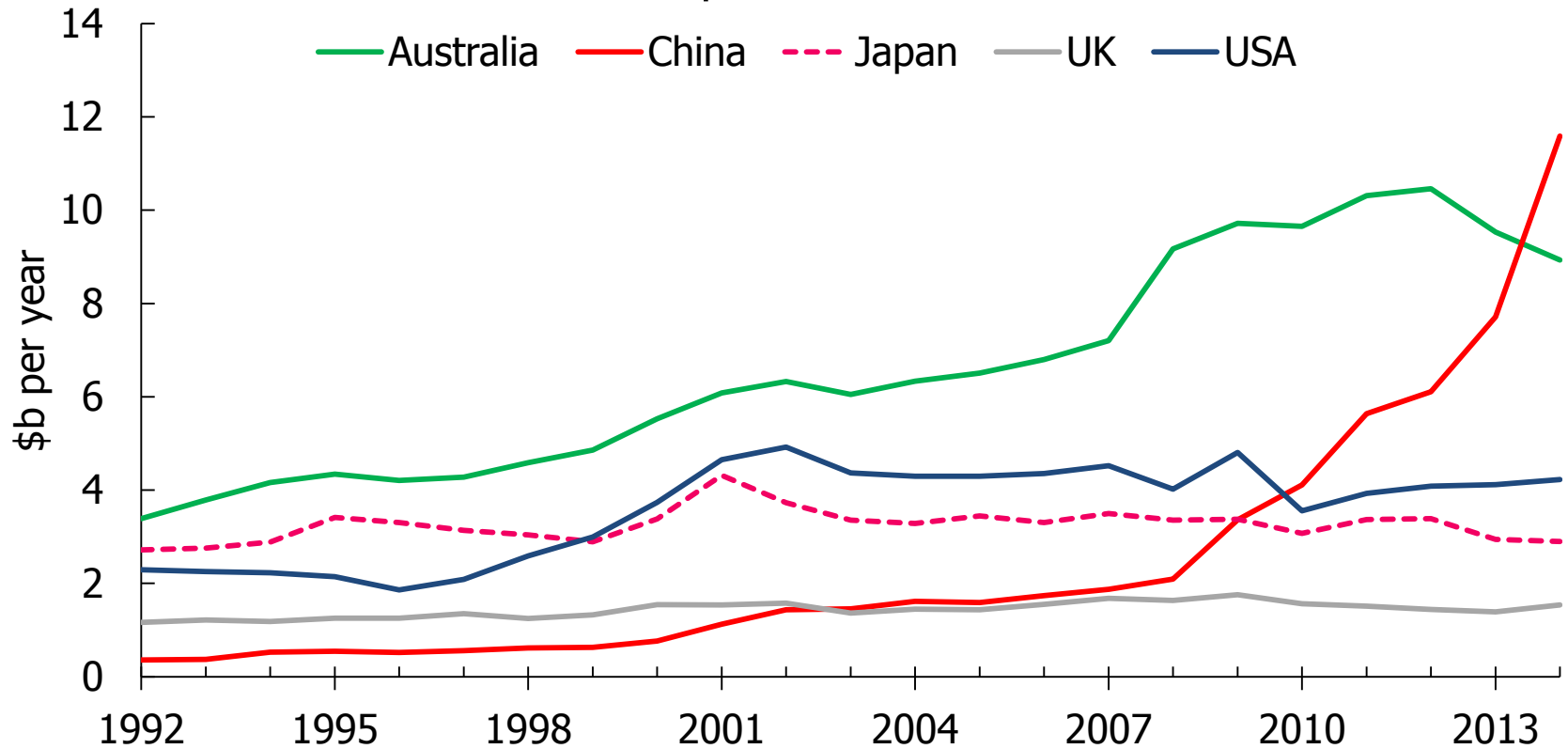
Global Food Demand, 1961 = 100



Source: FAO, Anzco

Exports to China have surged...

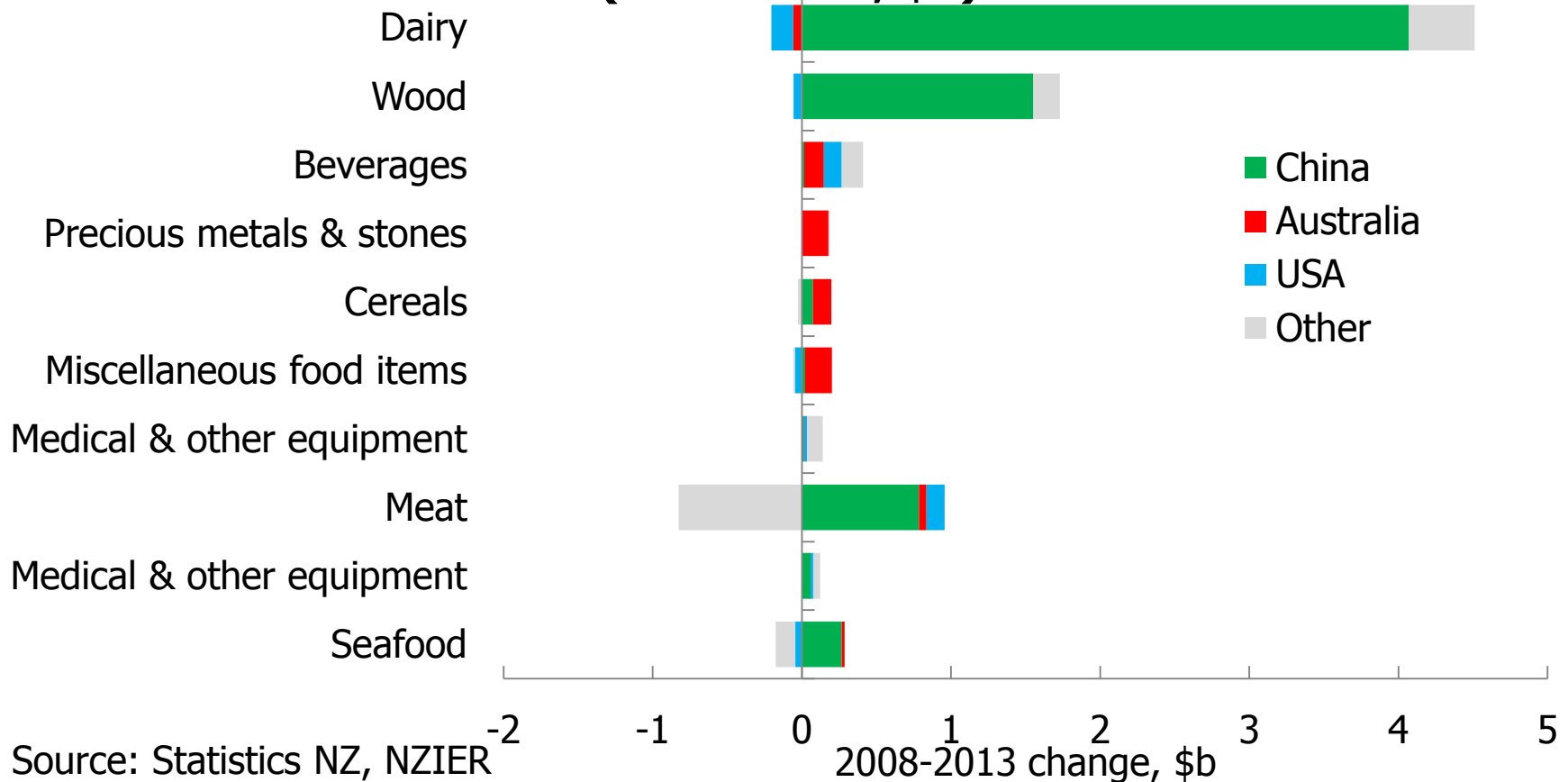
New Zealand Exports
Top 5 markets



Source: Statistics NZ, NZIER

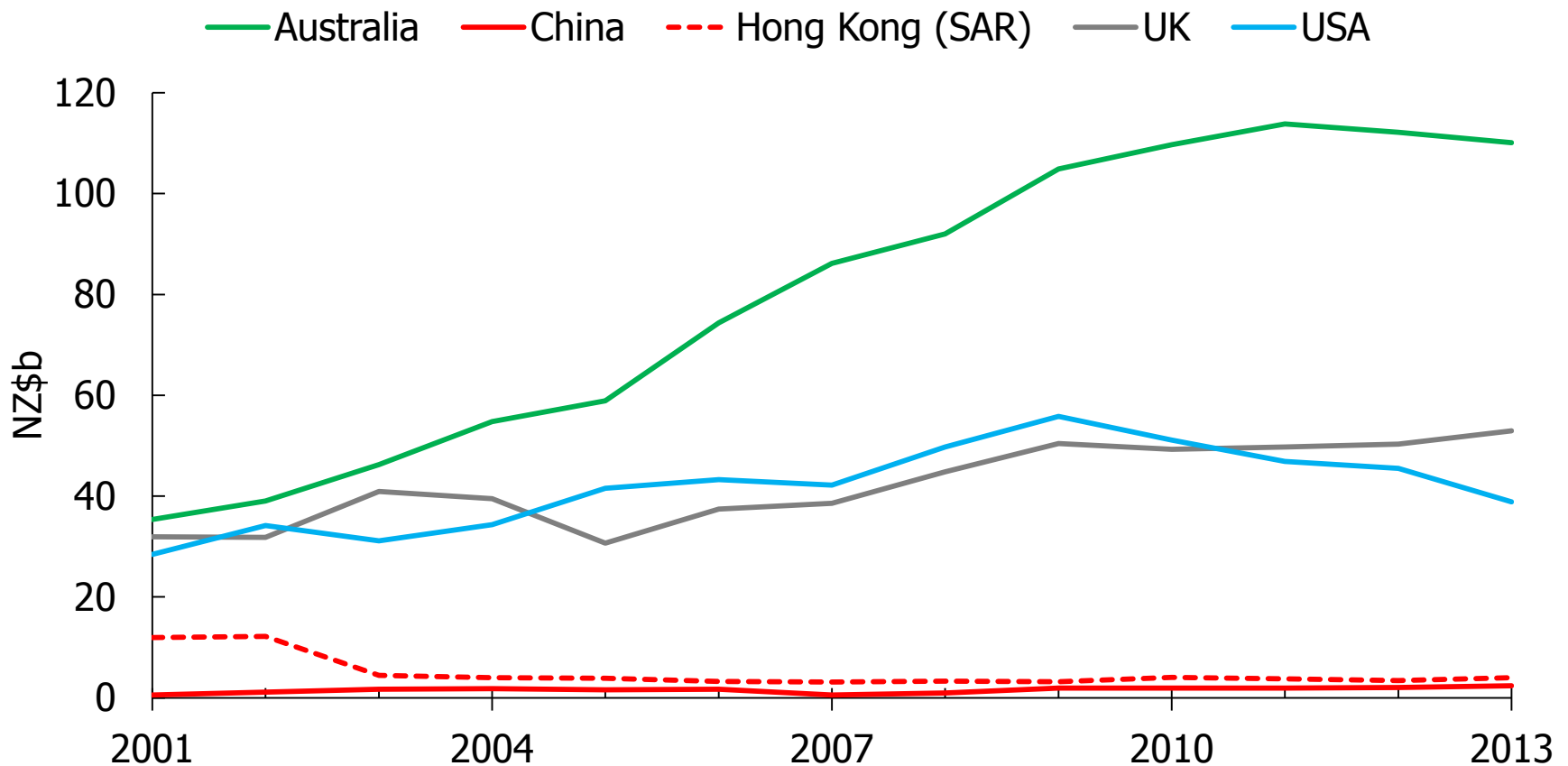
A few commodities have dominated

Fastest growing export commodities, top 3 markets (2008-2013, \$b)



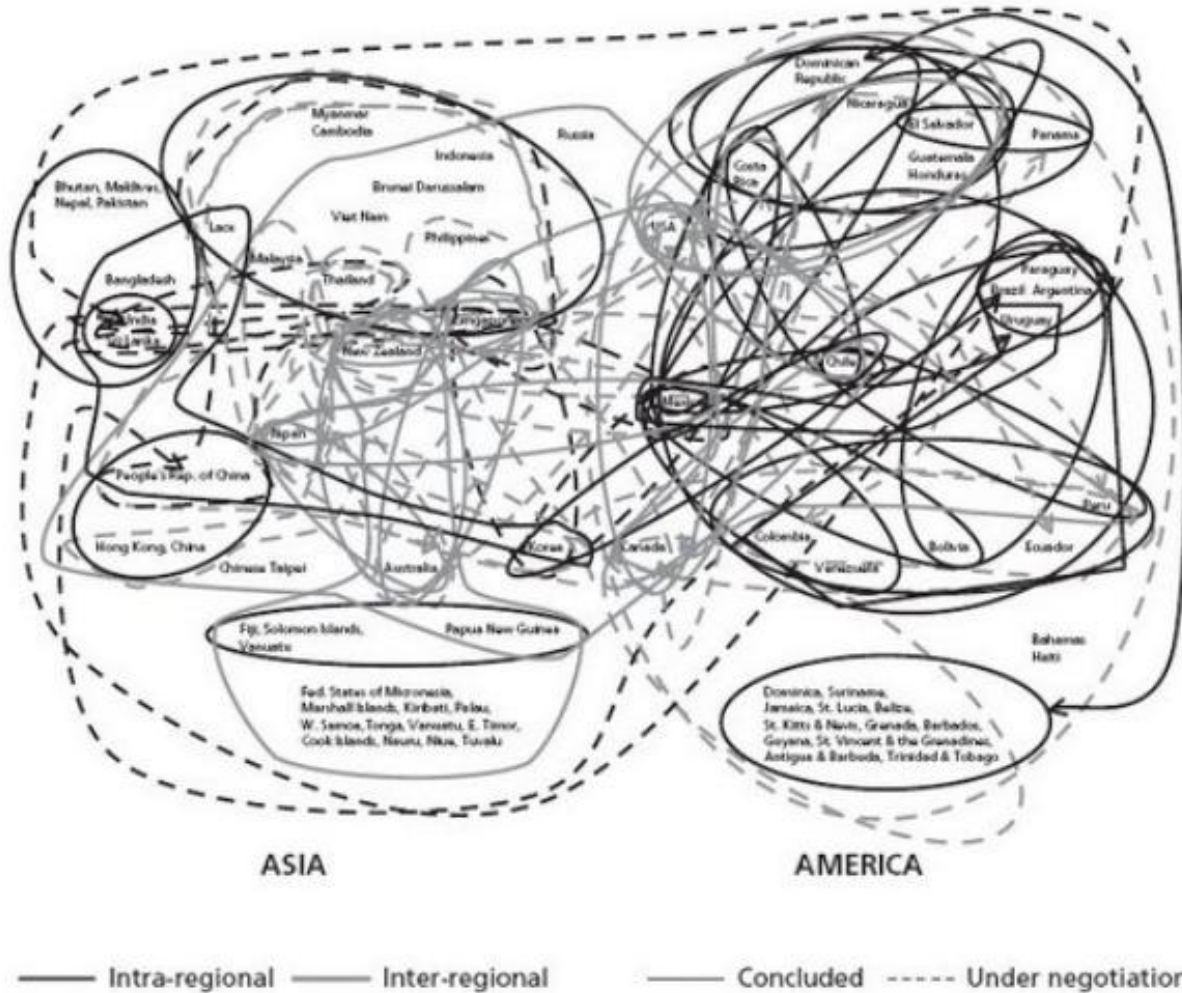
Foreign investments from old partners

Foreign investment in NZ



Source: Statistics NZ, NZIER

Noodle Bowl of Trade Agreements



Most egregious tariffs

- Canada:
 - Cheese: 245.5% outside quota
 - Butter: 298.5% outside quota
- United States
 - Cheese USD 1,227/MT = 29%
 - Butter: USD 1,541/MT or 39%
- Japan
 - Beef: 38.5%
 - SMP: equivalent to approximately 130%
 - WMP: equivalent to approximately 260%
 - Butter: equivalent to approximately 300%



Trade is not like it used to be



Business is changing

- From trade to investment, goods to services – the age of the global value chain has come !



The story thus far ...

- New Zealand is distant from major markets
- The focus of world economic activity is shifting to Asia
- The world wants what we produce
- Our export profile is increasingly concentrated in terms of markets and products
- The environment in which we trade is not optimal
- The way business is being done is changing



HOW DOES NZ PURSUE FREER AND FAIRER TRADE?

New Zealand trade strategy

- Conducted by the Government
- Informed by context and reflects both business needs and New Zealand interests and values
- Multi-track
 - Unilateral
 - Multilateral
 - Bilateral
 - Plurilateral



Unilateral track



■ CARTOON COMMENT



World Trade Organisation

- 160 members and growing
- A set of rules for international trade
- A process for negotiating the reduction of trade barriers
- A means of settling trade disputes



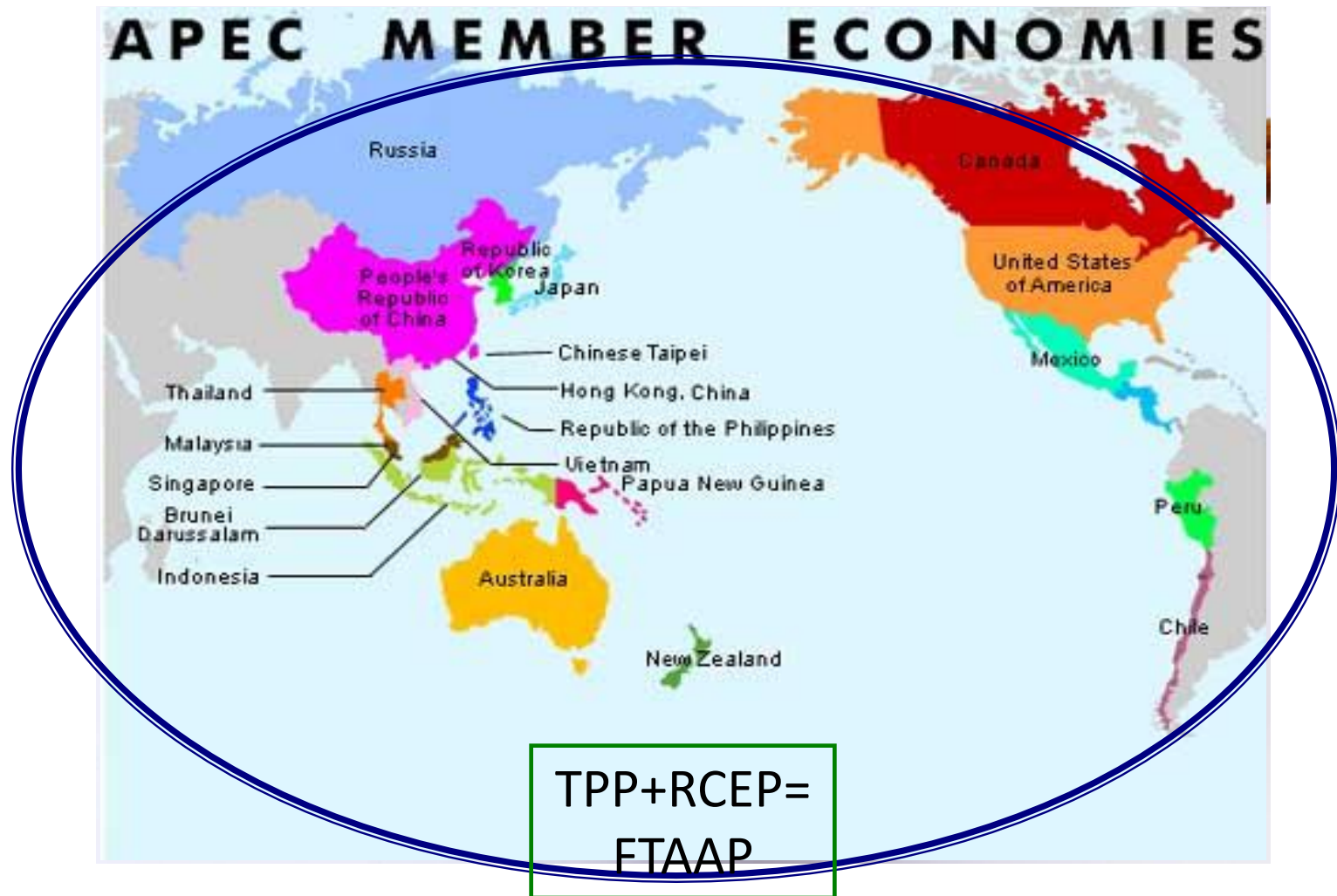
Free trade agreements?

- **Not** free - progressive implementation, some ongoing barriers
- **Not** just trade - investment and rules
- **No** “agreement” - dispute settlement eg apples to Australia, lamb to USA

Bilateral track

- Australia (CER) – completed 1993
- Singapore – completed 2001
- Thailand – completed 2005
- Trans Pacific Strategic Economic Partnership (Singapore, Brunei and Chile) - completed 2005
- China – entered into force 1 October 2008
- Australia/NZ/ASEAN – entered into force 1 January 2010
- Malaysia –entered into force August 2010
- Hong Kong –entered into force 1 January 2011
- Taiwan – entered into force 1 December 2013
- Gulf Co-operation Council: initiated 2006, on hold
- Korea: under negotiation
- India: under negotiation
- Russia, Belarus, Kazakhstan: under negotiation

A seamless economic space



Plurilateral track

- **Trans Pacific Partnership (TPP)**
 - 12 economies including NZ, US, Japan
 - Started in 2008
- **Regional Comprehensive Economic Partnership (RCEP)**
 - 16 economies including NZ, ASEAN + 6
 - Started in 2012
- **Free Trade Area of the Asia Pacific (FTAAP)**
 - Proposed by ABAC 2004
 - Endorsed by APEC since 2006



A better environment for business

- More predictability and security
- Better market access
- Better rules, not no rules
- Clearer pathways to market
- Less red tape
- Lower cost getting products to consumers



More of the story ...

- NZ pursues trade liberalisation by all means available
- Unilateral track has run out of steam
- Problems with the multilateral (WTO) and bilateral (FTA) tracks
- Focus now on plurilateral track (TPP RCEP)
- NZ interests paramount



**IS TPP THE DISASTER SOME
SAY IT IS?**



What is TPP?

- 12 economies* in search of consensus
- “Broad outlines” released at APEC Honolulu 2012: “high quality, ambitious, comprehensive”
- Market access schedule and a body of rules for trade and investment over 28 chapters
- Being built from bottom up

** Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, Peru, Singapore, New Zealand, United States, Viet Nam*



Where are we up to?

- 19 + rounds held to date
- Ministers and Chief Negotiators working on the most difficult issues
- Ministers to meet in Canberra 23-27 October
- With or without Japan ?
- It's really a US story ...



TPP – more difficult issues

- Agricultural market access
- Intellectual Property
- Investor state dispute settlement
- Pharmaceuticals
- State owned enterprises
- Environment
- Transparency



Transparency

- When to release the text?
- Significant economic and commercial issues involved
- NZ Treaty-making process requires:
 - ✓ Govt signs agreement but entry into force requires ratification
 - ✓ Select Committee process – release of text, national interest analysis, submissions and public hearings
 - ✓ Implementing legislation if laws need to be changed
- Govt already on record
 - ✓ No change to Pharmac
 - ✓ Confidence about IP regime
 - ✓ Retain right to regulate in the public interest



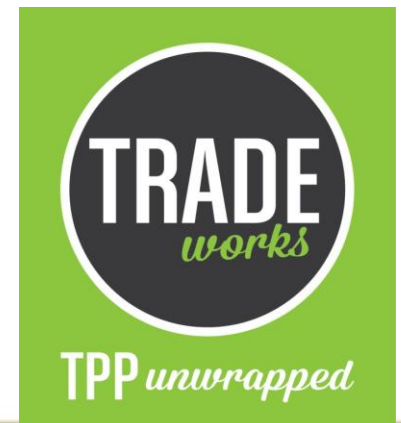
TPP – Downside risks

- It may never get done!
- The market access on offer may be inadequate
- The required changes to NZ policy might be too great
 - Software patents
 - Pharmaceutical IP
- The final agreement may not be high quality, ambitious or comprehensive



Implications ...

- TPP has the capacity to transform the way business is done
- Puts in place new rules, linking New Zealand more closely to Asia Pacific
- Will require some but not massive change to existing policy
- No guarantees of success !



Conclusions

- NZ economic future to linked to integration with rest of the world
- Business models are changing, power is shifting, world wants to buy what we sell
- Policy options to promote integration are limited and processes are complex
- Focus on pluri-lateral agreements
- TPP still a work in progress



www.tradeworks.org.nz

HOME FREE INFO TPP UNWRAPPED COMPANY WE KEEP

Why do we need free trade? That's important, why? What about jobs? How else can free trade help us?

Why do we need free trade?

New Zealand has always been a nation of traders, but we need a level playing field to compete in competitive world markets. Trade agreements set the rules of the game that allow us to compete. They stop big countries pushing around little countries. Our [free trade agreements](#) with countries like China, Australia, Singapore, Indonesia, Chile and Thailand are allowing us to earn millions of dollars for our economy and to create jobs.

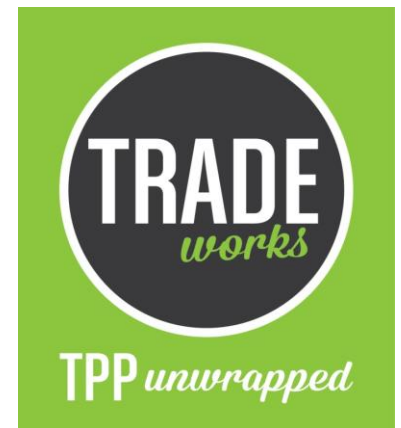
TPP unwrapped

FREE thinking

LATEST video

That's important, why?

Free trade gives consumers [more choice](#) and a broader range of goods and services to choose from. Free trade has helped make possible the lifestyles we have become accustomed to. It has helped diversify and deepen our economy. But more than this, the links we develop through trade and investment with other countries support people to people connections. They give us a richer and more diverse society.



Thank you!

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