

18 April 2018

Committee Secretariat

Foreign Affairs, Defence and Trade Committee
Parliament Buildings
Wellington
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INTERNATIONAL TREATY EXAMINATION OF THE COMPREHENSIVE AND PROGRESSIVE AGREEMENT FOR TRANS-PACIFIC PARTNERSHIP

About ExportNZ

ExportNZ is a national industry association representing a diverse range of exporters throughout New Zealand. ExportNZ is a division of BusinessNZ, New Zealand's peak business advocacy body.

We are a membership organisation and have approximately 2,000 members, ranging from emerging exporters to the largest exporters in New Zealand. We have regional offices run by our regional partners: Employers Manufacturers Association (Upper North Island), Business Central (Lower North Island), Canterbury Employers Chamber of Commerce (Upper South Island) and Otago Southland Employers Association (Lower South Island). Our regional offices are based in Auckland, Hamilton, Bay of Plenty, Hawke's Bay, Whanganui, Palmerston North, Wairarapa, Wellington, Christchurch and Dunedin.

Our value proposition for members is a mixture of policy and advocacy, education and training, networking, trade missions and inspiration through awards events and conferences.

Submission

ExportNZ welcomes the opportunity to submit on the international treaty examination of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

ExportNZ has long been on the record supporting the moves towards what is now the CPTPP, from its original conception through to its signing in Chile in March. We applaud the new government for continuing the efforts to complete the agreement.

As with the New Zealand International Business Forum, ExportNZ believes CPTPP will lead to new trade and investment opportunities between New Zealand and the four other economies in CPTPP with which New Zealand does not already have free trade arrangements (Canada, Japan, Mexico and Peru). The agreement should deliver an enhanced relationship with the other six economies with which New Zealand already has FTAs. While it is unfortunate that the United States chose to withdraw from the TPP, we consider that the merits and benefits of the CPTPP remain substantial and compelling.

Why the CPTPP will be good for New Zealand

We recognize that some critics do not see the value in signing such an agreement because they don't think the size of the prize is big enough to warrant any tradeoffs. It is our view that the benefits of CPTPP to New Zealand will exceed the National Interest Analysis that has been done on the value that will be added.

With previous trade deals, the benefits of signing these agreements have been vastly underestimated. For instance, trade with China before the free trade agreement entered into effect in 2008, the total value of merchandise trade was under NZ\$2 billion. Almost 10 years on, to 2017, our total value of trade is over NZ\$12 billion – an increase of 600 percent. We see a similar potential for growth in trade regarding CPTPP, especially in key markets like Japan, where our trade has seen consistency but not much growth in recent years because we are uncompetitive due to current tariffs.

Part of the reason for our confidence is the fact that the highest goods tariffs always relate to agriculture and food products, so being a big exporter of both these categories the benefits to New Zealand are always significant. In addition our scaled up exporters tend to be from these sectors, so are able to take advantage of the new opportunities that come their way.

Good for the Māori economy

Apart from the Treaty of Waitangi exception that explicitly allows the government to adopt any policy it considers necessary to fulfil its obligations to Māori, we should note that the Māori economy is a significant winner from trade deals like the CPTPP – given they are large shareholders in farming, forestry, fishing and horticulture, where the largest tariffs are applied. The Māori ownership of agriculture, forestry and fishing in 2013 was over \$10 billion, a close to 30% share. They have 40% of fishing quota, 10% of kiwifruit, 30% of lamb production, 36% of forestry, 10% of dairy production and the list goes on.

All this is very good news for the New Zealand economy because Māori do not tend to sell their assets – they re-invest for future generations. Over time this investment will snowball and Māori businesses will become New Zealand based, multi-nationals (investing here and overseas) that in a small economy a long way from our markets we struggle to build otherwise.

Investor State Dispute Settlements

While ExportNZ is a supporter of Investor State Dispute Settlements (protects New Zealand companies investing in risky markets – see our NZIER report on the issue), any concerns about things like New Zealand sovereignty due to ISDS should be ameliorated by a series of side letters, signed with Brunei Darussalam, Malaysia, Peru and Viet Nam. The side letter with Australia is the most significant, given Australia represents 80 percent of the investment from CPTPP nations.

Strategic reasons to support CPTPP

David and Goliath

It is also worth noting that with these large CPTPP economies, New Zealand is in a very difficult position to be able to negotiate bilateral trade agreements. For the likes of Japan and Canada, from their perspective, an agreement with New Zealand alone would not have enough benefits for them to consider negotiations. Thus, large multilateral agreements carry benefits for New Zealand in gaining access to these otherwise impossible markets to negotiate with.

Open economies, free trade and rules based systems under attack

Additionally, in a time of heightened geopolitical uncertainty with threats of trade wars breaking out, these sorts of high-quality, rules-based trade agreements that can be enforced are very important for New Zealand. Without an internationally respected rules-based system like the WTO, we are a vulnerable economy, especially when trade tariffs tend to be in place on our most exported products (particularly agriculture). These multilateral agreements reinforce international trade values and send signals to states that don't want to uphold trade rules that there are higher bodies that they are answerable to. They make trade fair whether you are a large economy or a small economy.

Diversity of markets

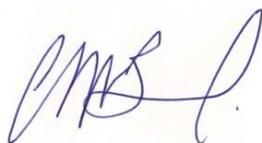
The other strategic reason that New Zealand needs to be pursuing as many high quality multilateral trade agreements as we can is that we need diverse markets. We don't want all our trade concentrated in just a few large markets or we are vulnerable to trade shocks when something goes wrong. We have been there in our past history when we relied heavily on the UK market prior to their joining of the EU.

With a good diversity of market access our exporters have more choices and can spread their trade risk. I am sure these are things weighing heavily on the minds of trade experts in Mexico and Canada (in relation to NAFTA) and the United Kingdom (in relation to the EU).

ExportNZ and our members look forward to seeing the bill pass through Parliament and to the CPTPP coming into effect.

ExportNZ would welcome the opportunity to appear before the Foreign Affairs, Defence and Trade Committee.

Yours Sincerely

A handwritten signature in blue ink, appearing to read 'Catherine Beard', written in a cursive style.

Catherine Beard
Executive Director
ExportNZ