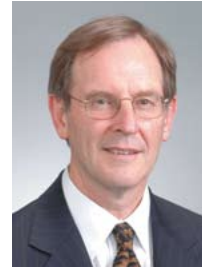


Ambassador's View TPP: A New Zealand Perspective

By Ian KENNEDY



Author Ian Kennedy

As one of the founding partners of the TPP negotiation, New Zealand sees the successful conclusion of TPP as a way to promote the deeper economic integration of the Asia-Pacific region.

New Zealand's interest in a regional free trade agreement can be traced back to the formation of APEC in 1989. This stimulated informal discussions about a possible plurilateral FTA in the region, though these ambitions were not immediately realised.

In the meantime New Zealand pursued the goal of high-quality, comprehensive agreements through bilateral FTA negotiations, notably the NZ-Singapore FTA, which entered force in 2001. The NZ-Singapore agreement was the stepping stone to the first plurilateral trans-Pacific FTA, the Trans-Pacific Strategic Economic Partnership Agreement (known as the P4 agreement), concluded in 2005 and covering Brunei, Chile, New Zealand and Singapore. P4 in turn became a building block for the expanded TPP negotiation which brings in Australia, Malaysia, Peru, the US and Viet Nam, in addition to the P4 partners.

Arguments for TPP

From New Zealand's perspective, the case for TPP rests on three arguments. First is the role which a high-quality, comprehensive agreement can play in promoting economic integration and enhancing the economic welfare of citizens in the member states. A plurilateral agreement such as TPP overcomes the downsides of a web of bilateral agreements (the so-called "noodle bowl") each with different rules and coverage. At the same time, a high level of liberalisation helps participants to capture the benefits of an international division of labour and maximise their own competitive advantages.

The second argument for TPP can be seen in the TPP partners' ambition to create a "21st century agreement." In addition to traditional negotiating issues like tariff elimination and services market access, TPP will address a range of new 'behind the border' issues, such as supply chains and coherence of different national regulatory regimes. These issues have real significance for businesses in the region. Dealing with them effectively through TPP will help to expand regional commerce.

Pathway to Regional Integration

The third argument for TPP is that, unlike most current FTAs, it will be explicitly designed to be open to new members. Since President Obama's speech in Tokyo in 2009 on the importance of regional economic integration, interest in TPP has grown quickly. The TPP partners have welcomed the interest being expressed by Japan and other countries in joining.

Currently a range of proposals have been made for achieving economic integration in the Asia-Pacific region. These include the Comprehensive Economic Partnership for East Asia (CEPEA) being discussed in the East Asia Summit process, and the Free Trade Area of the Asia-Pacific (FTAAP) concept raised by APEC. New Zealand

believes that a TPP agreement open to other participants will mark a major step forward in the process of regional economic integration. As the only proposal to have advanced to negotiations, TPP is well placed to be a pathway to a Free Trade Area of the Asia-Pacific in the future.

From New Zealand's perspective Japan's interest in TPP is very welcome. Prime Minister Kan's presence at the TPP Leaders' Meeting on the margins of the APEC Leaders' Meeting in Yokohama last year sent a strong message about Japan's interest in joining. Along with our TPP partners, New Zealand is committed to helping to provide the information that the Japanese government is seeking to make a decision on whether to apply to join. We believe that Japan, as a highly sophisticated, rules-based economy with cutting-edge technological capabilities, can play an important role at the TPP table.

Agricultural Reform

New Zealand recognises that the prospect of liberalisation has made some sectors in Japan, notably the agricultural industry, very nervous. But it is important not to lose sight of the broader objective of the agreement, which is to increase living standards and opportunities for business.

We are confident that there is a way for Japan to develop its agricultural industry at the same time as it liberalises trade. Irrespective of TPP, Japanese agriculture is at a critical juncture and in urgent need of reform. While opponents claim that TPP will lead to the death of Japanese agriculture, New Zealand's own experience of liberalisation demonstrates that changes, if properly managed, can pave the way for a more competitive agricultural and food industry.

New Zealand has direct experience of how free trade agreements can make an economy more efficient and competitive. The Closer Economic Relations free trade agreement which New Zealand signed with Australia in 1983 helped our manufacturing sector make the transition from domestic protection to international competitiveness.

Countries participating in TPP negotiations



Source: NZ MFAT (Ministry of Foreign Affairs and Trade)

In recent years we have signed EPAs with Singapore, China, Malaysia, the ASEAN region and Hong Kong. Access to new markets has led to substantial growth that helped New Zealand to absorb the impact of the recent global economic crisis.

In the case of Japanese agriculture, it is clearly necessary to expand the scale of farming operations and introduce a wider range of management options, particularly a greater role for companies and entrepreneurs. Japan enjoys a lush natural environment for food production and an unrivalled reputation for quality and technology. With the arrival of a new generation of Asian middle-class consumers, there are good opportunities for the development of export markets for Japanese primary products.

In a world where resources are growing scarcer, Japan is right to be alert to issues of food security. But seeking to perpetuate a weak domestic farming sector is not the answer. Instead, Japan's food security can be enhanced through the creation of more productive agriculture operations at home and stronger trade links with reliable producers of safe food abroad, including New Zealand.

If Japan enters TPP, it will need to be at the same threshold of liberalisation as other members. It is not realistic for Japan to be treated differently when other TPP members have made hard economic choices. Nevertheless, there are a range of possibilities for liberalisation of sensitive products to be managed in a staged manner that would help ensure a viable future for Japan's agricultural industry. It is positive that the Japanese government recognises the need for change and it will be important for domestic reforms to take account of TPP so that there is a consistent approach.

Japan-NZ Relationship

Japanese membership of TPP would also have a positive effect on its bilateral economic relationship with New Zealand. Japan is one of New Zealand's largest trading partners, with two-way trade worth

around NZ\$5.9 billion in 2010. The two economies are also closely linked by investment, tourism, education and other people-to-people exchanges.

Japan is the only Asian economy with which New Zealand does not have either an FTA completed or negotiations under way. At a time when New Zealand's trade with other Asian economies, notably China, is growing under the influence of FTA agreements, the need for a free trade process to give new energy to our relations with Japan is clear.

Japan's interest in TPP now provides a valuable opportunity to demonstrate its long-term regional leadership role and develop the Japan/NZ relationship. There is strong support from the business community for this, as seen in recent meetings of the Japan-New Zealand Business Council and the Japan New Zealand Partnership Forum.

The Way Ahead

With negotiations ongoing, TPP is still an agreement in the making. The aim is to substantially conclude an agreement by the APEC Leaders' Meeting in Hawaii this November. It is recognised to be an ambitious timetable, but negotiators are working hard to meet that goal.

In addition to speed, the quality of the outcome is an important benchmark for TPP. A successful TPP will have a significant impact on the way business is conducted in our region. It will support greater integration and provide a platform for economic recovery and future growth. New Zealand looks forward to working with current and future TPP partners, including Japan, to realise the full benefit of the agreement for the region as a whole.

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