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## **BIG WEEK AHEAD FOR NEW ZEALAND IN WASHINGTON**

By Stephen Jacobi

President Barack Obama's decision to impose safeguard tariffs on imports of Chinese tyres has caused quite a fuss.

That decision arose from a significant rise in tyre imports and the undertakings made at the time of China's accession to the World Trade Organisation (WTO) that this volume would be kept under review. The President has acted on a recommendation of the International Trade Commission following a complaint from labour unions. Interestingly the complaint was not supported by American tyre manufacturers who have largely given up the manufacture of lower value tyres in the United States.

Reactions to this decision have been varied. At one end of the spectrum the Obama Administration has been praised for enforcing trade agreements and upholding American workers' rights. At the other the action has been condemned as a protectionist reflex and contrary to the undertaking to resist new trade restrictions that were renewed as recently as a few weeks ago at the Pittsburgh G20 meeting.

The Chinese are considering a WTO case as they have the right to do. That after all is what the WTO is for and how trade disputes should be settled. WTO panels are preferable to gun boats any day. To their credit the Chinese have a good track record in complying with WTO rulings.

What implications does this have for trade policy more generally? As always it depends. It depends largely on the President's much awaited policy announcement on trade which is expected in the next few months.

If the tyres decision were to prove to be harbinger of a more inward looking position in the United States, then the outlook for a recovery of global trade growth from the 10 percent decline over the last year does not look very bright. Repercussions would be particularly severe for the WTO's Doha negotiations and other free trade agreements, as well as for New Zealand's hopes of confirming US involvement in the Trans Pacific Partnership (TPP).

In a curious way however the decision may have the opposite effect. Having satisfied domestic demands on tyres, the President may more easily be able to convince the Congress that a decision to ratify a future outcome on Doha, or pass

the stalled FTAs with Panama, Colombia or Korea and move forward with TPP might be in the nation's best interest.

It is into this highly charged atmosphere that the 55 members of the New Zealand delegation travel to Washington DC for the third US NZ Partnership Forum this week. The delegation includes some well known names in New Zealand business along with Ministers McCully and Groser, Opposition MPs Goff and Street and a clutch of senior officials.

The aim of the Partnership Forum, the third in a series, is to promote the relationship with the United States in the broadest terms. This year the emphasis is on building links with the Obama Administration and the new power brokers in Washington. Senior Administration representatives including Agriculture Secretary Tom Vilsack, Assistant Secretary of State Kurt Campbell and Deputy US Trade Representative Demetrios Morantis are set to participate along with a range of other officials and corporates.

The Partnership Forum will not lead to any breakthrough on TPP. That must await the President's announcement on broader trade policy. What this event can do is provide a perspective from one of the existing TPP members about why an expanded agreement would be good for America and for the Asia Pacific region. That has a lot to do with ensuring that the United States is on the inside of moves to freer and fairer trade in the region and on seeing TPP as a pathfinder agreement to a future Free Trade Area of the Asia Pacific (FTAAP). There are other competing trade initiatives in the region which include New Zealand but do not include the United States.

Beyond this, the event will seek to demonstrate to an influential audience a compelling value proposition for the relationship which remains fundamental to New Zealand's interests and economic success. Research produced for New Zealand delegates by NZIER shows that while the United States remains our second largest trading partner, we rank only 55<sup>th</sup> for them. Moreover in recent years both countries have lost market share in each other's markets even though investment and people movements in both directions have been increasing.

This week is another key one for New Zealand in the United States which seeks to build on the success of the Prime Minister's recent visit to New York. The kiwis travelling to Washington will want to do more than tyre-kicking and ensure this latest engagement focuses squarely on moving the relationship to a new level.