

Dominion Post, March 2010

## **TPP TRAIN LEAVES THE STATION**

**By Stephen Jacobi<sup>1</sup>**

This week in Melbourne negotiators from the eight parties to the prospective Trans Pacific Partnership will sit down and start the complex task of concluding a new generation free trade agreement. The stakes are high not only because TPP carries New Zealand's hopes for an FTA with the United States but even more importantly because TPP is being built as a pathfinder for an agreement which could span the entire Asia Pacific region.

President Obama announced in Tokyo last November that the United States would engage with the TPP countries to shape a 21<sup>st</sup> century trade agreement. This announcement marked the end of a long beginning. The concept of an agreement that would initially link the more open economies of APEC and then spread more widely in the region goes back at least twenty years, starting with a twinkle in the eye of New Zealand and American negotiators. That vision was eventually pursued without the United States in the form of the P4 agreement between Brunei, Chile, New Zealand and Singapore. That TPP, with the original four and now four others, is today seen in Washington and other capitals as a viable template for making progress towards the Free Trade Area of the Asia Pacific is a testament to some very long term strategic thinking.

This week's negotiations also mark the end of the beginning of New Zealand's decade long effort to get negotiations with the United States underway. TPP is a pluri-lateral initiative but if successfully concluded its market access provisions should deliver what New Zealand is looking for in an FTA: elimination over time of trade barriers, quality of access in the US equal to key competitors like Australia and Chile who already have FTAs, greater security that New Zealand exports will not be subject to any protectionist trade actions that might arise. The commencement of negotiations should dispel the notion that the goal of an FTA is some mythical Holy Grail. At the same TPP will not be achieved overnight nor will it solve all problems immediately. It is however an essential part of what is needed to expand New Zealand's international business, attract investment and grow the economy.

Melbourne marks the beginning of a new and intense phase where vision and ambition need to be turned into reality through hard work. The immediate objective will be to set a workable agenda for the negotiations. The emphasis will be on defining procedure and process. No definitive positions or negotiating texts are likely

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to be exchanged at this point. Three further rounds of negotiations have already been scheduled for later in the year. Exactly how long this process will take is unknown. Substance needs to drive the negotiating time frame but the APEC Leaders' Meeting to be hosted by President Obama in Honolulu on November 2011 will clearly be an important milestone.

In Washington the trade policy machinery has moved into full gear. The US Trade Representative's Office has received over 120 submissions on TPP. The International Trade Commission held hearings on 2 March to consider the probable economic effects. As TPP has moved to the centre of US trade policy, there has been a corresponding increase in attention from high profile think tanks. One potential problem lies in the raising of ambition which risks over-loading the negotiation and making a complex task even harder. Similarly the number of other countries interested in TPP is growing. There is a balance to be struck here, as more participants at this stage invariably mean more work.

While the large majority of submissions received by USTR have been supportive the US dairy industry, true to form, remains opposed to the inclusion of dairy products. Some sectors are concerned about competition from Viet Nam. There are concerns here in New Zealand too, mostly about possible American objectives in regard to pharmaceuticals and intellectual property. Concerns on all sides will need to be addressed as work proceeds. While those holding the strongest views invariably call for individual issues to be removed from the agenda at the outset, it is the negotiators' job to work patiently through the issues, to identify where points of agreement exist, where compromises can be struck and where political decisions are needed to resolve differences. That is precisely why these things take time.

Those participating in this week's negotiations in Melbourne have a job of work to do. They are not knights embarking on a mythical quest. They are travellers on a train leaving the station. Whether their destination can be reached and TPP can be concluded in a way which meets New Zealand's objectives cannot be determined at this point. But the journey has now begun.