

Dominion Post, 9 September 2009

## **SPRING IS IN THE AIR FOR TRADE**

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

Most of time trade policy moves along at glacier pace but occasionally there are positive developments which while imperceptible to most have significant consequences. The last month has seen a number of these.

In Bangkok in early August Trade Minister Tim Groser attended a meeting of Ministers from the Association of South East Asian Nations (ASEAN) and their counterparts from North Asia plus Australia, New Zealand and India. In a welcome stroke of clear thinking Ministers decided to take forward together two competing visions for freer trade in the Asian region – the East Asian Free Trade Agreement (EAFTA) and the Comprehensive Economic Partnership in East Asia (CEPEA).

These are more than just confusing acronyms and for New Zealand in particular the decision is full of consequence. That's because New Zealand is a full member of CEPEA but to date at least excluded along with Australia from EAFTA. The latter is an ASEAN+ 3 arrangement (China, Japan, Korea) whereas CEPEA includes Australia, India and New Zealand.

Why does this matter ? Simply because New Zealand cannot afford to be locked out of any initiatives for more open trading conditions in the region which takes the lion's share of its exports. Our groundbreaking FTAs with China and ASEAN and the agreement we have under negotiation with Korea already give us enhanced market access which we would not want to see diminished. These agreements have contributed significantly to overcoming one of the big risks to New Zealand's economic prospects – the threat of exclusion from major markets – which has hung over us ever since Britain joined the European Community 40 years ago. Advancing EAFTA and CEPEA together reflects the reality that Australia and New Zealand are now perceived to have a direct stake in the region's future integration – a direct and welcome consequence of the A-NZ-ASEAN FTA concluded earlier this year.

But wait there's more ! At the meeting of the APEC Business Advisory Council (ABAC) meeting in Da Nang two weeks ago business leaders decided to recommend to APEC Leaders that they accelerate moves towards a Free Trade

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Area of the Asia Pacific (FTAAP). FTAAP is not a new concept but has failed to get traction as APEC member economies have preferred analysis over action. FTAAP differs from the other initiatives because it is, as the American academic Fred Bergsten describes it, an Asia Pacific vision rather than a Pacific Asia one. That means it includes the United States, Canada, Mexico, Peru and Chile as well as the Asian economies. ABAC sees FTAAP as what is required to stimulate the economic recovery. With the Pacific Asia initiatives now gaining momentum, it is more than time for APEC Leaders to raise the stakes on FTAAP at their meeting in Singapore in November.

For New Zealand the good news is that we are well covered whichever of the two visions prevails. What's more the Trans Pacific Partnership (TPP) provides a useful bridge across the Pacific and could be a useful pathfinder to FTAAP. It is the United States which has the most to lose from the gathering speed of pan-Asian economic integration. The United States needs to decide quickly whether it wishes to be part of that action. The US decision on TPP is eagerly awaited and the third US NZ Partnership Forum to be held in Washington 6-8 October could provide some interesting insights into their thinking.

There are other signs of spring in the air. Prime Minister John Key's summit with Kevin Rudd and the recent Australia New Zealand Leadership Forum illustrated the new openness to New Zealand in Australia. This could form the basis for more concrete progress to build the single market. The positive experience of negotiating separately but alongside one another with ASEAN could provide a platform for more co-operation in third markets. Trade Minister Groser's just-completed visit to India for the WTO Mini-Ministerial may also at last point to some way forward for the Doha negotiations – certainly the recent election in India has resulted in some new energy in this long overdue negotiation.

It's true that times continue to be as tough as they ever have been for New Zealand business working internationally. The consensus in the recent ABAC meeting was clear: the economic crisis is not over and the green shoots have not yet burst into bud. Protectionism has thus far been contained but there has been some worrying recourse to increasing tariffs, instituting discriminatory "buy local" policies and instituting export subsidies for dairy products. We are not out of the woods yet.

Experience tells us to be wary of optimism in trade policy. But sometimes good things do happen.