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PM NUDGES FTA FORWARD

By
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Did the Prime Minister's recent visit to Washington succeed in bringing closer a free trade agreement with the United States ?

I believe it did, even though the FTA remains hostage to the future of the President's trade negotiating authority.

Helen Clark pursued relentlessly the FTA theme throughout her visit, starting with the speech she gave to the Asia Society and continuing in meetings with both Administration and Congress.

This was no surprise: no New Zealand Prime Minister - and especially one with a strong interest in economic transformation - could overlook the opportunity to state New Zealand's interest in an enhanced relationship with the world's largest consumer market and powerhouse of investment, innovation and business ideas.

Although there was no chance of returning with an FTA negotiation in the bag, it was particularly important at this time to restate New Zealand's case.

This is because of the heightened interest in the President's trade agenda as the expiry of Trade Promotion Authority draws near. TPA is granted to the Administration by the Congress to negotiate trade agreements without the requirement for a clause-by-clause vote.

Negotiating in the absence of TPA is not impossible, just more difficult, as it is uncertain whether the result would be accepted by Congress.

TPA expires on 30 June 2007. Effectively however the cut off date has now passed: TPA requires FTAs to be submitted for a 90 day consultation period, which meant last week.

There are currently three completed trade agreements awaiting ratification (Colombia, Panama and Peru) and one negotiation (Korea) in its closing phase.

The US announced recently that another deal with Malaysia could not be completed under the current TPA. Meanwhile the WTO's Doha negotiation drags on with no end yet in sight.

Attention in Washington is presently focused on several issues - whether Korea can be completed in time; whether the Democrat majority might require

adjustment to the labour and environment provisions of completed agreements to vote their acceptance; and whether any extended or new TPA might ultimately be voted.

The consensus seems to be that accommodation might be possible around completed agreements but any new TPA is likely to require new concessions around consultation, labour, the environment and trade adjustment assistance.

Much depends on the stance taken by the Democrat majority in both House and Senate.

Senate Finance Committee Chair Max Baucus has spoken of the need to pass a new TPA (ie one reflecting Democrats' key concerns). In the House, Ways and Means Committee Chair Charles Rangel is reported to be working with the Administration to seek "improvements" to the completed agreements.

If successful any bipartisan agreement could conceivably flow forward to a new TPA but this could be wishful thinking: the Democrats are resentful of the way their concerns were ignored by a Republican majority in the last Congress and a large number of newly elected Democrats have entrenched positions on trade.

In this complex policy environment Helen Clark played a clever hand. She recognised the situation with TPA and asserted New Zealand's interest in an FTA when the time is right. Indications are that this approach was noted and respected by both the Administration and Congress.

In another fundamental way, this visit nudged the FTA forward. There is now acceptance at the highest level of the Administration that past differences need not act as a barrier to expanding co-operation with New Zealand in a range of fields, including trade.

Neither side resiles from respective points of principle around nuclear issues or Iraq but both are now keen to navigate around these rocks in the road.

That in itself is a key deliverable from this visit. An enhanced relationship, one that can see above and beyond narrow sectoral interests - most particularly agricultural protectionism in the US - will ultimately be the key factor in securing the FTA.

Time will tell whether this new understanding holds. An important indicator will be the outcome of the second US NZ Partnership Forum to be held in Auckland in September.

For the meantime the relationship is on a much sounder footing than previously. Despite all the uncertainties around TPA, New Zealand's currency as a free trade partner able to do a robust deal complete with environment and labour provisions

is at an all time high.

¹ Stephen Jacobi is Executive Director of the NZ US Council and was in Washington for the Prime Minister's visit. This article was prepared before the outcome of the Korea negotiation was announced.