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TRANS PAC HOLDS HOPE FOR FREER ASIA PACIFIC TRADE

By Stephen Jacobi¹

Before all the bad news from New York there was some really, really good news: the US decided to negotiate to join New Zealand, Singapore, Chile and Brunei in the Trans Pacific Strategic Economic Partnership, commonly known as “P4” and now dubbed “Trans Pac”.

The news was music to the ears of the NZ US Council which has worked for years alongside officials first to restore the NZ US relationship and then to prepare the ground for a future FTA. That the negotiation with the United States is being carried out in the Trans Pac context matters not a jot. Given the small size of our market and its relative openness, the case always had to be made around the strategic significance of a deal with New Zealand, particularly in terms of the contribution a high quality, comprehensive arrangement could make to the broader goal of freer trade in the Asia Pacific region. Having examined the scope of the existing P4 agreement since joining negotiations on financial services and investment last February, American trade officials appear convinced of this strategic argument. With the WTO Doha round still spluttering along and with APEC having made no real progress on liberalisation, despite its useful work on the trade facilitation agenda, the Americans see Trans Pac as the only alternative, as a senior USTR official told me in Washington recently. Trans Pac will therefore be negotiated as an open model. Australia, Peru and Viet Nam have already expressed interest in future association. I also found a lot of business interest in Trans Pac when I visited Tokyo and Seoul last week.

Here in New Zealand some are concerned that investment and pharmaceuticals will be raised in the negotiation. The US negotiating agenda is so transparent you simply have to look on the USTR website to find listed the various gripes they have with New Zealand ! And of course the US dairy industry, or at least its lobbyists in Washington, have already voiced opposition to including dairy products in the agreement. It's important to remember, in the words of Winston Churchill, “this is not the beginning of the end, it's the end of the beginning”. What the five partners have agreed to do is negotiate and that negotiation will take at least a year, possibly two, to be completed. Each of the parties has interests to advance and others to protect but the final agreement will only be reached once all parties are satisfied that their national interest has been met. And in New Zealand there are parliamentary processes that ensure New Zealanders can have their say in whether or not the final outcome is accepted.

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Some are surprised that this agreement to negotiate has been reached in the closing days of the Bush Administration. It was President Clinton who after the election in 2000 played golf with Singapore Prime Minister Goh Chok Tong and approved the negotiation with Singapore. From New Zealand's perspective it is particularly important that the decision should have been taken now – the alternative would have been to wait until a new Administration has taken office and addressed its forward trade strategy. That could have meant a wait of the best part of a year, a period in which valuable negotiating work could be done. Also relevant is that the mid-level negotiators in the Office of the US Trade Representative are all career officials who will keep their jobs after November. It is true that the environment in Washington on trade at present is difficult – three negotiations are stacked up in the Congress awaiting ratification. One of them, Korea-US, is the largest deal since NAFTA. It's also true that the President does not have a Trade Promotion Authority to allow negotiations to proceed on the basis that, once finished, they will be subject to an up or down, yes or no, vote in the Congress. The point here is that the Trans Pac negotiation is not likely to be brought back before Congress until sometime in 2010 at the earliest, by which time, hopefully, the environment will be different. It is reassuring that some key Democrats have already spoken favourably of the concept.

Quite apart from the strategic arguments, we need Trans Pac to secure an even playing field in the US with our competitors Australia and Chile who already have FTAs. Whether that translates into a billion dollar dividend to the New Zealand economy as predicted by the Prime Minister – that's about 25% of the value of current exports as forecast by a study in 2002 – depends on the course of the negotiation. Trade negotiations are the ultimate art of the possible. Business has a continuing role to support the negotiation by providing advice and intelligence, working to offsetting the tactics of competitors and preparing the ground for the negotiation's eventual conclusion and ratification.