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## **Moving beyond d\_j\_ vu in 2011**

By Stephen Jacobi<sup>1</sup>

*Stephen Jacobi foresees positive developments for trade policy in 2011.*

“It’s like d\_j\_ vu all over again”. Those famous words of the American baseball player and philosopher Yogi Berra almost came true in 2010, the year when, for the global economy, things didn’t quite turn out as planned. Rather than an intensifying global recovery, economic growth remained anaemic in all but developing Asia and serious problems persisted in the United States and the Euro-zone. New Zealand’s own recovery was also weak, largely because our exchange rate makes it difficult for exporters to capture the full returns from rising commodity prices. Improving productivity and competitiveness must remain the key national economic goals. Reducing the costs of doing business overseas by eliminating trade barriers, improving logistics and addressing behind the border issues become even more important in a continuing tight financial situation.

2011 holds out the promise of further progress in critical trade negotiations that will secure and enhance New Zealand’s relationships with key markets. There is a political imperative in the United States to complete the **Trans Pacific Partnership** (TPP) negotiations by the end of the year: in November President Obama hosts APEC in Honolulu and a successful outcome to the second year of TPP negotiations would be a strong deliverable for the President to announce at that meeting. TPP now includes nine participants and there is strong interest from Japan and several other economies in the region. Whether TPP can become the preferred pathway to the Free Trade Area of the Asia Pacific (FTAAP) and live up to its promise as a new generation trade agreement will depend on two things – first, the reality of the negotiating process will have to catch up with the high rhetoric; and second, there will need to be real substance on the table. By “substance” we mean an agreement which makes a distinctive contribution to expanding trade, investment and sustainable growth, addresses squarely the concerns of stakeholders and reflects the way business is being done in the region through the development of increasingly sophisticated supply and value chains.

Two opportunities for New Zealand to discuss the negotiations with key partners will take place this year: the fourth **US NZ Partnership Forum** to be held in Christchurch 20-22 February will bring together senior government, business and community leaders from both countries. The third **Japan NZ Partnership**

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**Forum** will take place in Tokyo on 11-12 May, around the time the Japanese Government is concluding its internal consultation process about whether to seek to join TPP. Japan is the only Asian economy with which New Zealand does not have either an FTA completed or one underway. The proposals for opening up Japan under consideration by Prime Minister Kan's government are deeply significant and deserve every encouragement from New Zealand.

Three other negotiations need to be watched carefully. New Zealand's negotiation with **Korea** has entered into difficult territory and differences over agriculture need to be resolved. Now that Korea has concluded FTAs with both the European Union and the United States the way ahead might be clearer. The negotiation with **India** made steady progress in 2010 and could be ready for conclusion by the end of the year. The opportunities for increased trade and investment with India need further consideration by NZ Inc. India's growing importance as a global economy has not yet been fully factored into New Zealand's strategic considerations. 2011 also sees the start of negotiations with **Russia, Belarus and Kazakhstan**. The implications of this negotiation are also profound providing New Zealand with a "first-mover advantage" in these emerging markets which are largely unknown to all but the largest players.

Relations with other traditional, established partners will also be further developed in 2011. The **Australia New Zealand Leadership Forum**, delayed on account of last year's federal election, will be held in Auckland in April. Australia is without doubt our most important relationship: implementing the single market and building on the ground-breaking **Australia- New Zealand- ASEAN FTA** will be high on the agenda. The time is surely coming to consider some sort of high level, strategic framework for New Zealand's increasingly important relationship with **China**. These developments also provide a basis for instituting a deeper engagement with the **European Union** which remains a significant and somewhat overlooked economic partner.

At the multilateral level there is a small window of opportunity for progress to be made in the WTO **Doha** negotiations before the northern summer. Concluding Doha in 2011 before the US Presidential campaign begins in 2012 has a lot of advantages. Put the other way failing once again to finish in 2011 risks delaying Doha by several years at least. For the round to be concluded a range of political decisions need to be made by May 2011 to enable the technical work to be completed by year's end.

Thanks to Trade Minister Tim Groser and his predecessors and the talented team at MFAT, New Zealand's trade diplomacy has been at full throttle in recent years. We are now in the fortunate position of having a range of existing FTAs or processes underway with most of our key partners. Trade agreements do not provide the whole answer to offsetting broader economic imbalances in global markets. But they can make doing business easier and level the playing field between competitors. Trade agreements can also help manage what Colin

James has described as the “new globalisation”, by addressing inequalities within economies and by improving the operation of supply and value chains. The nature of global business is changing. To prove Yogi Berra wrong in 2011, leadership, investment and co-operation will be required by both Government and business.