



11 March 2016

SUBMISSION TO THE FOREIGN AFFAIRS, DEFENCE AND COMMITTEE
International Treaty Examination of the Trans-Pacific Partnership Agreement

From the American Chamber of Commerce in New Zealand.

TPPA Support

The American Chamber of Commerce in New Zealand (AmCham) supports the Trans-Pacific Partnership Agreement (TPPA).

- The Agreement is a powerful reflection of the positive and constructive way New Zealand and America so often work together in international contexts to deliver open and prosperous economies,
- The TPPA is the culmination of more than a decade of work to secure a free trade agreement with America in particular but also other countries in the Asia Pacific region, and
- AmCham members, made up of New Zealand and American companies, are enthusiastic about in their ability to take advantage of the market growth opportunities the TPPA offers.

The American Chamber of Commerce in New Zealand

2 For over 50 years AmCham has promoted trade, investment and education links between America, New Zealand and the Asia Pacific region.

3 AmCham is “The Voice of American Business in New Zealand”.

4 Our members represent turnover in excess of \$50 billion and over 100,000 employees. Our members are American and New Zealand companies – both big corporates and small and medium enterprises. We are a truly bilateral organization. More than 25% of our members are American companies and 65% are New Zealand companies. A further 10% of our members are other multinational organisations. Almost all our members have active business relationships with America.

5 AmCham’s primary objective is to campaign for improved trade links between New Zealand and America and to encourage American foreign direct investment in New Zealand.

We do this through:

- the promotion of business to business contact with organisations looking to trade with American-based companies, and
- lobbying for trade and investment liberalisation at both American and New Zealand

government level.

6 AmCham New Zealand is also a member of the Asia Pacific Council of American Chambers of Commerce. We participate in the annual APCAC “Washington DC Door Knock” to ensure the American Administration, including Congress, are aware of the business issues faced by American companies operating abroad.

7 APCAC represents 29 “AmChams” in 23 economies. We work closely with our APCAC counterparts and will be part of the APCAC annual Washington Door Knock in June. Five APCAC members are TPPA partners – with two AmChams in Vietnam and one each in Australia, Malaysia, Japan and Singapore.

8 TPPA offers significant benefits to AmCham members not only in New Zealand and America but also other Asian countries. We look forward to TPPA expanding its membership to include other APCAC member countries in the future such as Indonesia, Taiwan, Philippines, Thailand and Korea.

The NZ/US Relationship

9 The relationship between America and New Zealand has moved from being referred to as “very very very close friends” to “the new normal”. Exchanges of people and information across all spheres of the relationship, and particularly at senior levels in diplomacy and defence, are today commonplace and collegial.

10 Prime Minister John Key and President Obama’s personal relationship is one of the strongest between the two country’s leaders for many years. And, while bilateral meetings in one or other’s capitals are still rare and unique opportunities, there are no longer any undertones of “unfinished business”. The 2014 Washington DC meeting between Prime Minister Key and President Obama saw them promote outcomes in a range of areas from trade, to security and defence, science and research and broader foreign policy such as New Zealand’s bid for a UN Security Council seat. New Zealand’s subsequent success in securing a Security Council seat underscores the degree to which the two countries work together internationally.

11 In 2008, the US Trade Representative Susan Schwab announced the US would join four Asia Pacific countries (Brunei, Chile, Singapore and New Zealand) who had an existing trade agreement, to begin work on a trans-Pacific strategic economic partnership agreement. This initiative subsequently morphed into the TPPA.

12 In 2010 US Secretary of State, Hillary Clinton, began a three-day visit to New Zealand which culminated in the Wellington Declaration, probably the most powerful signal of the beginnings of a “new normal”. The Wellington Declaration has two fundamental elements. The first is a focus on practical co-operation in the Pacific and the second enhancing political and security dialogue.

13 By June 2012, this dialogue had raised levels of trust to the extent that New Zealand Defence Minister Jonathan Coleman and US Secretary of Defence Leon Panetta were able to sign the Washington Declaration. While not restoring ANZUS-level relations, this document established the basis for increased defence and security co-operation between the two countries. A raft of joint exercises and mutual visits has since taken place, many for the first time in 20 or 30 years.

America’s Trading Relationship with New Zealand

14 As the world’s largest, most complex and technically advanced economy, America is a key economic partner for New Zealand. It is an important source of innovation, research and investment, and is a key market for New Zealand goods and services. It is also a major source of foreign direct investment and inbound tourism.

15 New Zealand co-operates with America to free up barriers to international trade, through the WTO and regionally through APEC. Our economic relations cover the spectrum of commercial activity including the flow of goods, services and capital across all major economic sectors from traditional heavy manufacturing to agriculture.

16 New areas of the knowledge economy are also prominent as New Zealand firms and institutions commercialise IP in sectors such as ICT, biotech and clean technology. America is New Zealand's third largest individual export destination, source of imports and individual trading partner overall. It remains a major market for agricultural products. It is New Zealand's largest market for beef (by value and volume) and casein. Although the US is already a significant trading partner for New Zealand, there is a great deal of scope to expand the relationship.

17 Securing a free trade agreement with America has been a key New Zealand trade objective for more than a decade. Until the TPPA was concluded there was still unfinished business in the economic sphere. Securing a trade agreement with the world's largest economy was always very much in our interests.

18 Since 2013, trade with America has grown by 39.6%, with exports up 16.3% this year. As noted above, America is ranked as our third largest trading partner at \$11.8 billion or 11.6% of New Zealand's total trade. These reflects overseas merchandise trade and does not include services.

19 More and more New Zealand companies are looking to do business in America including investing and setting up offices there. These include technology companies like Orion Health, Vista Entertainment, Parts Trader Market, Xero and Coretex, all of which are not captured in the trade statistics above.

20 American companies account for investment in excess of \$53.2 billion or 17.7% of total foreign investment in New Zealand. And New Zealand companies have \$31.5 billion invested in America accounting for 25% of our total outward foreign investment.

21 Preliminary results of AmCham's annual survey of its members show 80% of those responding expressly note their support for TPPA. 20% skipped the question but not one respondent expressed opposition to it.

What's Next for the Relationship?

22 Today the relationship between the two countries is defined not by the past but by the potential for the future. There is an astonishing amount of co-operation across the board – from political and security issues, to defence ties, in a healthy level of trade and investment, in growing co-operation in education, research, science and technology and in people to people exchanges of all kinds.

23 With the Wellington and Washington Declarations there is a greater sense of strategic direction and planning for the relationship at the highest level. We also have more active governance of the relationship as Ministers and senior officials from both sides now meet more regularly and frequently than ever before – the NZ/US Strategic Dialogue held on the day following the bi-annual Partnership Forum is becoming a regular event in the relationship calendar.

24 Deputy Secretary of State Thomas Burns characterized the significance of the relationship in this way:

"We both have a great deal to gain through expanded partnership – and our partnership benefits the entire Asia-Pacific region... I am confident that our shared values and interests, our common vision for a prosperous, stable, and secure Asia-Pacific, and the growing partnership we have built between our governments and our peoples, will help us make the most of the opportunities in the Pacific Century unfolding before us".

Benefits the TPPA Brings to the NZ/US Trading Relationship

25 An impressive 91% of duties on industrial goods will be eliminated at the TPPA's entry into force and all other tariffs will be eliminated in 15 years or less. Key duty savings will be on machinery, plastics and electronic equipment. Other sector savings are itemized below.

- **Beef** - America is our largest beef export market by value and volume for beef. In the year ending December 2015, 50% of New Zealand's beef exports by volume and 49% by value were destined for the US. With the advent of TPPA, all tariffs and quota restrictions on New Zealand beef¹ will be eliminated over five years allowing unrestricted duty free access. In addition, American in-quota tariffs will be eliminated from the TPPA's entry into force, saving exporters approximately \$13 million.
- **Sheepmeat** - Tariffs will be eliminated on all exports of sheepmeat and processed meat². America is our third largest market for these products.
- **Dairy** - \$826m of our protein products will be duty free, including those on one of New Zealand's highest-traded American cheese lines. Tariffs for milk powders and infant formula will be eliminated in ten years.
- **Other agricultural goods** - Tariffs will be eliminated at entry into force of the TPPA on:
 - Orchids that currently face a 6.4% tariff.
 - Honey that currently faces a 1.9 cents/kg tariff.
 - Sugar confections that currently face a 5.6% tariff.
 - Fresh-cut lilies that currently face a 6.4% tariff.
 - Onions which currently face a 31cents/kg tariff
- **Wine** - We will gain tariff-free access to America for bottled, still wine and there will be phased elimination over three years for bulk wine and over five years for all other wine. America is now our largest export market for wine
- **Timber** - We will benefit from the elimination of all tariffs on forestry and forestry products across all TPPA signatories including America. The US is New Zealand's sixth-largest timber market.
- **Wool, hides and skins** - All tariffs on wool products for will be removed over 5 years or less. And tariffs on hides, skins and leather products will be eliminated at entry into force. 72% of US duties on other textile items will also be eliminated.

Broader Strategic Benefits of TPPA

26 New Zealand pursued a free trade agreement with America for over a decade. AmCham New Zealand along with the US Chamber of Commerce in the USA were at the forefront of lobbying efforts, on both sides of the Pacific, to secure the outcome now reflected in the TPPA. As the previous section illustrates the benefits of bilateral trade liberalisation between the two countries are not insubstantial.

27 America continues to play a powerful global leadership role. In its unrelenting pursuit of the TPPA's successful conclusion a strong and clear message has been sent to other economies in the Asia Pacific (and globally) that there is little alternative to prosperity and peace than more open economies.

28 The TPPA creates another forum to support entities like APEC and ASEAN in shoring up security and stability in the region.

29 The TPPA also supports the practical implementation of World Trade Organisation Agreements that set out commitments on regulatory measures. "Behind the border" barriers or non-tariff barrier to trade are difficult to tackle and often as costly if not more so than tariffs. The TPPA creates useful mechanisms to help address these barriers and promote regulatory alignment in the region.

¹ New Zealand beef exports to the US are subject to quota restrictions with an in-quota tariff of US4.4c/kg and an out-of-quota tariff of 26.4%.

² Sheepmeat is subject to import tariffs, US0.7c/kg for lamb and US2.8c/kg for mutton. Edible preparations of meat such as jerky, sausages, and pre-cooked meals are subject to import tariffs of 2-6%.

30 AmCham supports the opening of other key New Zealand markets through TPPA such as Japan, Canada, Peru and Mexico. The TPPA improves trade liberalisation in these markets which may not have otherwise been available to New Zealand.

31 It is worth remembering that Closer Economic Relations with Australia, instigated over 30 years ago, while met with resistance by some sectors of both economies not only proved less disruptive than expected but also brought more benefits, more quickly than expected. The fact of its existence meant that the economies of both countries actually liberalized faster than expected because business and other economic players proved nimble and prescient in responding to the clear signals the Australian and New Zealand governments sent in negotiating CER.

32 The TPPA will improve the competitiveness of New Zealand companies as it exposes our businesses to more opportunity and competition in 12 markets. This will inevitably make New Zealand business ever more effective in American markets and elsewhere in the region.

Conclusions/Recommendations

33 AmCham is optimistic about the ability of New Zealand business to remain competitive in a more liberalized American market, within the context of TPPA and globally.

34 As an organization we also have great confidence in New Zealand's ability to use fora like the TPPA to make the world a better place from a broader social, environmental and security perspective.

35 The American Chamber of Commerce in New Zealand commends the TPPA to the Select Committee and recommends that its members respond positively to the implementation of the relevant legislation by Parliament.

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