



New Zealand Chambers of Commerce (Inc)
Submission to MFAT
New Zealand - India Free Trade Agreement
March 2010

Introduction

The New Zealand Chambers of Commerce (Inc), NZCCI, is an umbrella organisation serving the interests of 29 Chambers of Commerce nationwide. These, in turn, represent over 24,000 businesses around the country. While many of our members are in the SME category our membership includes most of the largest corporations in New Zealand.

Submission

NZCCI is fully supportive of New Zealand entering into negotiations for a Comprehensive Economic Cooperation Agreement / Free Trade Agreement (FTA) with India. This has been a very high priority for us for many years and we are very pleased that the Indian government has approved the commencement of negotiations.

While NZCCI believes a comprehensive multilateral trade agreement should be the main goal of New Zealand's trade policy, it is still in New Zealand's best interests to pursue bilateral agreements in tandem with multilateral negotiations.

The fact that India is a fast growing economy of more than 1.1 billion people and that it has taken steps in recent years to open up and become more outward looking, means achieving an FTA with India is crucial.

New Zealand's exports to India are growing fast. The trade profiles compiled at the time of the India - New Zealand Joint Study are already out of date. Annual exports to India are now worth \$630 million making it our 13th largest export market. It was just our 23rd largest at the time of the Joint Study. New Zealand exports to India increased 16% in the 2009 calendar year (second highest behind China) against a backdrop of declining trade overall.

New Zealand's imports from India, which are an important part of the business relationship, have also grown significantly in recent years but New Zealand still has a sizable trade surplus with India.

New Zealand and India have had a longstanding relationship but prior to the recent growth spurt, it was a relatively meagre level of trade and business between the two countries which did not reflect the extent of that wider relationship. An FTA would be a valuable platform to further build the trade and economic relationship.

India's economic reforms and its increasing openness are attracting growing interest from the international business community. The increasing proportion of our exports India is taking (as noted above) is not unique to this country. Without an FTA, New Zealand's competitive advantage will be eroded as our international trade competitors take advantage of improving access to India's markets.

Issues that should be addressed in the negotiation

The agreement should phase down tariffs to zero as quickly as possible. There should also be an established deadline and timetable with which to achieve this phase-down.

New Zealand's exports to India are across a narrow range of goods. There is a lot of scope to diversify that range and the FTA will be instrumental in this. It is essential that the New Zealand negotiators strive for a comprehensive, high quality free trade agreement covering all sectors.

Indian agriculture is highly protected and improved access for our agricultural produce is very important. It is also essential that an equally good outcome in manufacturing and services be achieved. The services sector will be particularly important in this negotiation.

The services sector has been a primary focus for India in the past decade and its growth, particularly in the area of IT, has been a major driver of India's economic growth in recent years. In New Zealand, even though services constitute around 70% of our GDP and almost 30% of our exports, and even though our single biggest export earner is tourism, the sector has not had the attention that agriculture and non-agricultural goods trade have received from policy makers.

New Zealand's economic relationship with India already has a strong foundation in the services sector through education, tourism and film sector related services. An FTA would provide scope to build on this and it is essential that the sector be a priority in this negotiation. The services agreement should be based on a 'negative list' and with full liberalisation agreed across all four modes of supply.

NZCCI is strongly supportive of inward foreign investment and it is essential investment provisions are part of the ambit of negotiations.

As well as these features, like other recent trade agreements the negotiation should encompass the following: market access and related rules (including customs procedures, rules of origin, technical barriers to trade, sanitary and phytosanitary measures, and trade remedies) for goods trade; intellectual property; government procurement; competition policy; environmental goods and services; and dispute settlement.

It is likely that some sectors of the community will fear an increase in Indian imports arising from an FTA. In response, we say New Zealand already has low tariffs on Indian imports and we see this as an advantage in terms of access to cost effective consumables and business inputs. We do not consider the further reduction of domestic tariffs as a potential risk. The complimentary nature of the Indian and New Zealand economies suggests that adjustment costs to both would be small. Notwithstanding this, we do acknowledge there may be case for transitional assistance to some sectors where significant adjustment is required but we believe such instances will be small.

Given the pace things are moving on the global environment, we encourage the government to commence and conclude the negotiations as quickly as possible.

The recent agreements New Zealand has secured with China and ASEAN-Australia provide good templates and the lessons learned from those negotiations should be applied to this one.

In this regard, it should be noted that the rules of origin and the requirement for exporters to have certificates of origin, which are features of those two agreements, have incentivised issuers of certificates - including the Chambers of Commerce, to promote FTAs to exporters. We recommend that this feature be replicated in the India-New Zealand FTA.

Finally, as a major Asian economy, consideration should be given to extending membership to India of the Trans Pacific Strategic Economic Partnership (TPP) and APEC. This is important given that TPP is seen as a possible template for trade liberalisation in the Asia Pacific region.

Conclusion

Thank you for the opportunity to make these initial comments on the proposed New Zealand-India FTA. We would value an opportunity to follow up on this submission. We think business should have an increased role in trade negotiations and we would appreciate ongoing consultations as the negotiations progress. We would be pleased to work with the government to facilitate this through our membership networks.