



Submission
to the
New Zealand Commerce and Industry Office in Taipei
on the
Proposed Economic Cooperation Agreement between New Zealand and
Chinese Taipei
from
New Zealand Chambers of Commerce (Inc)
December 2011

Introduction

The New Zealand Chambers of Commerce (Inc), NZCCI, is an umbrella organisation serving the interests of 30 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 Economic Cooperation Agreement (ECA) with New Zealand and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei).

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. An ECA with Chinese Taipei would be hugely beneficial for New Zealand.

The Benefits of an ECA with Chinese Taipei

Chinese Taipei is New Zealand's 11th largest trading partner. It is our eighth largest market for goods exports and a significant source of visitors, students and migrants to New Zealand but there is huge potential to grow the relationship further and the proposed ECA will provide an opportunity to do that.

It is significant that two-way trade between the two economies has not kept pace with economic growth in recent decades and is slipping in relation to trade with other countries. Our goods exports to Chinese Taipei are largely agricultural and have not diversified as well as they might have over this period. These exports

are more concentrated in a smaller number of sectors than New Zealand's exports overall which suggests there is much scope for diversification and growth.

In particular, we see significant potential for growth in services exports as well as niche manufacturing.

New Zealand's services exports to Chinese Taipei are led by education and tourism. While relatively healthy, their performance does not match our goods exports ranking only 12th in terms of education receipts and 17th in terms of tourism receipts. An ECA will provide huge opportunities to grow these receipts – possibly more so than agricultural export receipts, which face higher barriers to trade - because of the profile the ECA will bring New Zealand in Chinese Taipei.

We consider the strategic advantages formed through closer business links with Chinese Taipei, along with greater awareness and the higher commercial profile New Zealand and its companies are likely to achieve in Chinese Taipei would be the major benefits from an ECA. This is particularly so given New Zealand would be one of the first countries and the first western country to negotiate an agreement with Chinese Taipei¹. An agreement will have even more significance given the cautious approach many countries adopt towards diplomatic relations with Chinese Taipei. But given that Chinese Taipei is likely to progressively negotiate ECAs with other countries over time, an agreement with New Zealand at this early point will provide significant "first mover advantage".

To be effective, the agreement will have to fully phase out tariffs and other trade barriers between New Zealand and Chinese Taipei for all sectors. Currently, in addition to the duty that is currently being paid on exports to Chinese Taipei, there is trade being deterred or diverted by the tariffs. Removing tariff barriers would therefore increase trade flows between the two economies. Furthermore, additional trade is likely to be generated as the Chinese Taipei economy continues to grow, placing New Zealand at a competitive advantage over other countries due to preferential market access.

The removal of tariffs and other barriers to trade with Chinese Taipei would also improve resource allocation in New Zealand. Businesses and consumers have a lot to gain from more competitive business inputs and consumables and the competition these bring, with minimal economic adjustment faced by New Zealand industries.

Chinese Taipei's evolving relationship with China is attracting growing interest from the international business community. An ECA with Chinese Taipei at this point would be a valuable opportunity for New Zealand – notwithstanding that we already have an FTA with China. It would provide opportunities for joint operations between New Zealand businesses and Chinese Taipei partners in China and other countries.

¹ It has one with China (the Economic Cooperation Framework Agreement) and is negotiating one with Singapore

New Zealand would also benefit from any new investment it attracts from third party countries hoping to take advantage of New Zealand's evolving relationship with China and Chinese Taipei.

New Zealand's has received a large number of migrants from Chinese Taipei over many decades whom would be well placed to capitalise on a closer business relationship between the two economies. There is potential to rejuvenate this migrant flow, which has eased in recent years.

Finally, we believe there is potential to further improve the growing relationship between Maori and the indigenous people of Taiwan given the genetic links. The ECA could help make better use of these links from a business, tourism and cultural perspective.

Issues that should be addressed in the negotiation

It is essential that the New Zealand negotiators strive for a comprehensive, high quality economic cooperation agreement. The agreement should cover all sectors, without exclusion, and phase out tariffs and other barriers as quickly as possible.

Services

As mentioned, there is much scope for improvement in New Zealand services exports to Chinese Taipei so it is essential that the services sector be a priority in this negotiation. Even though services constitute more than 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.

The film industry is an example of where an ECA could help facilitate an increase in the activity (including investment) that is already occurring between businesses in that sector.

We would like the ECA with Chinese Taipei etc to be a model services agreement with a negative list (ie all services sectors are included unless specifically excluded) and with full liberalisation agreed across all four modes of supply (ie cross border supply, consumption abroad, commercial presence and presence of a natural person).

Investment

It is also essential that a sound agreement on investment is achieved. Investing offshore rather than exporting from New Zealand is an increasingly common business model that New Zealand free trade and economic cooperation agreements need to take account of. With regard to Chinese Taipei specifically, many sectors would benefit from reduced barriers to investing in Chinese Taipei and, as mentioned, an ECA with sound investment provisions would offer New Zealand firms the opportunity to take advantage of Chinese Taipei's relationship with China.

NZCCI is strongly supportive of inward foreign investment and we believe there is nothing to fear from investment provisions which open up investment from Chinese Taipei.

Other Issues to be addressed

Like other recent trade agreements the negotiation should encompass the full ambit of provisions namely market access and related rules (including customs procedures, rules of origin, technical barriers to trade, sanitary and phytosanitary measures and trade remedies); intellectual property; government procurement; competition policy; environmental goods and services; trade and labour; and dispute settlement.

We are particularly keen to see the agreement include a Most Favoured Nation (MFN) clause so that if any other country is subsequently granted preferential access to Chinese Taipei, New Zealand will get the same access conditions. This is particularly important given this will be Chinese Taipei's first FTA outside of the ECFA with China and most likely Singapore and it is likely to enter into many subsequent free trade agreements.

It is likely that some sectors of the community will fear an increase in Taiwanese imports arising from the ECA. New Zealand already has low tariffs but 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 Taiwanese and New Zealand economies suggests that adjustment costs to both would be small.

Given the pace trade negotiations are occurring across the globe and in the Asia-Pacific in particular, we encourage the government to commence and conclude the joint feasibility study with haste so that negotiations can begin as quickly as possible.

The China and ASEAN-Australia agreements provide good templates and the lessons learned from those negotiations should be applied to this one.

Due to the relative lack of awareness of the Chinese Taipei market, we think the government has a role in filling this information gap by undertaking a communications programme. NZCCI would be pleased to work with the government to facilitate this through the national chamber network.

We also think preferential certificates of origin are an effective way to ensure exporters meet the rules of origin and the system is not left open to abuse. NZCCI would be happy to issue these on behalf of the government as we currently do for the China and ASEAN agreements.

Conclusion

Thank you for the opportunity to make these initial comments on the proposed New Zealand-Chinese Taipei ECA. We would like an opportunity to be heard on this submission. We think business should have an increased role in trade negotiations and we would value ongoing consultations as the negotiations progress. We wish you well in the negotiations.