

Phil O'Reilly's Speech to the Global Business Dialogue Program on Trade Promotion Authority at the National Press Club, 14th and F Streets NW, Washington

I want to talk mainly about TPP but I will briefly discuss TPA. That is a domestic political issue for you but it does influence the way in which we think about TPP from a New Zealand perspective so I will discuss it.

I'm here on behalf of business not the Government so if I say something wrong I'm not from the Government which is good. It makes it easier for me and the context is New Zealand. I'm hesitant about talking too much about business views from other TPP partner nations. I'm familiar with many of their positions but I don't want to be arrogant enough to suggest I know enough to talk about them here. So I just want to talk a little bit about New Zealand.

Seven themes for you.

The first theme around TPP for us is encapsulated in the word "patience". This has been going on a long time now. The US position is that this started in 2008, in fact it started a lot longer ago than that. It started in the closing days of the Uruguay round. We are still doing it. We are very happy with that and I'm very heartened by some of the other speakers being very confident we are going to get it done. I must tell you we are not necessarily so confident about that. In the New Zealand business community, there is a view this might fall over in the last minute, I don't think we can take it for granted in New Zealand that we are going to get this done. But we do need to keep at it and we do need to do it.

This point about patience encapsulates the rather obvious point that's there's an importance about having a long term view about these things. It's important that we don't let today's politics get in the way of what will be a deal that will transform the Pacific trading environment over the next twenty to thirty years. That's been our experience with the China FTA and I will come to that in just a minute.

So, it does go to this point about taking a long term view. About not letting the petty politics of today in any particular country dominate proceedings.

The second point I will make is about quality and comprehensiveness. It's just mission critical that we get a high quality, comprehensive, twenty first century deal. I want to bring in here the OECD. You just heard I chair the Business and Industry Advisory Committee and they do some really outstanding seminal work on what they call trade in value added (TIVA). Basically the new message that they are establishing through their research is that manufacturing and services are increasingly blurring. The little line I use about that is there is no such thing as manufacturing any more, we are all services businesses now. That is a little bit of an exaggeration but the reality is almost no manufacturer I can think of now operates as an old style manufacturer like they were in the mid 20th century. And the world is increasingly dominated by global value chains, so the new glue of trade is not containers going across a wharf, they are an outcome. The new glue of trade to my mind is investment.

And that suggests we do need to think behind borders, we do need to think about ISDS. The other point about TIVA out of the OECD is that the old beggar thy neighbour idea that exports are good, imports are bad is now utterly discredited. In fact it is trade that matters. And I think it is incumbent among those of us who lead these debates to be brave enough to lead that part of the debate. It's trade that matters.

So clearly the deal that we are trying to do with TPP has to go beyond the border but we still need regrettably to solve the 19th and 20th century issues of tariffs and border issues as regrettably they still matter and regrettably they are still going to need to get done. But if that is all we think of as success we will fail.

Third point. We need to think about the emerging architecture of trade in Asia and the Pacific. There is some wonderful language coming out of the US from my perspective on "The Pivot". The increasing importance of Asia Pacific. As a small isolated nation in the Pacific (about as far away as you can be in the Pacific as a matter of fact) we find that language very valuable from a business community point of view.

But from a US perspective you are not going to get the increased influence you seek in Asia Pacific if I could be so bold, you are not going to get there just through sending aircraft carriers.

In fact most of the engagement with Asia Pacific will be through trade and people contacts. So visiting business people, visiting tourists, establishment of companies, establishment of investment – those are the things that will actually drive the new engagement that you seek in Asia Pacific.

And if America doesn't do TPP for some reason then it will be America that loses face and presence. If you believe in Pacific engagement then you have to believe in trade and that I think is a very important message for us all to take back to our various capitals.

The fourth point I make is that other forces are at work. TPP is just one thing that is going on in Asia and the Pacific. The other one of course is RCEP. There are others as well but that's the obvious alternative and let me tell you a little bit about our experience with China. We have a free trade deal with China. Its comprehensive. We are the only developed country to have one of those. What you may not know is we have a free trade deal with all three Chinas now. China Mainland, Hong Kong and Taiwan. And our experience of China from a business community perspective is that they are entirely professional, they are very good to deal with on the whole and the relationship with China is very healthy. Now why did the Chinese do that deal? Once again I can't arrogantly speak for them but at least part of it from what I can see, was a statement about China's commitment to the Pacific and Asia and their commitment to trade, because you know New Zealand was hardly a big deal market wise for China. One interesting thing to think about is the effect of that on the business community in New Zealand. This goes to the point about the emerging

architecture of trade in Asia and the Pacific. Yes tariffs were reduced and are reducing over time in all of those deals and yes everyone was very comfortable and pretty happy about a free trade deal being done.

What it did most of all for the New Zealand business community though was it changed attitudes of the New Zealand business community towards China. So everybody had a lot of new focus and a lot of new attention on China not just because tariffs were coming down or some deal was signed by politicians but because the relationship was made safer and friendlier as a result and it led to in fact a lot more attention in the New Zealand business community into China and I think that has been somewhat at the expense of the New Zealand/US business relationship. So free trade deals matter not just because of what's on the piece of paper. It matters in terms of thinking and how you describe what's going on.

The fifth point I make, the US is back. We sincerely appreciate the renewed energetic commitment of the US business community and policy makers to high quality comprehensive trade deals. This is a fantastic thing and the language is wonderful to hear today so let's get on with it.

The sixth point is that the target is out there. We used to sell a lot of lamb to the United Kingdom and it was a big deal in New Zealand trade policy in the 70s and 80s to keep trade access open to the UK. Well now we sell more lamb to China than we do to the United Kingdom.

So when we think about the emerging trade architecture of Asia and the Pacific the targets are not we developed countries, these targets are very helpful to have of course, but the targets should be by doing what we are doing we are actually reaching out to sell our goods and services and products and so on into those emerging economies. Maybe Japan is a big opportunity for you in TPP, it's certainly a big opportunity for us. But those emerging countries are huge for us and I hope will be even bigger for you and if we get the architecture right that's the key to that opportunity. So TPP is not about the 12. It's about the APEC 21, it's about showing the rest of the world it can be done, it's about establishing a new architecture so no free trade deal of any consequence in the future can be anything other than comprehensive and high quality, that's what we should be on about.

Last point let me talk a little bit about TPA. We are very happy it was introduced of course, we are very happy that it was at least bipartisan. Everyone sensible, I think, seems to understand that it would be a good idea to get it done and I'm pleased that the conversation today takes that view too. Certainly the New Zealand business community takes that view. We know it's not easy, we know it is a US domestic issue and we are here to help as much as we can. We all support the idea of a proper process. We need to go through that in New Zealand as well. It will go to our Parliament for ratification: in the US it will need business and political and presidential support of course to get it done and in that context I was very pleased to see President Obama's comments last night.

So let's get on with it. It will make us all, in fact all our businesses and our communities wealthier and more successful and I look forward to working with the US business community in particular once we get it done to make sure it is a great success for both of our peoples and both of our great nations.