

Notes for Second Reading Speech of Trans-Pacific Partnership Agreement Amendment Bill

I would like to thank the Foreign Affairs, Defence and Trade Committee for its detailed consideration of this Bill and the comprehensive public consultation process it undertook. The Committee's recommendation is that the Bill be passed with some amendments.

Although most of New Zealand's TPP obligations can be met by New Zealand's existing domestic legal and policy regime, some changes are required to ensure we comply with our obligations. The Bill will ensure that New Zealand meets the obligations we have signed up to in the TPP Agreement, and it will help ensure that exporters can start to reap the benefits of this comprehensive and high-quality trade agreement.

I will speak about the Select Committee's important work on this Bill and the changes it has recommended, but first I would like to take the opportunity to briefly remind the House why New Zealand signed up to TPP.

Benefits of TPP

The Government recognises that trade is critical to New Zealand's continued growth and prosperity. For this reason, successive governments have sought to negotiate free trade agreements to help level the playing field for New Zealand firms selling abroad and thereby boost exports. We know that this both directly and indirectly benefits all New Zealanders.

TPP is our biggest trade deal to date, and will lift exports by removing barriers to trade for many exporters of New Zealand goods and services to customers in TPP countries across the Asia-Pacific region.

The 12 countries currently in TPP account for 36 percent of the global economy. In fact, our TPP partner countries buy 40 percent of New Zealand's exports, worth around \$28 billion per year to our economy. Given the scope of the TPP region, the Agreement presents a huge opportunity for our economy, adding an estimated \$2.7 billion a year to New Zealand's GDP once it has been fully phased in.

TPP will see total tariff cuts of around \$274 million a year on current goods exports. Over 50 percent of this removal of tariffs will take effect as soon as TPP comes into force. With the exception of some dairy products into some markets and a significantly reduced tariff

on beef to Japan, all originating New Zealand exports to TPP countries will ultimately be duty free.

It's clear that not being in TPP would put New Zealand exporters at a competitive disadvantage. Our exports would become more expensive by comparison – as tariffs and other barriers are eliminated on the exports of our competitors but not on New Zealand-made products.

The reasons for signing up to TPP are strategic as well as economic. It's important to note that as a founding member of TPP, New Zealand gains the opportunity to exercise influence on the development of the rules that the Agreement will set for the region. This is both in respect of its present form, and more significantly, in the future as membership increases.

Crucially, TPP will not prevent New Zealand governments from taking measures that are in the interests of all New Zealanders. The main obligations in TPP have been designed to allow governments to make legitimate public policy. This includes policy in the areas of health, education, and protecting the environment. Special provision has been made with respect to the Crown's obligations to Māori and, like all our FTAs since 2001, TPP recognises the pre-eminence of the Treaty of Waitangi in New Zealand.

We said all along that we wouldn't negotiate away the New Zealand health system in a trade agreement. And we didn't. TPP won't change the fundamentals of the PHARMAC model. PHARMAC's ability to prioritise its spending and negotiate with suppliers goes unchanged, and TPP allows the Government to rule out investor state dispute settlement challenges over tobacco control measures.

No changes will be made to the way New Zealand approves investments relating to sensitive land or fisheries quota, and New Zealand still has the ability to impose some types of new, discriminatory taxes on foreign purchases of residential property.

Government's Engagement Process

The Government has undertaken a comprehensive series of engagements to help the public to understand what this agreement means for New Zealanders. These events followed the extensive consultations carried out during TPP negotiations.

This year the Government ran a nationwide series of roadshows and hui. The roadshows aimed to ensuring businesses are prepared to take advantage of new opportunities presented by TPP, and to provide information of interest to the wider public and other stakeholders. I attended many of these roadshows, so I know they were very successful – many people, both business and broader society, walked away feeling informed about what TPP is and what it is not.

The dedicated hui briefed a mainly Māori audience on the outcomes of the TPP negotiations and provided an opportunity for attendees to share their views and to ask questions. As a result of this engagement some Māori have asked for further information from the Government about accessing support to achieve positive outcomes through TPP.

The Māori economy has long been export focused, with trade pre-dating the 1830s as Māori provided food, water and firewood to whaling ships, in exchange for goods such as iron tools and muskets. Today, the Māori economy comprises around 5.6% (\$11 billion) of New Zealand's total GDP and has an asset base worth over \$42 billion. Many of these assets are in the primary sectors that are heavily export-focused. It is a growing part of New Zealand's overall economy, which stands to gain significantly from TPP.

The public also had an opportunity to engage with and influence the contents of the Bill during the Select Committee process, and the Foreign Affairs, Defence and Trade Committee received 85 submissions from the public.

FADTC's Recommended Amendments

After considering public submissions and the advice of officials, the Select Committee has recommended a number of changes to the Bill, and I would like to highlight some of the more significant suggested amendments.

First, the Bill makes it clear that the changes to New Zealand law introduced by the Bill will only commence on the date that TPP enters into force for New Zealand.

Some submitters raised a concern that the commencement clause in the Bill did not make this clear. As I noted at the outset, the purpose of this Bill is to implement New Zealand's TPP obligations and therefore the amendments to New Zealand law necessary to ratify TPP will only come into effect from the date that TPP enters into force for New Zealand.

The intellectual property provisions of the Bill attracted particular attention from some submitters, especially with respect to the change to the term of copyright from 50 to 70 years. Some submitters supported the extension, while others opposed it. The extension of the copyright term is the main cost of TPP for New Zealand, estimated at \$55 million per year once it is phased in. However, this cost needs to be considered alongside the positives for the economy as a whole of TPP.

I also want to stress that the Government's objective has been to ensure New Zealand complies with its TPP obligations in a manner least disruptive to our current intellectual property policy settings.

One of the more notable intellectual property-related amendments is providing a cap of 2 years on the length of any patent term extension that is required to be given to compensate a patent owner for an unreasonable delay in the grant of the patent. This amendment will provide certainty to the public of the potential term for patents not yet granted by the Intellectual Property Office.

Other Ratification Processes

Along with this Bill, the Government needs to make certain regulations, and changes to policy and practice, in order to ratify TPP. As with the Bill, these changes will only take effect from the date that TPP enters into force for New Zealand. These changes were laid out in the National Interest Analysis published on the Ministry of Foreign Affairs and Trade's website in January of this year.

Other Signatories' Ratification Processes

TPP provides for an initial period of up to 2 years for all signatories to notify the depository that they have completed their domestic legal procedures to ratify the Agreement. Each TPP signatory has its own domestic processes but all twelve are focused on completing their processes within two years, to deliver maximum economic benefit for all.

The Government would like to see the Bill enacted as soon as possible so that New Zealand can be in the first tranche of countries to bring TPP into force.

I commend the Trans-Pacific Partnership Agreement Amendment Bill to the House.