

**New Zealand Chambers of Commerce (Inc)**  
**Submission to MFAT**  
**Proposed 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 exports to India are growing fast. The trade profiles in the India - New Zealand Joint Study are already out of date. Annual exports to India are now worth \$630 million making it our 13<sup>th</sup> largest export market. It was just our 23<sup>rd</sup> 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 also an important part of the business relationship, have grown significantly in recent years as well but we still have a sizable trade surplus with it.

New Zealand and India have had a longstanding relationship but until recently the relatively meagre level of trade and business between the two countries has not reflected the extent of that wider relationship. An FTA would be a valuable platform to build that trade and economic relationship.

India's economic reforms and its increasing openness are attracting growing interest from the international business community. 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.

In the context of the current global economic climate and increasing tendency towards protectionism, the decision to enter negotiations with India sends an important signal that free trade is the best response to the economic crisis.

### **Issues that should be addressed in the negotiation**

It is essential that the New Zealand negotiators strive for a comprehensive, high quality free trade agreement. The agreement should cover all sectors and phase down tariffs to zero as quickly as possible.

New Zealand's exports to India are across a narrow range of goods. There is a lot of scope to diversify that range and a FTA will be instrumental in this.

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. We would like the FTA with India to be a model services agreement with a negative list and with full liberalisation agreed across all four modes of supply.

It is also essential that negotiations cover investment. NZCCI is strongly supportive of inward foreign investment and we would welcome investment provisions being part of the ambit of negotiations.

As well as these, like other recent trade agreements the negotiation should encompass 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.

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.

## **Conclusion**

Thank you for the opportunity to make these initial comments on the proposed New Zealand-India FTA. 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 would be pleased to work with the government to facilitate this through our membership networks.