



Straight Talk

November 2015

Straight Talk: Simon Tucker

For the latest instalment of its *Straight Talk* series of Q&As, the Macdonald-Laurier Institute spoke with New Zealand High Commissioner Simon Tucker about the momentous new free-trade deal involving our two countries, the Trans-Pacific Partnership.



Simon Tucker was appointed New Zealand High Commissioner to Canada in February 2013. He is concurrently High Commissioner to Jamaica.

Prior to taking up his appointment in Ottawa, Tucker spent ten years

in the New Zealand dairy industry, including in leadership roles at DairyNZ, the Dairy Companies Association of New Zealand and Fonterra Cooperative Group, New Zealand's largest company and the world's leading exporter of dairy products.

Before he joined the dairy industry, Tucker spent 12 years at New Zealand's Ministry of Foreign Affairs and Trade with postings to Tehran and to Washington DC. He also spent several years working in Parliament as adviser to the New Zealand Minister for Trade.

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MLI: You have been a vocal proponent of the Trans-Pacific Partnership in Canada, but for a long time few Canadians paid much attention. Can you give us an idea of the scale of this agreement? Why is it such a big deal?

Tucker: It's the biggest trade agreement the world has seen since the WTO Uruguay Round 25 years ago. To bring 12 economies together in a single, very-high quality free-trade agreement, I think is a big deal. And I have to say, it probably surprised me to some extent how much TPP flew under the radar in Canada for so long because I think it was a big opportunity. I mean in terms of numbers, you've got the world's first and third largest economies in the US and Japan. You've got major emerging markets, including Mexico, Vietnam, and Malaysia, joining other Latin American and other Asian countries as well.

And you've got a great geographical spread. The whole basis of TPP is linking together open market economies on both sides of the Pacific, Asian countries with Western Hemisphere countries, Pacific countries. I think it's exciting because it's showing that you can do good free-trade agreements on a much larger scale than just bilaterally.

MLI: Did it take longer than you anticipated to negotiate?

Tucker: Yes! It's been an interesting process because it's a good example that the car you think you're driving when you start off turns out to be quite a different car when you get to the destination. New Zealand really kicked this process off going back as far as the 1990s when we started talking to Singapore and Chile and others about trying to get some of the building blocks for Asia-Pacific free trade together. And along the way, this thing was growing and growing, which of course adds to its significance. So, some of the reason it took longer was because at various points we added in the US, which is no small thing. And then Japan, Canada, and Mexico came in – it wasn't that long ago really, three years or so.

I'm an impatient person. I think free trade, open trade, makes a huge amount of sense and so we should get there as quickly as we can. But I think when you look at the number of countries that joined along the way, and also the depth and complexity of this deal, it's perhaps not surprising – you could make the case that in fact it was done in pretty good order. When you consider the Doha Round really kicked off with a Uruguay Round built-in agenda in 1998 and still is nowhere near a decent conclusion, TPP looks like a pretty athletic animal by comparison.

MLI: What were some of the last issues to be resolved in talks in Hawaii and Atlanta?

Tucker: Back to my point about complexity: this is not just goods and tariffs. This agreement covered things like services, investment, intellectual property liberalization, broader trade-and-environment, and trade-and-labour provisions. One of the reasons for the amount of time was those issues.

It was interesting at the end because, I think as is now widely known, there were probably three big issues that were not resolved in Maui and in fact, they were the last issues to be resolved in Atlanta, and they were the automobiles rules of origin issue – which was really in a way a sort of NAFTA-Japan issue – and two other really big ones across the membership. One of those was patent rights of biological medicine and the other one – ironically in a way for a 21st century trade agreement – was very much a 19th century issue, which was market access barriers to agricultural products. I think in New Zealand, we always had a sense that talking about dairy market access would be the last issue to be resolved and at 5 o'clock on the last morning of the negotiation, sure enough, New Zealand was talking about dairy market access, so there you go.

MLI: Why do you think Canadians should celebrate the agreement in principle on the TPP?

Tucker: I think for the reasons set out. Canada is a country which has prospered economically, has raised the standard of living of its people, and provided jobs, all by being a country that exports and imports, attracts foreign capital, and invests overseas. Canada is an economy that faces the world. I think what TPP has done, is it has hardwired Canada into the definitive piece of trade policy architecture in the Asia-Pacific region. And of course the Asia-Pacific region is the place of true economic dynamism in the world economy at the moment.

So I think there's a lot of good news for Canada. I think it's a very important agreement, and I think that Canada and Canadians will do very well out of it. The TPP is very significant in its own right but it's going to grow over time. I'm very confident of that. When you get in at the ground floor, there's a sort of automatic multiplier effect for countries like Canada and New Zealand as other economies seek to join TPP.

The New Zealand High Commission has travelled to all 10 provinces plus two territories talking TPP. We've met with a wide range of Canadians from political leaders to businesspeople to blueberry farmers in British Columbia, corn farmers in Saskatchewan, and fishermen in Newfoundland, and they're excited about it. They "get it." They understand the opportunity that the Asia Pacific region represents for their businesses and how TPP is going to help make it happen.

MLI: And why are New Zealanders celebrating the TPP?

Tucker: The same reasons. I think also New Zealand has been one of the global advocates for the benefits of open trade and investment. At its most fundamental, we've seen hundreds of millions of people in the Asia-Pacific region raised out of poverty through embracing open trade and investment. We've seen New Zealand's economic future anchored on the idea of being an effective exporting nation, but also being an efficient economy that attracts investment and attracts imports. We see it as being one of the key planks underpinning our economic future to have really good trade linkages with big, dynamic economies. TPP, overnight, has contributed to that. We weren't lucky enough to already have a free-trade agreement with the United States and we've got that through TPP. We didn't have a free trade agreement with the other countries in NAFTA and we've got that through TPP. And then Japan, which is our third- or fourth-largest export market, the world's second-largest economy, we've got a free-trade agreement with them. For a smaller economy like New Zealand, you get great bang for your buck with something like TPP. And I suspect we have got a higher quality deal through working with 12 countries than we would have if we had tried to knock off those 12 countries one by one.

MLI: Would you go as far as to say that many of the things that each country had to "give up", such as lowering tariffs or improving intellectual property protection, should be regarded not as concessions, but worth doing in their own right?

Tucker: Certainly. New Zealand has some of the lowest average tariffs in the world. We have long recognized the benefits that come from providing our consumers and our companies with competitively priced products either as part of a business supply chain or for consumption. Similarly, it's important to have cohesive, pro-commercial rules around things like intellectual property and investment because these are very good at home as well as internationally. It's perhaps easiest to sell trade agreements politically by talking about the opportunities for export. But anyone with a basic knowledge of economics understands how beneficial it is to get rid of trade distortions in your own economy.

MLI: Now there is a sense among many in Canada, not a majority, but a good number, that we shouldn't be making these decisions as part of trade agreements because that impacts our own sovereignty in terms of the regulations that we want to set. Have you experienced that in New Zealand, and how do you address those issues?

Tucker: I think there's been a good, healthy debate in New Zealand on TPP. There is a segment of the population who remain skeptical of the benefits of open trade and investment and they tend to argue such deals undermine sovereignty. My take on this personally, is when you look at the provisions of TPP I think the sorts of rules that are put in place are not so much about corporations violating state sovereignty. It's really just around providing a degree of certainty against arbitrariness of regulation and I think all countries have been able to adequately protect their sovereign government's ability to regulate in their public interest. We live in an interconnected world. We live in an increasingly globalizing economy and so inevitably, we have to have rules in place that allow our people and our businesses to engage in that, but that doesn't necessarily mean that somehow we're losing sovereign rights and interests.

MLI: I'm interested to know what the New Zealand experience can tell us about protectionism of the dairy sector in particular, an area you are very familiar with.

Tucker: New Zealand was a bit of a different case than Canada – Australia actually had more of a supply management system for their dairy industry. There are a couple of points here. One is that the food market, like most markets, is growing rapidly and globalizing, and 80 percent of Canada's agriculture sector is recognizing that and doing extremely well out of it. There is an irreversible trend towards global supply chains, and the global integration of food markets, which is very good news for both producers and consumers of food. In general terms, I think TPP is very consistent with that and is a massive enabler for those of us exporting food to the growing middle class in the Asia Pacific.

The New Zealand experience of trying to protect and subsidize our agricultural sector back in the 1970s and 1980s was unfortunate. The value of those protections and subsidies get capitalized into the land and farming units. So in terms of overall competitiveness, you sort of take a double whammy. You're priced out of the market in terms of the cost of the product you're producing and meanwhile your farms and plants are getting more and more expensive because the value of the subsidies and protections is capitalized into them. You end up in a vicious spiral heading downwards. That was certainly the New Zealand experience. When we reformed, our agricultural sector took some pretty tough medicine, and it did disrupt the industry to some extent, although less than 1 percent of our farms went out of business. Productivity in the agriculture sector has outstripped the rest of the economy for the past couple of decades. And now, if you talk to New Zealand farmers, you will find no stronger proponent of getting rid of government protections and subsidies. They wouldn't have it any other way.

MLI: So would you say that in the next round of negotiations, New Zealand would be advocating even freer trade and lower tariffs for agriculture and dairy?

Tucker: Yeah, I think New Zealand's position in these things is, we are happy to go to zero tariffs and other market barriers with any country, any time. So that's our opening position. Obviously, we're also practical, can-do Kiwis and we bring an element of pragmatism. We're not blind to the fact that political challenges can exist in some countries to liberalising markets. In some situations there comes a time to take a good deal today rather than hope for a perfect deal in the future. It's fair to say some elements of the TPP recognize that.

MLI: How do you think having so many Pacific economies coming together in the TPP will affect China's influence on global trade?

Tucker: That's an interesting question. We have never seen TPP as in any way a means of China isolation or China containment. We would never agree with that characterization. New Zealand has a comprehensive free-trade agreement with China that's been massively important to our economy. Our closest neighbour, Australia, is in the process of enacting its own bilateral FTA with China. Our experience of talking with China is that they are very, very supportive of free-trade arrangements within the Asia-Pacific region. So, I would say China probably sees TPP as a positive trend and one in which I would imagine Beijing is going to be increasingly interested in engaging. I believe what we've done in TPP is very consistent with where China sees its interests in the Asia-Pacific region economically. And I think as you see other countries seeking to join TPP, already you've seen expressions from Korea, some of the other ASEAN (Association of Southeast Asian Nations) countries, even countries like Sri Lanka have started talking about joining TPP. I would say over time, you're going to see most of the countries in the Asia-Pacific region thinking very hard about joining TPP, China included.

MLI: What challenges remain to seeing the TPP ratified and implemented?

Tucker: Well there's one very obvious one to all of us! Every country has to undertake its own process to get the thing signed and enacted. But it's hardly a surprising thing to say that we will all be following the US legislative process with great interest. It seems to me, that is probably the most difficult series of issues to be resolved, but I was just recently in Washington. I remain optimistic. You've got a clear majority on Capitol Hill in favour of trade agreements, and I think TPP is a very good trade agreement, and I think that the fundamental truth is that eventually it will go through. So I'm confident we'll get TPP in place, but obviously there's lots of work left to do.

MLI: And, what's next after this on the Pacific trade agenda? We've talked a little bit about other members perhaps, but what are going to be the big issues coming down in the next several years?

Tucker: Obviously TPP is exciting in terms of the potential to grow it. It was always established with this in mind. And you've got other high-quality trade initiatives in the region. The Pacific Alliance is a very interesting one and over time, that's going to grow as well and then maybe sort of a natural synergy will emerge between the Pacific Alliance and TPP, given that three of the four Pacific Alliance members are already in TPP.

But I think that the sort of bilateral FTA explosion of the past couple of decades, is to some extent going to lead to more of these plurilaterals as countries realize it could be an asset to group together bilateral agreements into multi-party ones. And I think that's an interesting conversation for us to continue to have. RCEP (Regional Comprehensive Economic Partnership) in the Asia Pacific region is an example of that.

New Zealand is hoping to be in a position to negotiate a free-trade agreement with Europe, ourselves. For us that's probably the last big piece of trade policy architecture we are missing. Then there's the question of India. A number of countries including Australia, New Zealand, and Canada are negotiating free-trade agreements with India, and that's obviously an important economy and I think there's a lot of interest there.

With the WTO, we've got a ministerial meeting in Nairobi coming up. It's frustrating, but I still believe that the WTO has got an important role to play, both in terms of being a multi-lateral forum for creating rules and solving disputes, but also for doing trade liberalization. There are still egregious trade

distorting things like agricultural export subsidies that can really only be effectively dealt with in the WTO so we shouldn't lose sight of the WTO's role.

MLI: Are you looking forward to meeting the new Prime Minister of Canada and do you think TPP ratification will be on the agenda when you do?

Tucker: Yes, I think from the public pronouncement already made, we can have confidence that the Liberal government is going to embrace TPP. Certainly my past conversations with the previous Liberal caucus including Prime Minister Trudeau suggest to me that the Liberal government will welcome TPP. So, I think things are looking quite good.

MLI drew the following recommendations from our discussion with Simon Tucker:

1. Canada should ratify the Trans-Pacific Partnership. We can't afford to be left out of such a big deal.
2. Canadians should regard many of the "concessions" of free-trade deals as opportunities to make our industries more competitive and benefit consumers.
3. Canada should continue to seek opportunities to lower tariffs and eliminate trade distortions in our own economy.

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