

**SUBMISSION TO THE FOREIGN AFFAIRS, DEFENCE AND TRADE SELECT  
COMMITTEE**

**INTERNATIONAL TREATY EXAMINATION OF THE AGREEMENT ON THE  
INDO-PACIFIC ECONOMIC FRAMEWORK FOR PROSPERITY**

**JULY 2024**

**Introduction**

- 1 This submission is made on behalf of the New Zealand International Business Forum (NZIBF) and ExportNZ. NZIBF, whose members are listed at Annex A,<sup>1</sup> is a forum of senior business leaders working together to promote New Zealand’s engagement in the global economy. ExportNZ, a division of BusinessNZ, is a national industry association representing a diverse range of exporters throughout New Zealand.
- 2 The Agreement on the Indo-Pacific Economic Framework for Prosperity (“IPEF” or “the Agreement”) is comprised of an overarching institutional arrangement and three substantive “pillars” – Supply Chain, Clean Economy and Fair Economy. A fourth pillar - Trade - remains under negotiation. As business organisations representing primarily trade interests, we focus in this submission on the Supply Chain Pillar. We leave to others to comment on the Clean Economy and Fair Economy Pillars.

**Summary**

- 3 NZIBF and ExportNZ understand and concur with the rationale for New Zealand involvement in IPEF, as expressed in the National Interest Analysis (NIA). It is important to understand this rationale clearly. IPEF provides a means of collaborating at official level with other trade partners, especially the United States and India, on matters of importance to New Zealand’s trade. In this regard, we welcome the proposed establishment of the IPEF Council and Joint Commission. Some potentially useful new trade facilitation mechanisms are included in the IPEF Supply Chain Pillar tool box. IPEF, as a whole, is not however a free trade agreement: it does not (at least at this stage) provide for increased market access or a means to reduce tariff and non-tariff barriers. Only certain aspects of IPEF, mostly in regard to the institutional structure, are legally binding. IPEF’s success will therefore depend on the extent to which the framework for collaboration and co-operation can be made to work

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<sup>1</sup> The views in this submission are those of NZIBF and ExportNZ as a whole. Individual members may make their own independent submissions on specific issues.

effectively and without undue bureaucracy or diversion of resources. IPEF should not be seen as an alternative to the suite of current high quality and comprehensive free trade agreements (FTAs) in the region including the Comprehensive and Progressive Agreement on Trans Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP).

- 4 IPEF provides a useful mechanism to maintain and, if possible, encourage increased United States' economic engagement in the Asia Pacific region and to deepen economic engagement and co-operation with India. Both are markets with which New Zealand lacks high quality and comprehensive free trade arrangements. Other IPEF participants, with the exception of Fiji<sup>2</sup>, are all markets with whom New Zealand already has comprehensive FTAs. Our largest import and export partner, China, is not an IPEF member, thereby further weakening the economic and commercial impact of IPEF for New Zealand and raising further questions about IPEF's likely overall effectiveness.

### **About NZIBF**

- 5 NZIBF provides a voice to articulate the needs and priorities of New Zealand's international business community, and in particular the importance of open markets, to the New Zealand Government and public stakeholders. The NZIBF Board brings together leaders from amongst New Zealand's largest internationally oriented companies and peak business organisations, representing many exporters of all sizes (a list of Board Members is in Annex A).
- 6 Incorporated in May 2007, NZIBF works with companies, business organisations and government agencies to implement projects in the international trade and economic sphere, including working to develop New Zealand's key international business relationships and conducting activities to promote New Zealand's competitiveness. NZIBF is primarily funded by its members. It receives no direct government funding for its operating budget but from time to time may receive funding for jointly funded projects. Funding in respect to the policy advice and support provided to the New Zealand members of the APEC Business Advisory Council (ABAC) is currently provided by both NZIBF and the Ministry of Foreign Affairs and Trade (MFAT).

### **About Export NZ**

- 7 ExportNZ is a national industry association representing a diverse range of exporters throughout New Zealand. ExportNZ is a division of BusinessNZ, New Zealand's peak business advocacy body. ExportNZ is a membership organisation with approximately 2,000 export members around the country. ExportNZ advocates for,

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<sup>2</sup> Fiji is not a signatory of the Pacific Agreement on Closer Economic Relations (PACER Plus).

inspires, connects, and celebrates New Zealand exporters. We aim to build a thriving ecosystem that supports each other.

## **IPEF provides a means for enhanced collaboration with partners on supply chain issues**

- 8 NZIBF and ExportNZ understand and concur with the rationale for New Zealand to join IPEF and to collaborate with partners especially on supply chain issues through the overarching IPEF Council and Joint Commission as well as the Supply Chain Pillar. The global pandemic illustrated clearly the impact on the economy when supply chains are weakened, particularly for a country like New Zealand which sits either at the beginning or at the end of long supply chains. The Supply Chain Pillar contains some potentially useful new mechanisms, including the broad intention to strengthen supply chains including through trade facilitation measures such as prompt clearance of perishable goods and to promote regulatory transparency, establishment of the focal points, the Supply Chain Council, the Crisis Response Network and the emphasis on identifying critical sectors and vulnerabilities. Provided these mechanisms can be made to work effectively, without excess bureaucracy and, given the emphasis placed on consultation and meetings between officials, a diversion of resources from other areas<sup>3</sup>, they could provide some greater assurance of supply chain resilience. Much will depend on the ability of officials to develop close working relationships with supply chain operators and affected businesses. In New Zealand's case close co-operation will be needed with agricultural industries, with the aim of identifying agriculture as a critical sector and agricultural inputs as key goods<sup>4</sup>.
- 9 IPEF has a wide membership, bringing together some of New Zealand's key trade partners, including both the United States and India<sup>5</sup>. The members of NZIBF and ExportNZ have long supported the goal of an FTA with the US, whether bilaterally or through a plurilateral arrangement like the earlier Trans Pacific Partnership (TPP) and its successor, CPTPP. **The United States** is a vital economic partner for New Zealand for trade in goods and increasingly in services, investment and innovation. Although the US is clearly not interested in an FTA at this time, IPEF provides a means to maintain engagement and dialogue. Some doubt remains about whether IPEF might last a change of Administration in the United States. In the case of **India**, NZIBF and Export NZ support strongly the Government's goal of deepening the economic relationship in the absence of an FTA. India's emergence as a major economic power and the current, rather low level of bilateral economic exchange

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<sup>3</sup> It should be noted that IPEF issues are also being addressed in other fora including the WTO, APEC and the OECD as well as bilateral and plurilateral FTAs. Cumulatively these place significant demands on a relatively small number of officials.

<sup>4</sup> NZIBF and Export NZ would welcome further engagement with MFAT and MPI on this aspect of the Supply Chain Pillar.

<sup>5</sup> India is not a negotiating partner in the IPEF Trade Pillar.

make this a priority. IPEF provides another means to engage co-operatively with India on economic issues and to develop the economic relationship further. The inclusion in IPEF of our close Pacific neighbour **Fiji** is also welcome.

- 10 Unfortunately IPEF does not include **China**, our largest import and export partner, taking over 30 percent of exports and providing 20 percent of imports. China's importance to New Zealand and other IPEF partners and its weight in the regional economy and regional supply chains is such that its absence gives rise to concern about IPEF's likely overall effectiveness. There is also some risk that this could lead to bifurcated, overlapping or even contradictory arrangements being put in place for supply chain management which could add unnecessary costs for business and detract from, rather than enhance, supply chain resilience.

### **IPEF is not an FTA and lacks binding commitments in key areas**

- 11 IPEF is not an FTA. NZIBF and ExportN remain disappointed that IPEF does not provide for binding market access commitments or processes to address non-tariff barriers. Despite the success of New Zealand's trade negotiating effort in recent years, New Zealand still lacks comprehensive market access to around 40 percent of the global economy<sup>6</sup>. Even some of our closest FTA partners maintain tariff and non-tariff barriers against New Zealand exports, particularly for agricultural products.
- 12 Beyond binding market access commitments, the absence of actionable disciplines on matters such as import or export bans, customs procedures, trade-restrictive non-tariff barriers, paperless trade or poorly designed and implemented regulatory settings could weaken the overall framework for supply chain resilience and potentially reduce the willingness of the parties to engage meaningfully in IPEF. Although it was envisaged that digital issues would have been included in the Trade Pillar, these have thus far failed to materialise, with the US unwilling to negotiate, and the absence, in a digital age, of effective digital provisions in the Supply Chain Pillar is striking.

### **The IPEF is unfinished business**

- 13 If IPEF is to be commercially significant, NZIBF and Export NZ believe over time it will need to encompass work programmes leading to binding commitments in the areas outlined in para 12 above. This will require some further evolution of the IPEF negotiating mandate and early completion of the Trade Pillar. Ideally the Trade Pillar should include market access commitments, although this seems unlikely given US' reluctance.

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<sup>6</sup> <https://tradeworks.org.nz/wanted-new-free-trade-agreement-partners/>

## **Treaty of Waitangi and multilateral trade rules are fully protected**

- 14 NZIBF and ExportNZ welcome the protections in IPEF for actions taken to give effect to the Treaty of Waitangi. We also welcome the assurance that nothing in the Agreement detracts from multilateral trade rules enshrined in the World Trade Organisation (WTO).

## **Conclusion**

- 15 NZIBF and ExportNZ agree that New Zealand should proceed to join IPEF. While we have continuing reservations, as outlined above, about IPEF's likely efficacy and effectiveness, we believe there is value to be gained from enhanced collaboration with trade partners, particularly on supply chain issues. Should the IPEF negotiating mandate be able to be extended into legally binding areas such as market access, non-tariff barriers, trade facilitation, paperless trade, and regulatory coherence, and should it ultimately be open to all economies in the Asia Pacific region, IPEF's ability to deliver for New Zealand would be significantly improved.

## **Recommendations**

- 16 NZIBF and ExportNZ recommend that the Committee:
- a. **note** the views on IPEF as a whole and the Supply Chain Pillar as set out in this submission, which are in favour of joining IPEF
  - b. **note** the continuing reservations on aspects of the Agreement; and
  - c. **note** the interest of NZIBF and ExportNZ in making an oral submission.

### For further information

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**July 2024**

## ANNEX A

### NZIBF BOARD MEMBERS

#### Executive Committee

1. Philip Gregan, (Chair) Chief Executive, NZ Winegrowers
2. Catherine Beard, Director, Advocacy, BusinessNZ
3. Raewyn Bleakley, Chief Executive, NZ Food and Grocery Council
4. Kimberly Crewther, Executive Director, Dairy Companies' Association of New Zealand
5. Michael Fox, Head of Global Public Affairs, Zespri International
6. Kirk Hope, Chief Executive, Business NZ
7. Sirma Karapeeva, Chief Executive, Meat Industry Association
8. Sam Mclvor, Chief Executive, Beef + Lamb NZ
9. Karen Morrish, Chief Executive, NZ Apples and Pears
10. Mike Pretty, Non Executive Chairman, Kraft Heinz
11. Sarah Salmond, Partner, Minter Ellison
12. Tim Silverstone, General Counsel and General Manager, Corporate Affairs, Sealord Group Ltd
13. Amy Tocker, General Manager, Māori Kiwifruit Growers
14. Reuben Tucker, General Manager, Institutional and Business Banking, Westpac
15. Simon Tucker, Director, Global Stakeholder Affairs, Fonterra

#### Associate members

NZIBF's membership comprises a range of associate members who are listed on our website, [www.tradeworks.org.nz](http://www.tradeworks.org.nz).