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Strong New Zealand Economy
~Present Situation and Challenges of Japan's TPP Partner

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New Zealand has been enjoying a strong economic growth. In the third quarter of 2016, its GDP increased by 3.5% over the same period of previous year (yoy), maintaining a high growth of a top level among advanced economies. The growth has been driven by an improved price situation of dairy products, a leading industry in New Zealand, coupled with a robust domestic consumption supported by increase of immigrants and foreign tourists. In (a year to December) 2016, the number of net inflow of permanent residents and long-stay travelers amounted to around 70, 000 (equivalent to 1.5% of its total population of about 4.7 million), while tourists from foreign countries amounted to about 3.5 million (equivalent to 74% of total population). If we compare the numbers pro rata to those in Japan, the magnitude of its impact can be easily understood.

With an increasing inflow of immigrants, lack of infrastructures has also emerged as a big problem especially in Auckland, the largest city in New Zealand, accelerating construction of commercial buildings and high-rise apartment buildings in the central part of the city. Also the improvement of traffic networks of railroads and roads has been a pressing task to the city. For these reasons, the boom in construction will continue for some time to come, and many economists expect that the economy will keep growing at around present pace for the time being.

On the other hand, the biggest threat to the country now is a move toward protectionism that is mounting in everywhere in the world. Even with an increase of immigrants, its domestic market is still marginal for a country with population of 4.7 million and what leads the economy is still exports of dairy products, meat, and other primary products like lumber. Therefore the maintenance of free trading system with its partners is a matter of life and death to New Zealand.

New Zealand concluded in 2008 an FTA with China for the first time among the advanced countries, trying to find its way by promoting free trade with participation as a founding member together with Singapore, Chile, and Brunei in the P4 Agreement, a predecessor of the

Trans Pacific Partnership Agreement (TPP) that took effect in 2006. New Zealand has a natural astuteness because it is a small country, and it can be a tough negotiator when needed for pursuing its national interests. It is still fresh in our memory that the completion of the TPP negotiation was temporarily postponed by the strong opposition of New Zealand against the liberalization of dairy products at the final negotiation table held in June 2015 in Maui Island, Hawaii, which was attended by the ministers determined to “make this meeting a final meeting for the negotiation”.

It is reported that in response to the decision of President Trump’s withdrawal from the ratification process for the TPP, New Zealand government is discussing various options, including the possibility of reopening the TPP negotiations “without the US.” Trade Minister Todd McClay, who acts as a secretariat for the TPP, intends to visit TPP signatory countries in (and after) February to discuss how to deal with the matter. However, each country has its own ulterior motives. Countries like Chile and Peru envisage, without adhering to the framework of the TPP, to expand the Pacific Alliance consisting of Latin American countries into a free trade zone that would also include China, India, Australia, New Zealand, etc. The move (response) of New Zealand should be closely watched in this regard.

In the meanwhile, how will Japan move? Mr. Nobuteru Ishihara, Japanese Minister of State for Economic and Fiscal Policy and Minister in charge of Economic Revitalization (also in charge of the TPP) talked with the NZ Trade Minister Todd McClay in Tokyo on February 8 and reaffirmed the significance of the TPP. After the meeting he was reported to have told to the press that it is not a good thing to decide now how to deal with what. Amid the inclination of President Trump towards bilateral negotiations, Japan’s ability is now tested on what kind of international trade order Japan is going to build while drawing a clear strategy in the national interest and working closely with the TPP signatory countries including New Zealand.