

26 October 2016

Foreign Affairs, Defence and Trade Committee
Department of the Senate
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Parliament House
Canberra ACT 2600

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Dear Secretary

Trans-Pacific Partnership Agreement

I write to express ANZ's strong support for the Trans-Pacific Partnership Agreement (TPPA) signed on 4 February 2016 that is being considered by the Senate Foreign Affairs, Defence and Trade Committee and the Joint Standing Committee on Treaties (JSCOT).

ANZ has been a long-standing supporter of greater engagement with the global economy and congratulates the Australian Government on the finalisation of the agreement.

ANZ believes TPPA is in Australia's national interest. TPPA is a pioneering agreement that, when ratified, will encompass more than one third of global GDP and more than one quarter of global trade. It will provide many opportunities for Australian businesses, particularly in the services sector, at a time when diversification is of great importance to the Australian economy. It is a substantial step forward in engagement with Asia, which has been a long-term policy ambition for successive Australian governments.

The agreement will benefit the Australian economy. The most considered projections indicate that the agreement will boost Australian GDP by around 0.6 per cent (an additional \$19.5 billion over the non-TPP scenario) over the next 15 years.ⁱ Exports are expected to be boosted by around 4.9 per cent to 2030 (an additional \$38 billion).ⁱⁱ

The agreement supports a more diversified Australian economy. Australia already has a relatively open economy in terms of tariffs on goods. Around half the expected gains from the agreement will be from liberalisation of services and investment. This is a boon for Australia's growing services sector; services now represent more than 70 per cent of Australia's GDPⁱⁱⁱ and comprise 54 per cent of Australia's total exports.^{iv}

The agreement will be a boost to our trading partners and the region. TPPA will benefit our major regional trading partners with projected GDP gains for Singapore (3.9%), Malaysia (7.6%) and Vietnam (8.1%) to 2030.^v Other regional economies such as Thailand and South Korea have expressed interest in joining the TPP. TPPA is also being considered as a foundation for a broader Free Trade Area of the Asia Pacific, which is currently being discussed under the auspices of APEC.^{vi} This will significantly change the landscape for global trade and investment.



Not joining the TPPA risks being 'left out' of global value chains and new trade patterns. The Department of Foreign Affairs and Trade has noted that the liberalising of trade and investment across TPP nations will facilitate global value chains (GVCs). Goods and services are no longer financed, made and sold in one market. Companies will obtain financing in one country, undertake research and development in another country, assemble components from numerous countries, and sell across the globe.^{vii} For example, a fully ratified TPP agreement is expected to boost the competitiveness of regional economies compared to the EU.^{viii}

TPPA will benefit small and medium enterprises. ANZ would like to commend the incorporation of a specific chapter on small and medium enterprises (SMEs) in the agreement. The specific requirements on SMEs such as the information portal, committee and review process will ensure that SMEs are also able to benefit from the broader economic gains from the TPPA. Australian SMEs have embraced the opportunities provided by recent trade agreements such as the China Australia Free Trade Agreement (ChAFTA). TPPA will provide a new set of opportunities for these enterprises.

TPPA will encourage both inward and outward investment. Inward FDI stocks are projected to increase by around AUD13 billion; an increase of 1 per cent.^{ix} Australia's outward FDI stocks are likely to increase by around \$30 billion (3 per cent). This means that Australian investors and companies will become more engaged with the global economy. The agreement also encourages 'beyond the border' liberalisation that includes more transparent regulatory frameworks and wider application of competition principles. These offer substantial gains for Australian businesses seeking to operate internationally.^x

ANZ understands that there is community concern around Investor State Dispute Settlement (ISDS). ANZ generally supports ISDS provisions within the agreement. ANZ believes that ISDS provides Australian businesses investing overseas a level of assurance that they will be treated equally when operating in other TPP member states. This assurance is important for Australian investors as they become more active in global markets.

ANZ notes some political uncertainty around the TPPA in other countries. We believe that Australia should ratify the TPPA in order to demonstrate our support for the agreement and build momentum for ratification among signatories.

ANZ supports the TPPA as an unprecedented opportunity to boost growth and trade at a critical time for the Australian and global economy.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Rob Lomdahl', written in a cursive style.

Rob Lomdahl

i Peter A. Petri and Michael G. Plummer (2016). Working Paper 16: "The Economic Effects of the Trans-Pacific Partnership: New Estimates". Petersen Institute for International Economics, Washington DC

ii Ibid.

iii World Bank national accounts data and OECD National Accounts data files

iv Asialink Business, 2015. Australia's Jobs Future. Asialink, Melbourne.

v ibid.

vi APEC Leaders Declaration 2010. 'Pathways to APEC'. APEC, Singapore.

vii Department of Prime Minister and Cabinet (2015). Trans-Pacific Partnership Independent Review – Department of Foreign Affairs and Trade; Analysis Of Regulatory Impact On Australia, 27 November 2015

viii Kawasaki, Kenichi (2011). Determining priority among EPAs: which trading partner has the greatest economic impact? Available on http://www.rieti.go.jp/en/columns/a01_0318.html. Column 218, May 31. Research Institute of Economic, Trade and Industry (RIETI), Tokyo, Japan.

ix Working Paper 16: "The Economic Effects of the Trans-Pacific Partnership: New Estimates" by Peter A. Petri and Michael G. Plummer, January 2016, Petersen Institute for International Economics, Washington DC.

x ITS Global (2010). "Study of Regional and Bilateral Agreements by the Productivity Commission: Analysis of Recent Developments" by, commissioned and reviewed by the BCA. Business Council of Australia, Melbourne.