



NEW ZEALAND COUNCIL OF TRADE UNIONS
Te Kauae Kaimahi

**Submission of the
New Zealand Council of Trade Unions
Te Kauae Kaimahi**

to the

Foreign Affairs, Defence and Trade Committee

on the

**Comprehensive and Progressive Agreement for
Trans-Pacific Partnership (CPTPP)**

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1. Introduction

- 1.1. This submission is made on behalf of the 30 unions affiliated to the New Zealand Council of Trade Unions Te Kauae Kaimahi (CTU). With 320,000 members, the CTU is one of the largest democratic organisations in New Zealand.
- 1.2. The CTU acknowledges Te Tiriti o Waitangi as the founding document of Aotearoa New Zealand and formally acknowledges this through Te Rūnanga o Ngā Kaimahi Māori o Aotearoa (Te Rūnanga) the Māori arm of Te Kauae Kaimahi (CTU) which represents approximately 60,000 Māori workers.
- 1.3. The Transpacific Partnership Agreement (TPPA) has shrunk into the 11 member “Comprehensive and Progressive Transpacific Agreement” (CPTPP or TPPA-11) with the exit of the US. There are some improvements but this submission is in the form of a supplement to our 2016 submission on the TPPA, explaining why we still oppose it as a bad deal. Our 2016 submission is attached as part of this submission, and we renew it.

1.4. This supplement has three sections: a brief (and non-exhaustive) look at some of the areas that still greatly concern us; the areas the Government says it has fixed; and the economic modelling which the Ministry of Foreign Affairs and Trade (MFAT) has used to evaluate its negotiating work.

2. Why the TPPA-11 is still a bad deal

2.1. These are some of the examples that particularly concern us.

Government purchasing

2.2. The deal locks us further into government procurement rules which prevent governments from using them to support local industry, an important way to move the economy into higher value, higher wage production by firms that would otherwise find it hard to reach sufficient scale in the local market. For example, the government could not make a condition for much of its purchasing that local suppliers are favoured in order to build local industry and skills. The State Owned Enterprises chapter has a similar effect – for example KiwiRail will not be able to favour local suppliers of rolling stock.

2.3. Another concern is whether government entities can specify that workers engaged in fulfilling government contracts are paid decently (such as at least the Living Wage), have prescribed minimum working conditions, have resolved any gender pay equity concerns, and have above minimum standard health and safety conditions. MFAT tells us that “the CPTPP does not preclude Government procuring entities from prescribing labour, health and safety standards in their government procurement contracts provided they are not discriminatory and do not create unnecessary obstacles to trade.” The problem is that if the contract could be provided by an overseas supplier, these could all be seen as “obstacles to trade” because there are likely to be different standards in other countries. On the other hand, if the contract is not subject to such conditions, the overseas supplier could have a price advantage on the basis of poor wages and working conditions, leveraging down wages and working conditions for New Zealand workers. An opportunity to improve working conditions would have been lost.

State Owned Enterprises

2.4. State Owned Enterprises in the TPPA-11 are entities which are “principally engaged in commercial activities and with an annual revenue of over 200 million Special

Drawing Rights” (approximately NZ\$398 million), more than 50 percent owned by the government (or has more than 50 percent of the voting rights or can appoint a majority of the board). Commercial activities must have “an orientation toward profit-making” (so this does not apply to not-for-profit entities). As seen above, they are restricted from favouring local suppliers. In addition, they must act commercially except when fulfilling a “public service mandate”. So Air New Zealand cannot cross-subsidise its provincial flights, unless the government gives it an explicit “public mandate”. Similarly New Zealand Post must continue to run a fully commercial operation unless given a public services mandate, but that would be significantly complicated by its integrated international operations to which the mandate is not permitted to apply. There are a host of other complex controls not only on commercial state owned entities but any government owned organisation.

Investment

2.5. Investor State Dispute Settlement, which gives investors the right to sue governments for their actions in the public interest in private offshore tribunal, is still there. We analyse this in more detail below. In addition, the weak ability of the government to screen business takeovers and other incoming overseas investment is weakened further by exempting investment under \$200 million, up from \$100 million (this will also apply to China). It bans a long list of conditions (“performance requirements”) we might want to put on overseas investment to improve its frequently low quality such as requiring it to use the latest technology or (even in exchange for a subsidy) to export a certain proportion of its products or use a proportion of local materials or content. These constraints apply not only to investors from the other TPPA-11 countries, but investors from all countries in the world.

Services, Finance

2.6. The financial sector has a special chapter (Chapter 11) which parallels the investment and the services chapters. It is aimed at making it easier for banks and other finance corporations to conduct cross-border financial activities and to sell “new financial products”. Some of these products could be toxic, as they were shown to be in the Global Financial Crisis, and some, such as cryptocurrencies (like bitcoin) will be well beyond anything conceived when the Chapter was written. The Chapter is making regulation of finance more difficult, rather than what is needed: international agreement to strengthen financial regulation. Reduction in regulation of international finance has been shown to disproportionately benefit the rich: it is

identified in a number of studies as a contributor to greater inequality (e.g. Furceri & Loungani, 2013; Jaumotte, Lall, & Papageorgiou, 2013; Naceur & Zhang, 2016; Stockhammer, 2009). It can also increase the risks of hugely damaging financial crises.

- 2.7. There are ongoing concerns that in Services (Chapter 10), the rules leave fewer options to regulate areas such as private education (for example English language schools) and make privatisation and commercialisation of public services more difficult to reverse. The rules also prevent us from requiring any service provider to have a local presence in New Zealand, which makes it more difficult to enforce laws (including for example labour laws) and for consumers to insist on their rights. We may also wish to require entities to be present in order to tax their activities here.

Health

- 2.8. There still has not been an independent impact assessment of the agreement on health, including public health measures New Zealand may wish to take. While some threats to the cost of medicines have been suspended, they are at risk if the US decided to rejoin, which is increasingly likely. Even accepting the Government's assurance that it would not accept the reintroduction of these suspended provisions, Governments change and the previous Government showed it was willing to accept them. If the US wanted to rejoin, the evidence from the Congressional objections to the TPPA settlement is that the US would demand even more costly concessions.

Labour

- 2.9. The Labour Chapter (Chapter 19) is based on a standard US model, similar to chapters it has required in agreements with Peru (Peru-US FTA), Central America and the Dominican Republic (CAFTA-DR) and others. It is a significant improvement over the weak side letters, memoranda of understanding and chapters which New Zealand has previously agreed in that it is in theory enforceable. However the record shows that it is in practice impossible to enforce. The only time a formal case has been taken using the Chapter (US versus Guatemala under CAFTA-DR) took nine years to be brought to a conclusion. The panel hearing the case found that Guatemala failed over several years to enforce court orders and fines concerning eight employers which had dismissed nearly 80 workers who had attempted to engage in union activities, but this did not breach the agreement for a variety of technical reasons which make mounting a successful case extremely difficult. In any case, the delays in reaching a conclusion in effect deny justice in themselves. There

are numerous improvements that would need to be made to make the chapter workable but they are likely to be strongly opposed by countries with poor labour standards (including the US).

- 2.10. It fails the “Hobbit test”: we have not been able to obtain assurances that the Hobbit law, which stripped basic labour rights from workers in the film and video industry to attract investment, would be illegal under this agreement. Reinstating those rights could have been challenged under ISDS when the US was still a Party to the agreement.
- 2.11. The Government has said that unions should be satisfied with the chapter because it is a significant improvement over previous New Zealand agreements. However labour concerns in the TPPA-11 are not limited to wanting a labour chapter: for example we can obtain no assurance that ISDS will not be used against improved labour laws; other chapters, such as those described here, can also deeply affect labour conditions; the intended effect of the whole agreement is to accelerate international economic integration such as offshoring which undermines workers’ bargaining power and working conditions; a “Temporary entry” chapter allows entry into New Zealand of trades people and technicians on a temporary basis without corresponding protections for their labour rights and against abuse of these provisions by employers; and it weakens the power of governments to regulate to correct ill-effects. There is therefore little to celebrate in a trophy labour chapter that can have little effect. International business, which benefits from the great majority of the agreement, would not be satisfied with such an offering: why should labour?

3. The “fixes”

- 3.1. The Government has stated it had only five objectives to satisfy to make the deal satisfactory. As will be seen, many of the problems of the agreement remain. In the end, the defence appears to be that with Trump, Brexit and threats to the continued functioning of the WTO, signing the TPPA-11 is necessary to keep trade liberalisation moving. This was the best way to demonstrate it. Yet this is an increasingly unpopular model of globalisation because of its damaging social, environmental, and economic effects. It would have been better to demonstrate that we need a new model by consulting with the New Zealand public and then looking for like-minded countries willing to rethink. As it stands, opposition will continue and intensify.

3.2. The Government's five objectives were as follows.

It achieves meaningful gains in market access for farmers

3.3. In fact it falls well below the promises made for it throughout the TPPA negotiations, right until the very end when we were told that the weak deal (such as for dairy) was all that we could expect. Even proponents admit the gains are modest. There is a further loss through the exit of the US, though its concessions were disappointing anyway. New Zealand exporters may benefit from some of the market the US would otherwise have gained in Japan, but the US may well negotiate a bilateral deal at some point anyway, and other exporting countries – notably the European Union (EU) – are already also negotiating deals that will compete for the limited access. The greatest gain is for access to the beef market in Japan which is being pushed out by competitors whose governments have negotiated tariff reductions; other meats do reasonably well.

3.4. But according to MFAT's modelling (which we critique), dairy actually reduces its total exports relative to a baseline of no TPPA-11 (Walmsley, Strutt, Minor, & Rae, 2018, Table 16). It gains some access to the TPPA-11 countries, but this is presumably supplied by moving product from other markets, and may displace non-TPPA-11 suppliers who then compete more strongly outside the TPPA-11 markets. Indeed there is huge 'trade diversion' according to MFAT's modelling: access is gained to TPPA-11 at the expense of exports to other markets. Even the biggest winner, beef, which according to the least unrealistic scenario modelled gains 124 percent in exports to TPPA-11 countries (mainly to Japan), gains only 7.9 percent to the world as a whole. Dairy exports gain 14.6 percent to TPPA-11 but fall 0.6 percent to the world. We must also remember that these changes are many years down the track.

3.5. The headline often figure used by proponents is that \$222.4 million of tariffs on New Zealand exports will eventually be eliminated. This is a rather meaningless figure. Exporters cannot assume the prices they receive will go up by this amount – it may all go in price reductions to customers (as New Zealanders were promised when tariffs on imports to New Zealand were demolished during the 1990s). It might be shared with customers, or it might go to a middle-man – it depends on how competitive the markets are. The usual assumptions of economic gain are that with perfect competition, prices *reduce* because of tariff reductions so consumers may want to buy more New Zealand exports. There are added complications here with

quotas. However even the modelled economic gains are small and drawn out, much reduced by trade diversion – and may be based on unreal assumptions about perfect competition and how consumers react to price changes.

- 3.6. Proponents also fall back on the China story: that similar gains were modelled for exports to China but they turned out much larger. The weakness in this is twofold: firstly it admits we cannot believe the modelling on which the Government depends for its story about economic gains. If the upward error can be that big, so could the downward error. Secondly, much of the gains in China were due to luck. Dairy tariffs had barely fallen when the export boom started, and have stayed high for most dairy exports because they exceeded expected levels. The ‘luck’ (bad for Chinese children and their parents, good for dairy exporters to China) was the Sanlu milk powder contamination scandal, frightening Chinese consumers off locally produced dairy products. There was also a huge increase in China’s worldwide demand for raw materials of all kinds, which Australia benefitted from equally, without any free trade agreement at the time (their agreement came later).

It upholds the unique status of the Treaty of Waitangi

- 3.7. TPPA-11 has the same standard Tiriti exception as all similar New Zealand agreements since 2001, copied in without consultation with Māori. The Waitangi Tribunal, which would like to commence a further inquiry into the deal after its initial deliberations were curtailed by the previous Government rushing legislation through Parliament, found (in Wai 2522) that while the Treaty exception provides a “reasonable degree of protection to Maori interests” it “may not encompass the full extent of the Treaty relationship”. This is because it does cover not laws or policies that apply to everyone but are also important for compliance with Te Tiriti, including water, mining and fisheries. The Government has ruled out trying to renegotiate it, saying it will put the existing exception at risk. If this condition of accepting the TPPA was simply to accept the existing, partly inadequate, exception, it had long been met.

It preserves New Zealand’s right to regulate in the public interest

- 3.8. The Government appears to identify this with minimising the impacts of the TPPA-11’s ISDS provisions. It is to be congratulated on adopting a policy that it would not support ISDS in future negotiations.

- 3.9. It also tried to extricate New Zealand from TPPA-11's ISDS by signing side-letters with other countries in the deal. Unfortunately, this has been largely unsuccessful. The biggest win it highlights is an agreement with Australia that neither country allows its investors to use ISDS in disputes against the other country. But that has been standard in similar agreements in which both countries were parties – such as the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) which includes ISDS. The deal with Australia had already been agreed for the TPPA. The only other country that did a similar deal was Peru – really this Government's only gain on exclusions from ISDS.
- 3.10. Four countries refused – Japan, Canada, Chile and Mexico.
- 3.11. Three others agreed to introduce a government veto on investors using ISDS in individual cases (Brunei, Malaysia and Viet Nam). However in each case they signed another side-letter affirming that previous agreements still held. In particular this includes AANZFTA which has no government veto on individual cases. These side letters also allow investors to choose the provisions of the alternative agreements are most favourable to them. That appears to negate any benefits of the veto.
- 3.12. Finally, Singapore and New Zealand already had the veto arrangement in their 2000 New Zealand-Singapore "Closer Economic Partnership Agreement". The side-letter with Singapore makes clear that investors can use TPPA-11 in preference – a loss of the veto and a backward step.
- 3.13. These are summarised in the following table:

Table: Rights to use ISDS against New Zealand by investors from other TPPA-11 members

Country	Does ISDS apply?	Provision for ISDS	Notes
Australia	No	Side letter agrees ISDS shall not apply.	Standard side-letter similar to that agreed previously in TPPA, as with other plurilateral agreements involving both Australia and New Zealand
Brunei Darussalam	Yes	<ul style="list-style-type: none"> ISDS in CPTPP available to a Brunei investor in New Zealand only if New Zealand government approves in each case (and vice versa for a New Zealand investor in Brunei). 	Two side letters.

Country	Does ISDS apply?	Provision for ISDS	Notes
		<ul style="list-style-type: none"> ISDS in AANZFTA agreed still to apply and investors can choose the most favourable of the agreements 	
Canada	Yes		
Chile	Yes		
Japan	Yes		
Malaysia	Yes	<ul style="list-style-type: none"> ISDS in CPTPP available to a Malaysian investor in New Zealand only if New Zealand government approves in each case (and vice versa for a New Zealand investor in Malaysia). ISDS in AANZFTA agreed still to apply and investors can choose the most favourable of the agreements. 	<p>Side letter on ISDS in CPTPP signed on 8 March 2018</p> <p>Side letter on relationship to other agreements including AANZFTA and the New Zealand Malaysia Free Trade Agreement signed in relationship to TPPA in 2016, and agreed to apply to CPTPP.</p>
Mexico	Yes		
Peru	No	Side letter agrees ISDS shall not apply.	
Singapore	Yes	Investors may choose the ISDS provisions most favourable to them of CPTPP and other agreements between New Zealand and Singapore: namely the New Zealand- Singapore Closer Economic Partnership Agreement and AANZFTA.	Side letter.
Viet Nam	Yes	<ul style="list-style-type: none"> ISDS in CPTPP available to a Vietnamese investor in New Zealand only if New Zealand government approves in each case (and vice versa for a New Zealand investor in Viet Nam). ISDS in AANZFTA agreed still to apply and investors can choose the most favourable of the agreements. 	Two side letters.

AANZFTA = ASEAN-Australia-New Zealand Free Trade Area, signed in 2009. Its 12 signatories include Australia, Brunei Darussalam, Malaysia, New Zealand, Singapore and Viet Nam.

3.14. An extension to ISDS allowing overseas contractors to the government to use the agreement's ISDS provisions in contractual disputes that are not alleging a breach of the investment chapter has been suspended, but this should not be confused with the central and dangerously familiar aspects of ISDS which remain unchanged.

3.15. ISDS, while very important, is not the only brake on New Zealand's right to regulate. The whole agreement restricts New Zealand's right to regulate: that is the point of such agreements. There are many other threats, some of which are outlined here.

The Pharmac model continues to be protected

- 3.16. This relies heavily on the suspension of provisions which would have raised medicine prices and put requirements on Pharmac itself which increased the power of Big Pharma lobbying. If the US rejoined the agreement – Trump is now reconsidering this and future Presidents may revert to previous policy – it would demand these back and more. Any confidence that the threat of these provisions has gone depends on an assessment of how the 11 governments, including any future New Zealand Government, would respond to the US. Last time they capitulated to the suspended provisions with, for New Zealand, what is acknowledged now to be very little economic gain. Why would they not do that again?
- 3.17. In addition, the threat of a pharmaceutical multinational taking an ISDS case against a Pharmac decision is still on the table.

The ability to control the sale of New Zealand homes

- 3.18. The Government is legislating to prevent non-resident overseas investors from buying New Zealand housing unless they have built it for resale. Many people will support that. The Government points out that this would not have been possible after the TPPA-11 takes effect. This highlights the previous Government's lack of sincerity in wanting a bipartisan approach to these international commerce agreements. What the Government does not mention is that many other changes to our overseas investment rules will not be allowed in future either. Auckland University's Amokura Kawharu, a legal expert on investment agreements points out for example that a future government could not introduce new categories for screening, such as whether the target of an overseas takeover is 'strategic'. Instead it must use financial thresholds and the existing test of whether land is "sensitive" (Kawharu, 2015).

4. The economic impact

- 4.1. Despite Labour's election promise in its Trade policy to "Strengthen the quantitative analysis contained in National Interest Analyses required for Parliamentary Treaty ratification to ensure that best estimates of positive and negative impacts of any trade agreements are made" the quantitative analysis of the TPPA-11 is virtually the identical methodology (a "Dynamic" Computable General Equilibrium (CGE) model) to that of the TPPA which they rightly are concerned about. The published report

tells us little about its assumptions and much useful detail is not included. We asked one of the authors for an explanation of some of its underlying assumptions and referred to documentation of the model (Ianchovichina & Walmsley, 2012). From this, it is clear that this model is unable to tell us anything useful about

- 4.1.1. effects of some industries being dominated by one or a few firms: perfect competition is assumed.
- 4.1.2. whether total jobs are lost or gained overall: the existing workforce is assumed to effortlessly and immediately reassign itself to new jobs when industry composition changes, such as resulting from changes in trade patterns. The number of jobs in the economy does not change by assumption. It assumes jobs lost in one part of the economy are matched by gains in other parts.
- 4.1.3. Impacts on people and communities as patterns of trade change. For example, we know from research in New Zealand that when people lose their jobs, they may experience substantial income losses and take a long time to find a satisfactory replacement job. For example in the most recent New Zealand study, Hyslop and Townsend (2017) find that compared to workers who did not lose their jobs, displaced workers' employment rate was 20-25 percent lower in the year following displacement and was still 8-12 percent lower five years later. Their earnings and total income were 25-30 percent lower in the first year and 13-22 percent lower five years later. The closest this model gets is to assume that wages are not instantly flexible downwards (though they are upwards) "thereby potentially creating unemployment". This in itself depends on perfectly competitive product markets. No unemployment estimates or income losses are reported.
- 4.1.4. The impact of the financial system other than that increased foreign investment in a country leads to increased outflows of income. There is no debt and no capital gains in the model for example. In the real world, the movement of finance can impact exchange rates, prices and the balance of trade; it can affect demand for goods and services through credit and debt. It can also create crises. This is particularly relevant when modelling an agreement that is designed to deepen the financial system and increase international financial movements.

4.2. In addition,

- 4.2.1. Impacts on inequality – who gains and who loses from change – are not fully modelled and are not reported. The share of income going to wages relative to the share going to investors can change in the model as a result of changes in employment and investment patterns. There is modelling at a broad level of types of jobs created and lost between occupational groups and industries (but not within them). Capital is divided into land and other capital. The returns to land rise steeply (suggesting further farm-land price inflation will occur) while returns to other capital fall, implying that some more capital-intensive industries such as manufacturing (which are often high wage) will lose. But growing disparities in wealth and income as a result of capital gains or market dominance are not modelled.
- 4.2.2. The effect on the balance of trade (the difference in the value of total imports and exports) is not reported. Unless there are large changes in the balance, values of imports grow as fast as values of exports from the changes. This may reduce employment in some areas of the economy. Proponents of the TPPA-11 frequently highlight only growth in exports. This is misleading. Growth in agricultural exports driven by lower consumer prices in the TPPA-11 markets will push up the exchange rate, encouraging imports and making exporting for other sectors more difficult.
- 4.3. An alternative model used by researchers at the Global Development and Environment Institute at Tufts University in the US (Capaldo & Izurieta, 2016) to model the TPPA was designed to remedy some of these problems. Its modelling showed growing inequality and falling employment. It is criticised by MFAT and the Minister saying the authors “do not allow for any adjustment within or by the affected economies as a result of this change. In the Capaldo et al model, as a sector declines for example, people previously employed in that sector stay unemployed rather than taking employment in other (growing) sectors.”(Ministry of Foreign Affairs and Trade, 2018, p. 5) It is not clear what MFAT base this on, but it is true that the model does not assume that workers move instantly to new employment when they lose their jobs as MFAT’s model does. There is evidence for significant transition costs and long-lasting loss of income and employment as a result of trade (e.g. Autor, Dorn, & Hanson, 2013; Autor, Dorn, Hanson, & Song, 2013) and more generally when workers are displaced as we have pointed out above.
- 4.4. The Capaldo et al model has some assumptions that are oversimplifications but so does the CGE model used by MFAT’s modellers. This is true of any model – it

cannot capture all aspects of reality. What the Tufts model does illustrate is that more realistic assumptions will lead to significantly different predictions which the CGE model is incapable of capturing. Rather than dismissing the alternative model, MFAT should be commissioning models that incorporate its best features and dispense with the unreal assumptions of their own modelling.

- 4.5. The CGE model has three “scenarios”. Scenario 1 includes the effects of tariff cuts on goods trade, plus some removal of “non-tariff measures” (NTMs) which might be a “barrier” to goods trade and to services trade. The next two scenarios model progressively more and more aggressive removal of these NTMs. While modelling of tariff reductions is a relatively standard procedure (though assumptions about competitive conditions are crucial), the modelling of NTMs is not. NTMs can include many desirable laws and regulations such as food safety, health and safety of people, biosecurity protections, consumer protections such as content and labelling, and many others. Removing good “non-tariff measures” could be negative for people, the environment and the economy, even if they do increase trade. Their impact on trade is difficult to model and quantify, as the authors acknowledge, even if it can be identified. Countries will resist removing them because they have beneficial effects. Therefore Scenarios 2 and 3 are simply unrealistic and their modelled impacts so unreliable that they should not be taken seriously.
- 4.6. The modelling tries to address some of these concerns by modelling reductions in services NTMs (such as regulation of building and other construction) to a benchmark “low” level attained in other countries. It turns out that New Zealand doesn’t have to lower its NTMs much at all – an indication that other countries may have retained sensible regulation, such as those that reduce the likelihood of poor quality materials or construction standards, which we might want to raise our standards to in future.
- 4.7. Scenario 1 probably still overestimates the gains and has all the design problems outlined above, but even it estimates only an additional 0.3 percent increase in GDP after 21 years of the TPPA-11 being in force (2019 to 2040). This is barely noticeable and well within the bounds of the reviews to the estimates of GDP made every few quarters by Statistics New Zealand – the closest we can get to an error margin for the measurement of GDP. In other words, it is economically and statistically insignificant. It will be impossible to tell if it has actually happened. For

the record, the increases in GDP estimated for Scenarios 2 and 3 are 0.5 percent and 1.0 percent respectively – still tiny over a 21 year period.¹

- 4.8. The CGE analysis does not consider the environmental impacts. For example, what is the impact on the continuing intensification of agriculture which the TPPA-11 encourages, on rivers and greenhouse gas emissions? MFAT's National Interest Analysis dismisses such concerns (p.220). Nor does the above economic analysis include other costs, nor lost opportunities such as making it much more difficult to aid diversification of industry through government procurement.
- 4.9. The Government is keen on diversifying our economy and our exports, judging by the three parties' election manifestos. If we are to believe the modelling, the TPPA-11 will take us in the opposite direction. Under all three scenarios, estimated output from Agriculture, Food Processing and Services rises, but output from other Manufacturing falls. Similarly, the gains in employment (tiny as they are) go to agricultural and low skilled workers (mainly low paid) and the professions and managers; the losses are in technical and "assistant professionals", service workers and clerks. It sounds like hollowing out of the workforce.
- 4.10. MFAT in its National Interest Analysis (assessing its own work) tries to assist Ministers who want to say that the agreement creates jobs, which the modelling doesn't help with. They fudge the issue saying "MFAT has estimated that 8,565 New Zealanders are employed for every \$1 billion of exports." That proves nothing. How many are employed in industries that may shrink or disappear in competition with increased imports, or whose exports become uncompetitive because of a higher exchange rate? It continues: "The relationship between employment and exports may not be linear, and employment growth will be constrained by labour supply, but it is likely that employment will expand due to the expansion of exports generated by the CPTPP." Will employment contract elsewhere? This tells us nothing where a more thorough assessment of job creation (and loss) is needed.

5. Conclusion

- 5.1. There are still numerous reasons to be concerned about the negative impacts of the TPPA-11 on New Zealand's future. Many of the negative impacts are long term,

¹ By way of comparison, in the 21 years to March 2017, GDP rose 78.3 percent according to Statistics New Zealand's December 2017 estimates. This followed a substantial revision in their estimates. In September 2017 they had estimated the increase at 5 percentage points less: 73.9 percent. (Source: Infoshare series SNE053AA. This particular revision is documented at <https://stats.govt.nz/news/gdp-quality-receives-bump-from-new-annual-benchmarks>).

concerning our ability to move the economy out of its current low value, low productivity, low wage rate, and to counter the environmental and social effects of our current structure and where this is taking us. The National Interest Analysis is simply self-justification by negotiators. The economic modelling is questionable, and even it cannot find substantial economic gains. There are many reasons to continue to oppose this agreement.

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