



NEW ZEALAND  
FOREIGN AFFAIRS & TRADE



TRANS-PACIFIC partnership

# MARKET ACCESS FOR SERVICES AND INVESTMENT

FACT SHEET

## ➔ Overview

The Trans-Pacific Partnership (TPP) is a comprehensive agreement that goes beyond the trade in goods across borders. It will help New Zealand build on the NZ\$8 billion of services exported to TPP countries in 2014 and create new investment opportunities in the region.

TPP market access commitments in services and investment sectors provide greater openness and security over the conditions under which New Zealand businesses can provide services to overseas clients. They should also provide greater confidence to investors seeking to expand their operations or investments in other TPP economies.

Improved commitments for services and investment are important for many New Zealand goods exporters as they look to undertake services and investment related activities to support their international business (such as establishing an in-market presence, forming commercial partnerships, providing after-sales service).

This factsheet should be read together with the *Investment and ISDS factsheet*.

FACT

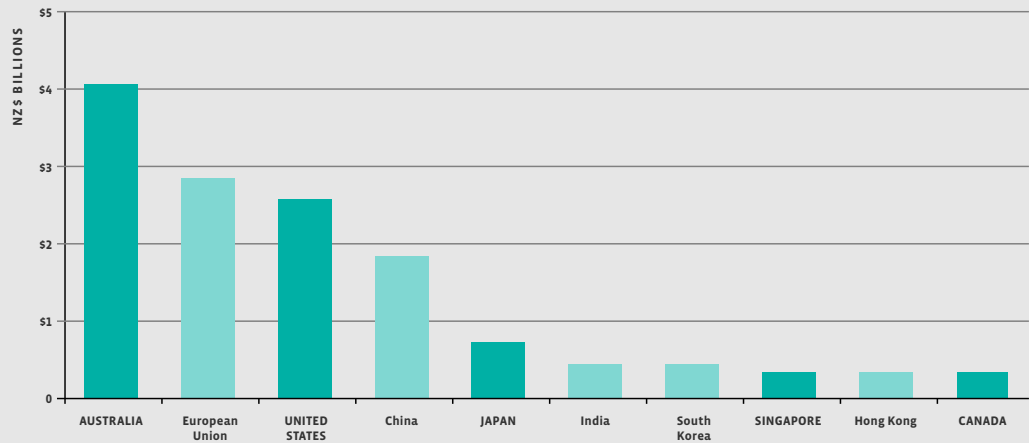


TRANS-PACIFIC partnership

# 5

of New Zealand's top 10 services export destinations are TPP countries

Based on 2014 statistics.



## Market access for service suppliers and investment



Access to TPP markets has been locked in for New Zealand service providers across a range of sectors, including providers of professional, business, education, environmental, transportation and distribution services. Unless subject to exceptions, New Zealand services exports to TPP countries will benefit from legal protections that guarantee market access and non-discriminatory treatment (they are entitled to equivalent treatment as given to local and foreign competitors) in a market with collective GDP of \$US28 trillion. The commitments are a significant improvement on the obligations TPP Parties have made to New Zealand at the World Trade Organization (WTO).

While market access commitments in services and investment sectors are improved, each Party retains the right to regulate important or sensitive areas (listed in each Party's schedule of non-conforming measures). As a result, New Zealand can maintain or introduce policy measures, even those that restrict trade, in areas such as social services (including health, public education, and social security), foreign investment screening, management of our exclusive economic zone, and our quarantine and food safety regimes. Public services provided by the Government are also excluded from the scope of New Zealand's services commitments in TPP.

New Zealand investors will benefit from the strong framework of investment rules and protections designed to promote high levels of two-way investment between New Zealand and TPP Parties.

## Framework

The manner in which market access commitments are made for services and investment in TPP is through a 'negative list' framework. This format provides exporters and investors a simple way to determine whether the services and investment chapters apply to their area of business in another TPP market. Under a 'negative list' approach, Parties commit to provide market access except in areas where restrictions are listed in individual Parties' services and investment schedules. These restrictions are known as 'non-conforming measures' or 'reservations'.

Each country's 'negative list' has two parts: Annex I and Annex II.

*Annex I* sets out existing measures (laws, regulations, decisions, practices and procedures) that TPP Parties retain the right to maintain in their present form. Such measures may restrict the access of foreign service suppliers or investors, or may discriminate in favour of domestic service suppliers or investors. These existing measures are subject to a 'ratchet' clause. This means that TPP Parties commit to automatically extend the benefits of any future autonomous liberalisation of these measures to all other TPP countries. Measures in Annex I capture the current level of access provided in a market and cannot be made more restrictive in the future.

*Annex II* lists reservations for sectors and activities where TPP Parties reserve the right to maintain existing discriminatory measures and/or adopt new or more discriminatory measures in the future. The ratchet clause does not apply to any measure covered by Annex II.

If a TPP Party does not list any restrictions for a particular industry sector it means that Party does not have barriers, such as, discriminatory practices that favour local investors or service suppliers, and is committing to keep that market open for TPP exporters and investors.

Some restrictions apply across all sectors (such as New Zealand's screening mechanism for restrictions on foreign investment), while others preserve policy space for governments in a range of areas including health, public education, public housing, and public transport.



New Zealand services exports to TPP Parties will benefit from legal protections that guarantee market access and non-discriminatory treatment

## Specific outcomes

New Zealand exporters and investors will benefit in the following areas:

- *Global supply chain related services:* transportation, warehousing, distribution and retail are important services when getting goods to market. TPP Parties have agreed not to restrict foreign participation in warehousing, distribution and retail services (with limited exceptions), while access to transportation related sectors (land, sea, air related services and rail) will also be significantly improved.
- *Education services:* New Zealand providers will have improved access to the private education service markets of Canada, Japan, Mexico, Peru and the United States and business and second-language training services for Chile and Viet Nam. These provide further opportunities for New Zealand's growing international education sector.
- *Accountancy services:* New Zealand accountants and accounting firms will have greater access to provide services in TPP countries. Some limited exceptions do exist, such as a requirement to have a local commercial presence in Viet Nam.
- *Other professional services:* New Zealand professionals will benefit from improved commitments in a wide range of sectors such as engineering, architecture, management consultancy and foreign legal services. While the provision of services across TPP countries is subject to certain local professional standards and licensing requirements, New Zealand will benefit from TPP commitments not to discriminate or impose quantitative restrictions in these areas.
- *Agriculture services:* New commitments will support

the commercial opportunities that exist in the region for New Zealand agriculture, hunting and forestry service suppliers. Together with gains on goods, investment and visa access, this paves the way for regional expansion in an area of New Zealand expertise.

- *Environmental services:* Improved commitments for environmental services, particularly in the United States where significant gains over WTO commitments have been secured.
- *Other investment opportunities:* TPP improves New Zealand's attractiveness as a destination for investment, and further builds our global reputation as a safe place to invest and do business. Under TPP, New Zealand investors gain certainty from investment protections and access into the United States, Japan, Canada, Mexico and Peru. This is the first time New Zealand has secured an international agreement covering investment rules with these partners, and will help broaden New Zealand's appeal as a gateway into the Asia Pacific region.
- *Investment screening:* Four TPP countries (including New Zealand) operate investment screening regimes for significant or sensitive acquisitions. All have agreed to offer preferential screening thresholds to TPP Parties above existing policy. Under TPP, the threshold above which an investor must get approval to invest in New Zealand will increase from \$100 million to \$200 million for investors from TPP Parties. No changes have been made to the requirements relating to the approval of foreign investment in 'sensitive land' or fisheries quotas. New Zealand also retains the flexibility to make the approval criteria under the Overseas Investment Act more or less restrictive. The non-discrimination provisions in TPP would prevent the Government banning TPP nationals from buying property in New Zealand. New Zealand retains the ability, however, to impose some types of new, discriminatory taxes on property.
- *Hospitality and tourism services:* Improved access for New Zealand travel agencies and tour operators in the TPP region. This access will help to ensure continued growth of tourism as one of New Zealand's largest exports.



The TPP Temporary entry chapter will enhance access for New Zealand business people in the TPP region.

## Temporary entry for business people

The ability for business people to secure visas in a transparent and timely manner is a key facilitator for international trade. The TPP temporary entry chapter will enhance transparency for business people in the TPP region and includes Party-specific commitments that guarantee entry for certain New Zealand business people.

New Zealand's commitments are consistent with current policy settings related to business visitors, intra-corporate transferees, installers of services and independent professionals.

Some TPP Parties, including New Zealand, require reciprocal access or impose conditions and limitations on access granted under TPP.

Conditions for entry into Australia and the United States are not altered by TPP. New Zealanders enjoy preferential access under CER and the United States has not made specific commitments on temporary entry under TPP.

New benefits available under TPP will include:

- Improved access for business visitors covering a range of activities such as attending meetings or conferences, arranging sales of goods or services or establishing an investment for specified periods (typically three to six months).
- Extended scope of coverage for intra-corporate transferees (generally executives, managers and specialists) into Canada, Viet Nam and Mexico. In Brunei, Chile, Japan, Malaysia and Peru, dependants will also be granted entry.
- New or improved access for independent professionals into Brunei, Chile, Japan, Mexico and Peru.
- Improved ability for business personnel employed by a New Zealand firm (and their dependents in some TPP Parties) to deliver services in another TPP Party under a contract with a New Zealand firm.
- Access for installers and servicers to provide aftersales support directly into Canada and Mexico. Entry is typically permitted for up to six months.