

## POST-CABINET PRESS CONFERENCE: TUESDAY, 24 JANUARY

**PM:** Good afternoon and happy New Year, and welcome to our first—my first—post Cabinet press conference. It's been a busy start to the year. I saw some of you yesterday at Rātana, where I was very encouraged by the positive tenor of the discussions. Earlier I was in Europe for meetings with British and European leaders and also caught up with Singapore's Prime Minister Lee on the way home.

Today Cabinet had its first meeting for the year. As well as some specific agenda items, we discussed the international outlook and our priorities for the year. Obviously enough, recent events have heightened political uncertainty and international uncertainty. President Trump's decision to withdraw from the Trans-Pacific Partnership was not unexpected, but it is still a disappointment to us after all the hard work that has gone into negotiating the TPP agreement. A number of other TPP countries have expressed strong commitment to the agreement. I expect the remaining TPP Ministers to meet over the next few months to consider the possible next steps, and I've asked trade Minister Todd McClay to prioritise this.

Also note the President's comments today about negotiating bilateral deals. New Zealand has always been interested in close trade ties with the US, whether this is through agreements such as the TPP or through bilateral deals. I've asked Todd McClay to travel to the US to meet with the new US trade representative once they are confirmed. How all this plays out remains to be seen, but what international uncertainty highlights is the importance of continuing to build and strengthen our economy, and New Zealand will remain a positive advocate for open trade.

We begin the year with the economy growing solidly, the Government's books in good shape, and unemployment around 4.9 percent. But, of course, as illustrated by these events, we can't afford to be complacent. Shocks seem to be now part of the landscape. We also know that although New Zealand is performing better than most countries economically, we face some quite significant challenges. One of our priorities this year will be to continue to ensure that low-income New Zealanders share in the benefits of economic growth.

You've seen that workplace relations and safety Minister Michael Woodhouse announced a short time ago that the minimum wage will be lifted from \$15.25 an hour to \$15.75 an hour from 1 April. This is just one more step by the Government to assist those on lower incomes in recent years. We've increased benefit rates for families for the first time in over 40 years, increased Working for Families for the lowest-income families, and invested more in programmes designed to get New Zealanders off benefits and into work.

The increase in the minimum wage means that since 2008 we've increased the minimum wage by \$3.75 an hour, or 31 percent. Over the same period, inflation has been around 14 percent, which means that real incomes for those on the minimum wage have increased by around 17 percent since we came into office. This year's increase will put extra money in the pockets of almost 120,000 workers.

Of course, adjusting the minimum wage requires balancing the interests of those who are employed and those who are unemployed. An increase benefits those with jobs but can put jobs at risk and can make it harder for those seeking work to find employment. With unemployment down to the lowest level since the global financial crisis, advice from officials is that this increase will have a minimal impact on job growth. A bigger increase would of course benefit those in secure employment more but could reduce the chances of the unemployed finding jobs. We think we've, over time, struck about the right balance.

**PM:** As you know, I won't be attending the Waitangi Day commemorations at Waitangi on 6 February, but I am travelling to Waitangi on 3 February to meet with senior Māori leaders in the Iwi Chairs Forum. I'll be accompanied by a significant number of Ministers because this provides an opportunity for Ministers to engage with the Crown's Treaty

partners on issues of importance to Māoridom, and, of course, the Iwi Chairs Forum is one that we've been attending now for 5 or 6 years. It's the largest gathering of iwi leadership from around the country. It occurs several times a year. So both Ministers and iwi are very familiar with the interaction.

On Waitangi Day itself I've accepted an offer from Ngāti Whātua to attend Waitangi Day celebrations at the Ōrākei Marae—a special place for Māori. From there I will go to Ōkahu Bay and then to Hoani Waititi Marae in West Auckland.

Finally, I've seen some speculation that I'll be announcing the election date today. That's not the case, but I do expect to announce it fairly shortly, once I've had an opportunity to inform my caucus colleagues.

In terms of my activity this week, I'm in Wellington tomorrow, in Christchurch and Auckland on Thursday, and back in Wellington on Friday. Next week, Cabinet will meet on Tuesday because of Auckland Anniversary Day. I'll be at Karaka on Monday and on Wednesday we will have an all-day caucus meeting at Premier House. Any questions?

**Media:** On the TPP, is it feasible to have both the TPP amongst the remaining 11 partners and the bilateral with the US?

**PM:** It may be feasible. Both of them I think would be—it would be quite a significant challenge to work out how to alter the TPP so that it can work for the remaining countries if that's what's required, and, as I think President Trump's made clear, any bilateral deals are attractive to us in concept but, as he's made clear, he would expect it to be significant benefits for the US.

**Media:** So do you think there'd be major surgery required if it became a deal just of the remaining 11?

**PM:** Well, that's what's under consideration right now. I mean, that's to a large extent a technical question about it. I mean, one of the long-term—there is one view about this, that in the long term the US may want to be part of the TPP, or a TPP-type agreement, and, therefore, you know, continuing it on in its current form with the already negotiated US positions in it would make that more likely in the future. But, look, that's just one school of thought at the moment. I think there's a lot of water to go under the bridge to sort out the best path ahead.

**Media:** So is there a sense that the 11 members are all in favour of moving forward with it?

**PM:** Well, look, there's indications that I'd describe as a bit more positive than we might have thought. In the first place, certainly the discussions I had, for instance, with Prime Minister Lee in Singapore indicated that they're keen to see the advancement of trade in the region, just as we are. And then we had statements from Prime Minister Abe of Japan last week, which were quite a lot stronger than he'd made before, about a desire by Japan to continue even if the US isn't part of it.

**Media:** Does that sort of argue for playing a waiting game, effectively, getting back to your comments—sorry, before that follow-up question—around the US might over the longer term be prepared to look at this under a future administration maybe?

**PM:** Well, you know, it's one argument for maintaining it in its current form. You know, we've yet to—but I think alongside that there's the argument that there'd be gains from it anyway, even if in the future the US weren't going to sign up to it. So that's again what's under consideration. But, again, I think there'll be, at the moment, sort of an overriding high-level will to find some way of advancing free trade.

I think the other thing that's important here is that we have a vehicle for ongoing constructive engagement of the US in the Asia-Pacific, because one of the arguments for it always was that it engaged the US's capacity for stability as an engine of growth more

closely in this region, and if this isn't a vehicle right now then, you know, we'd still want to see them engaged.

**Media:** If you're looking at a bilateral agreement, though, how far up the priority list would New Zealand realistically be, though? I mean, we're a relatively open economy—well, we are an open economy. What can we offer to the US in a bilateral deal?

**PM:** Well, that's a good question. I mean, we've always wanted some sort of bilateral deal. The administration—it's only made a few initial statements about it, but they, I think, made it clear, one, that it's an idea they've got to do it with 11 other countries, one of the smaller ones I suppose we'd be down the list, but easier to deal with than some of them from the US point of view. On the other hand they've made it clear—consistent, actually, with their political rhetoric—that they'd expect America to come out of any deal ahead of the other partner.

**Media:** So do you see this as a divide and rule tactic by the United States?

**PM:** No, I think they're fulfilling political undertakings they've made, on the one hand. On the other hand they've got to find a way forward. They have, I think, the complicated task now of renegotiating NAFTA. I think you'll find over time as they work their way through that process it'll help sort out for our longer-term benefit what they really do think about the practicalities of trade agreements.

**Media:** So how realistic, then, do you see a bilateral agreement with the US? I mean, it's obviously something that had been talked about before the TPP came to the fore, but how realistic is it?

**PM:** Look if you ask me today I'd think there's a pretty low chance of that happening in a form that we'd find satisfactory, but we wouldn't want to rule it out, any more than we'd want to rule out other versions of progress on free trade with TPP or not.

Bear in mind, it's not the only game in town for us. We've got the European Union discussion going on. You've got this RCEP agreement in South-east Asia, which up to now has been on a bit of a slow burn, but you might find the political will for that to pick up speed if TPP isn't going to proceed, and then even with TPP you'd sort of say the surprisingly positive attitude of Japan to moving ahead with a trade agreement that won't include the US.

**Media:** So is that going to be your priority realistically rather than pursuing that bilateral? And I know Minister McClay's going over, but do you see that as a more realistic option—renegotiating with the remaining partners?

**PM:** Well, look, it's very early stages, but from seeing the statements by Malcolm Turnbull, Prime Minister Abe, and the Prime Minister of Singapore, and our own view about it—would add up to making an effort to find out what we can do with TPP rather than just dropping it and waiting and hoping to get a call about a bilateral agreement some time.

**Media:** [*Inaudible*] your predecessor said that if the US didn't sign up for the TPP it would risk ceding some of its influence in the Pacific to China. Is that a view that you share, and, if so, is that something that the US should think about when it's, you know, getting involved in this region?

**PM:** Well that was one of the reasons that we advocated the agreement, so I do share the previous Prime Minister's view. I see a statement today by Senator John McCain to exactly that effect, so that's why I've indicated we be interested in preserving the option of TPP or finding other ways of encouraging the engagement of the US in the Asia-Pacific. And you can see that China hasn't been slow to spot the opportunity with President Xi giving a speech at Davos as an advocate of free trade. So I'd expect that we'll hear more from them on that.

**Media:** If the US isn't going to be part of TPP, why shouldn't New Zealand become more aligned with China?

**PM:** Well, we're not saying we shouldn't. The fact is we have developed quite rapidly a substantial trade relationship with China off the back of the free-trade agreement. They're a bigger trading partner than the US.

**Media:** Does our future align now with China?

**PM:** Well it always has to a significant extent. I think here you've got the additional overlay of, you know, the regional stability and regional leadership that the US has provided in the past. We've always been keen to see alignment of the trade and other interests with the US. It's just going to be a bit harder now.

**Media:** Wouldn't we be better off just waiting until Trump's gone? Because any bilateral deal with him would put America first. We'd have to give up on Pharmac and other bits and pieces. Wouldn't it be best just to stand back?

**PM:** Well, we've yet to see what they mean by "bilateral agreement", but it could mean all of those things, and if it did it wouldn't be that attractive. But in the meantime, I think you'll find with the other countries—you know, the indications and statements in the last few days is that any number of them feel pretty invested in it just for its economic benefit, but equally, I think, invested in it from the point of view of, kind of, common action that's going to help with the relationship with both China and the US, for different reasons. So there's quite a bit of investment in it, as we've been—New Zealand's been—very invested in it. So finding some kind of path with the TPP is something worth putting effort into.

**Media:** What do you make of President Trump's suggestion that if he does bilateral deals with countries like New Zealand, he'd might form a 30-day-out clause, basically, if we misbehave?

**PM:** Well, that's one aspect of it we would find unattractive.

**Media:** On the TPP, under the current agreement you need 85 percent of GDP, so you'd have to rewrite it. How much would that set it back in terms of—presumably, it would have to be reread by all the countries and so on.

**PM:** Well, look, these are questions we can't answer right now. The ratification processes are continuing in a number of countries, including here, so that's really—you know, the technical people have to tell us what changes would need to be made, and then we have to decide whether they're feasible or not feasible, I suppose. So you'll see that discussion unfold over the next 3 to 6 months. Certainly, it's a priority for us and for our trade Minister to get a read on the mood of the participants and to get as much technical advice as we can reasonably get, so we can make those sorts of decisions.

**Media:** But you're taking out the US market. I mean, you're losing, you know, almost two-thirds of the market there. Is it still worthwhile to pursue it, if there's smaller markets?

**PM:** Look, the, sort of, high-level advice is that it would be. Generally, we've found with our trade agreements, they can do better than the, sort of, official cost-benefit calculations. So for the reasons I've outlined, we maintain our interest. Yes, we think there's economic gain in it, but we've got to go back and, you know, check that. And we think, in the longer term interests of, you know, small open economies who want to wield—that's open to trade, then being able to make progress in this respect would be a good thing.

**Media:** But given that sort of tension there between the United States on one side and China on the other, could that kind of trade war be good for a trading nation like New Zealand, in that we have, you know, [*Inaudible*] with both sides having some interest in trading with us?

**PM:** Well, we wouldn't want to see a trade war in the usual sense of what it means, if people are erecting barriers and trying to outbid each other, in that respect. But if there's genuine interest from either China or the US in open trade arrangements, then we're always up for the discussion.

**Media:** You're interested in trade tension, in terms of having two competitors maybe bidding for countries?

**PM:** Well, the—I mean, the US has just opted out of that, so there isn't really two of them bidding, and we've yet to see what their alternative offer would be in the form of these bilateral deals. But the initial indications are that they'd be a bit of a challenge.

**Media:** On the other side of that coin, do you think that getting closer to China on trade might cause a little bit of friction with the US in some of the other aspects—namely, the military-type relationship—given the new administration?

**PM:** Look, I wouldn't want to prejudge what the US would think—even what they think about our current relationship with China, which is closer than most developed countries. So I think we've just got to wait and see how these things unfold. Clearly, they've made a judgment about the relevance of TPP to their traditional stability that they provide in the Asia-Pacific. It's the US judgment that they've made, and, as a small country, we just get to work with the effects of that.

**Media:** Has there been any progress upgrading the free-trade agreement with China? John Key talked about that last year.

**PM:** Yes, and he did a good job of negotiating with the Chinese Government to get started on that upgrade, but we need to see how the negotiations actually unfold.

**Media:** Is that something that would be more important to do—focus on—than trying to get a bilateral with America?

**PM:** Aspects of it will be more important to some industries. I suppose—it sits within a well-understood framework where there's been some real progress. The TPP represents bigger, long-term potential gains, which is why it's worth persisting with them. But, again, we've got to keep all this in the context of the wider range of trade agreements. I mentioned the EU one. The Gulf States is moving along positively by the look of it, and, you know, 2 or 3 years down the track, the possibility of a UK agreement.

**Media:** Just on the minimum wage, what sort of advice did you have on how many jobs would have been created if you had a lower minimum wage increase, because that minimum wage actually has increased more than productivity?

**PM:** Well, there's, just as I recall it, the papers referred to here, sort of a zone of about 1,500 jobs—that may or may not be in question. Now, in the context of an economy creating, you know, hundreds of thousands of jobs over a 2- or 3-year period, that's not large, but you do have to keep it in mind. You can see the logic that if the wages keep going up you'll get some kind of substitution of kiosks or whatever for people, and that's why we talk about the balance here—trying to get the balance. Even in the context of the argument for getting people off welfare, when they can see the minimum wages makes it worthwhile, that's more attractive, but making the jump is a bit harder.

OK? Thanks very much.

**Media:** Prime Minister, sorry, before you go I just wanted to ask you a quick couple of questions about the election date. Have you decided on a date and you just haven't made it public yet?

**PM:** No, it hasn't been finalised.

**Media:** So when will you discuss it with your caucus? Do you think you'll tell New Zealanders soon what the election date will be in the tradition of your predecessor?

**PM:** Yes, soon.

**Media:** How soon? Are you sort of talking days or weeks?

**PM:** Oh, in the next few weeks.

**Media:** Will you talk about it with your caucus on Wednesday?

**PM:** Yes.

**Media:** And as for Waitangi Day and your visit to the Hoani Waititi Marae, you realise it's a largely reggae concert that you'll be attending?

**PM:** I hadn't inquired over the musical content, but I'm told it's varied.

**Media:** Thank you.

**PM:** OK. Thanks.

**conclusion of press conference**