

Foreign Affairs, Defence and Trade Committee
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United Kingdom Free Trade Agreement Legislation Bill

ExportNZ welcomes the opportunity to submit on the United Kingdom Free Trade Agreement Legislation Bill. New Zealand has a long-standing relationship with the UK based on our shared history, common values and interests, and ongoing cooperation at all levels of government. A successful high-quality free trade agreement (FTA) between New Zealand and the UK will reduce barriers and give both economies a much-needed boost. ExportNZ is committed to continuing to provide our support for this bill.

We have attached our previous submission as the basis for this letter of support, but would like to take this opportunity to highlight the areas in which a FTA with the UK will benefit New Zealand's economic strategy:

- Instant elimination of 99.5 per cent of customs duties on several our major exports to the UK will lead to immediate cost-saving (approx. \$37 million) for our exporters and will instantly create new market opportunities for exporters of all sizes.
- The commitments included in the Agreement that will help facilitate access and regulatory requirements for service exporters.
- The provisions giving British investors in New Zealand parity with investors from New Zealand's other FTA partners.
- Implementing the UK-NZ FTA allows businesses, to open up new markets and spread their risk geographically.

ExportNZ believes that the UK-NZ FTA will help to level the playing field in sectors that have been to date at a disadvantage against many of our key competitors, as well as create significant new opportunities for New Zealand exporters. ExportNZ supports the ratification of the UK-NZ Free Trade Agreement.

Yours sincerely,

Joshua Tan
Senior Policy Advisor

Submission by



to the

Committee Secretariat
Foreign Affairs, Defence, and Trade Committee

on the

International Treaty Examination
of the UK-NZ Free Trade Agreement

13th March 2022

Introduction

Export New Zealand (ExportNZ) welcomes the opportunity to submit on the international treaty examination of the UK-NZ Free Trade Agreement (UK-NZ FTA).

Firstly, we would like to congratulate our trade negotiators and Minister Damien O'Connor on their work putting this agreement together. We acknowledge the long hours and early mornings New Zealand's negotiators had to endure, all the while dealing with a global pandemic and the barriers to travel to negotiate in-person with their British counterparts.

ExportNZ has long been on the record supporting free trade agreements and the benefits these types of agreements offer to our exporters and the wider business community. As evident throughout the Covid-19 pandemic, our export community (namely our primary industries) is an essential part of the New Zealand economy. The New Zealand government must do all it can to ensure our businesses can access various markets and have a fair playing field when doing so.

ExportNZ believes the UK-NZ FTA achieves these aims and **we support the ratification of the UK-NZ Free Trade Agreement.**

ExportNZ's submission will speak broadly about our support for the Agreement, but as a member of the New Zealand International Business Forum (NZIBF), we would also like to lend our voice to the comments made in their submission.

Motives for Support

Immediate Benefits for New Zealand Exporters

Goods Exports

ExportNZ considers the benefits from day one of the FTA coming into force to be considerable. We would agree with the statement made in the National Interest Analysis that the agreement "*contains some of the best market access outcomes of any of New Zealand's FTAs*".

Instant elimination of 99.5 per cent of customs duties including on a number of our major exports to the UK will lead to immediate cost-saving (approx. \$37 million) for our exporters and will instantly create new market opportunities for exporters of all sizes.

We note the "win" for New Zealand's wines industry from day one. Wine is New Zealand's largest export to the UK and the UK is our wine industry's second-largest market. Once the agreement comes into force, tariffs (currently to the tune of \$14 million) will be lifted and New Zealand wines will be given a level playing field to compete with other international brands. This presents New Zealand wines a prime opportunity to grow their market in the UK and potential the rest of Europe.

We also note the high quality market access outcomes for our dairy industry. Some tariffs will be removed from day one of the agreement with other tariff removals (except butter and cheese) coming within three years. Butter and cheese will also have

access to larger tariff-free quotas - cheese (starting at 24,000MT and growing to 48,000MT), and butter (starting at 7,000MT, increasing to 15,000MT) over a five year period. A significant and meaningful benefit to the dairy industry that presents them with an opportunity to grow their UK market, and provides a useful benchmark for future FTAs, including those currently under negotiation with the EU.

The UK is an important market for several other major goods New Zealand exports. Meat, apples, kiwifruit, honey, and seafood exporters will all gain better access to the UK market from this agreement. These sectors are spread out around New Zealand and can often reach the smallest communities. Modern and forward-thinking free trade agreements like the UK-NZ FTA can serve as an activator for regional economies.

Long-term Benefits for New Zealand Exporters

Services Exports

ExportNZ welcomes the commitments included in the Agreement that will help facilitate access and regulatory requirements for service exporters. We note especially, the chapter on domestic regulation for services which will ensure licensing and qualification requirements are transparent, non-discriminatory, and are not unduly burdensome.

This will serve to benefit New Zealand service exporters in the UK, but will also benefit New Zealand domestically as it opens the door for more British service providers to enter the New Zealand market. Having high-quality providers in-market is vital to inspiring and developing the next generation of New Zealand tech, creative, and professional service businesses and business leaders.

Foreign Direct Investment

ExportNZ supports the provisions giving British investors in New Zealand parity with investors from New Zealand's other FTA partners. We hope that these provisions will encourage more cross border investment with British counterparts.

ExportNZ acknowledges that there is no Investor-State Dispute Settlement (ISDS) mechanism included in this agreement. While the New Zealand Government has raised issues with ISDS clauses in the past, ExportNZ does not support this position. Nevertheless, ExportNZ supports the provisions included in the investment chapters.

Independent economic analysis for GDP

Independent economic modelling has projected a boost to New Zealand's annual real GDP by between NZ\$710 million and NZ \$970 million once the agreement is fully implemented. Given the relatively short implementation period, these benefits to the New Zealand economy will be realized fairly quickly.

New Zealand's exports to the UK are also projected to increase by 40 per cent. These are substantial numbers and given the fact the UK is already our 6th largest trading partner overall, it would be of significant benefit to the overall New Zealand economy.

Why Does New Zealand Need this FTA?

Te Ōhanga Māori

ExportNZ acknowledges the special relationship between Māori and the UK and we support the inclusion of a chapter in the FTA specifying cooperation between the British and New Zealand governments to enable and advance Māori economic aspirations and wellbeing.

ExportNZ has long acknowledged the benefits to Māori businesses and exporters from FTA given they are a large shareholder in New Zealand's agriculture, forestry, fishing, and horticulture sectors – sectors where the largest tariffs removals or decreases are applied.

According to the Ministry of Foreign Affairs:

*"Māori own a significant proportion of assets in the primary sectors: 50% of the fishing quota, 40% of forestry, 30% in lamb production, 30% in sheep and beef production, 10% in dairy production and 10% in kiwifruit production. Products from these sectors typically face the highest tariffs in our export markets."*¹

Benefits to the Māori economy are a significant benefit to the rest of the New Zealand economy as Māori do not tend to sell their assets – they re-invest for future generations. ExportNZ hopes that over time Māori businesses will become world-leading, New Zealand based, multi-nationals (investing here and overseas).

We note that an Indigenous Trade Reference Group advised during the development of this chapter, we welcome increasing participation by Māori businesses and traders in trade initiatives.

Market Options

New Zealand must continue to cast its net far and wide when it comes to free trade agreements. While ExportNZ acknowledges that most of New Zealand's trade will continue to take in the Asia-Pacific region given our proximity to those markets, and these markets offer ample opportunities, exporters are best served when they have options.

Implementing the UK-NZ FTA allows businesses, to open up new markets and, where necessary, to mitigate any risks.

Open Economies and the Rules-Based System

Additionally, in a time of heightened geopolitical uncertainty with threats of trade wars breaking out, these sorts of high-quality, rules-based trade agreements that can be

¹ https://www.mfat.govt.nz/assets/Trade-agreements/UK-NZ-FTA/The-Maori-Economy_2.pdf

enforced are very important for New Zealand. Without an internationally respected rules-based system like the WTO, we are a vulnerable economy, especially when trade tariffs tend to be in place on our most exported products (particularly agriculture). These multilateral agreements reinforce international trade values make trade fair regardless of the size of the economy.

Implementing the Trade for All Agenda

As a member of the Trade for All Advisory Board, ExportNZ welcomes steps to address the issues in trade and export which contribute to unrealised potential or uneven outcomes among certain groups, including women and small to medium-sized enterprises (SMEs). ExportNZ welcomes the inclusion of provisions that address these issues.

Yours Sincerely

Joshua Tan
Senior Policy Advisor
ExportNZ

ABOUT EXPORT NEW ZEALAND

ExportNZ is a national industry association representing a diverse range of exporters throughout New Zealand. ExportNZ is a division of BusinessNZ, New Zealand's peak business advocacy body.

We are a membership organisation and across our two brands have approximately 2,000 export members. We also have four regional partners: Employers Manufacturers Association (Upper North Island), Business Central (Lower North Island), Canterbury Employers Chamber of Commerce (Upper South Island) and Otago Southland Employers Association (Lower South Island) which between them represents the bulk of manufacturers in New Zealand.

Our value proposition for members is a mixture of policy and advocacy, education and training, networking, trade missions and inspiration through awards events and conferences. Notably, we run a BusinessNZ Chief Technology Officers Group, incorporating the largest innovation-driven companies in New Zealand, many of which export.

Division Brands

