

NEW ZEALAND – CHINA FTA FACT SHEET

PATH TO THE NEW ZEALAND – CHINA FREE TRADE AGREEMENT



The New Zealand–China Free Trade Agreement (FTA) represents a significant milestone in the relationship between New Zealand and China. While the process relating to the FTA began in 2003, the New Zealand – China relationship goes back much further, to 1972 when diplomatic relations between our two countries began.

In recent years the bilateral relationship with China has strengthened and deepened across the political, economic and people-to-people level. As a global and regional power and now New Zealand's third-largest trading partner, China has become increasingly important to us as a bilateral, regional and multilateral partner.

Both New Zealand and China are committed to strengthening the multilateral system and promoting regional economic development. Both are members of the World Trade Organisation (WTO) and the Asia Pacific Economic Cooperation Forum (APEC).

The decision to begin negotiations on a bilateral free trade agreement came in November 2004 following a joint feasibility study which determined that there would be demonstrable benefit to both countries in entering an FTA.

15 rounds of negotiation were then held between late 2004 and late 2007. The FTA was signed on 7 April 2008 in Beijing.

Alongside the FTA, China and New Zealand concluded a binding Environment Cooperation Agreement and a binding Memorandum of Understanding on Labour Cooperation.

WHY ENTER INTO THE FTA?

The FTA is a means of creating greater opportunity for businesses but also as a means to strengthen our bilateral relationship. The FTA also offers additional value to New Zealand through:

- Removing barriers to trade in goods and services and to investment
- Establishing a framework for resolving trade and investment issues that may arise in the future
- Broadening and deepening relations between New Zealand and China
- Strengthening economic integration in the Asia-Pacific and multilaterally.

On a commercial basis, the FTA has the potential to offer significant benefits to both countries. Modelling undertaken as part of the Joint Study Report indicated that between 2007 and 2027:

- New Zealand exports to China are expected to be between US\$180-280m higher per year
- Chinese exports to New Zealand are expected to increase by an annual average of between US\$40-70m.

KEY OUTCOMES OF THE FTA



GOODS

For New Zealand's exports to China:

- The FTA provides for elimination over time of tariffs on 96% of New Zealand's current exports to China. On full implementation this will equate to an annual duty saving of NZ\$115.5 million based on current trade
- On entry into force, 35% of imports from New Zealand will be duty-free
- Duties on a further 31% of China's imports from New Zealand will be phased out over five years
- Remaining Chinese tariffs will be phased out by 1 January 2019
- By the end of the tariff phase-out period, tariffs on all but \$80 million of current trade will have been eliminated.

For Chinese exports to New Zealand:

- The FTA provides for elimination over time of all tariffs on China's exports to New Zealand. 37% of trade is already duty-free
- Over 70% of Chinese imports to New Zealand will be duty-free after 5 years. Longer tariff phase out programs apply to textile, apparel, footwear and carpet sectors
- All New Zealand tariffs on products from China will be phased to zero by 2016.

The FTA contains rules to determine which goods qualify for tariff cuts (the 'Rules of Origin') as well as rules to counter unfair trade or unexpected surges in imported goods from the other country.

MEASURES TO IMPROVE THE BUSINESS ENVIRONMENT

The FTA contains measures relating to customs procedures and cooperation, sanitary and phytosanitary measures, technical barriers to trade and intellectual property, designed to reduce barriers to doing business between New Zealand and China.

The FTA establishes a framework for cooperation in these areas. The objective is to build on the existing cooperative relationship and create new opportunities for both countries.



CONFORMITY ASSESSMENT OF ELECTRICAL AND ELECTRONIC EQUIPMENT

The FTA includes a Mutual Recognition Agreement on Electrical and Electronic Equipment (EEEMRA), which will facilitate conformity assessments of a significant proportion of electrical and electronic products traded between New Zealand and China.

SERVICES

The FTA aims to reduce barriers to businesses carrying out trade in services between New Zealand and China. Services cover areas such as tourism, education, construction and transport.

In specified service sectors (and subject to any specified limitations):

- Service suppliers from each country will be treated no less favourably than domestic suppliers in similar circumstances
- There will be no restriction to market access in the form of limitations on foreign capital, on the number of service suppliers or operations, the value of services or on the legal structure used
- Service suppliers from each country will automatically receive the benefit of additional commitments which the other country makes in future FTAs (but not the commitments made under existing FTAs).

For business visitors in both countries the FTA will also mean more timely and transparent visa processing and will allow for an extended maximum stay for business visitors in specified sectors.

TEMPORARY EMPLOYMENT ENTRY TO NEW ZEALAND FOR CHINESE SKILLED WORKERS

The FTA provides temporary entry rights for a limited number of Chinese skilled workers (a maximum of 1,800 at any one time) to the New Zealand labour market provided they:

- Meet certain qualifications and work experience requirements and have a bona fide job offer; and
- Qualify under specified occupations with Chinese characteristics (traditional Chinese medicine practitioners, Chinese chefs, Mandarin teaching aides, Chinese “Wushu” martial arts coaches or Chinese tour guides); or
- Are in specified occupations included on New Zealand’s long term skills shortage list.





INVESTMENT

The FTA provides enhanced in-country protections for investors and access to binding arbitration procedures. More favourable provisions negotiated by either country in future FTAs with third parties will be extended to the other country.

DISPUTE SETTLEMENT

The FTA establishes robust dispute settlement mechanisms and contains protections to preserve both countries' domestic regulatory and policy-making flexibility.

TREATY OF WAITANGI

The FTA (as in other FTAs between New Zealand and other countries) contains a specific provision whereby New Zealand maintains its rights to take measures it deems necessary to accord more favourable treatment to Māori in fulfilment of its obligations under the Treaty of Waitangi.

LABOUR COOPERATION MEMORANDUM OF UNDERSTANDING

In addition to the FTA, a binding Memorandum of Understanding on Labour was signed with the intention of improving understanding of labour matters, encouraging dialogue, and to promoting sound labour policies and practices.

ENVIRONMENT COOPERATION AGREEMENT

A binding agreement on environment cooperation was also signed in addition to the FTA with the aim of encouraging sound environmental practices and improving the capacity of each country to address environmental matters through cooperation and dialogue.

WORKING HOLIDAY SCHEME

Alongside the FTA, New Zealand has established a working holiday scheme with China, similar to schemes it has with other countries. The scheme provides for a maximum of 1000 skilled Chinese per year to enter New Zealand and engage in tourism and temporary employment.

FURTHER INFORMATION

Further detailed information on the New Zealand-China FTA can be found on the dedicated FTA website www.ChinaFTA.govt.nz.

This website contains the full text of the FTA and accompanying documents, as well as a detailed breakdown and guide to the agreement. The website also has tools including a tariff finder, to assist New Zealand and Chinese businesses take advantage of the FTA.